

**UNESCAP-WTO Regional Workshop on Graduation
for LDCs in Asia**
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LDC Graduation – Criteria and Process

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Graduation as a development objective

- Aim in Istanbul Programme of Action: enable half of the LDCs to meet the graduation criteria by 2020
- An increasing number of LDCs are including graduation as a goal in their national development strategies
- There are both challenges and opportunities
- Challenge: loss of LDC-specific preferences and other benefits linked to LDC status
- Opportunities: increased income and socio-economic progress improve creditworthiness and potentials for investment



Outline

- The LDC category and criteria for graduation
- Graduation process
- Smooth transition strategy



The Least Developed Country (LDC) category

- The category of LDCs was officially established in 1971 by the UN General Assembly
- Recognition of the need for special measures for the least developed among the developing countries
- Current number of LDCs: 47
 - 33 in Africa, 9 in Asia, 1 in the Caribbean, 4 in the Pacific
 - Five countries have graduated from LDC status since the establishment of the LDC category in 1971
 - Botswana (1994) Cabo Verde (2007), Maldives (2011), Samoa (2014), Equatorial Guinea (2017)



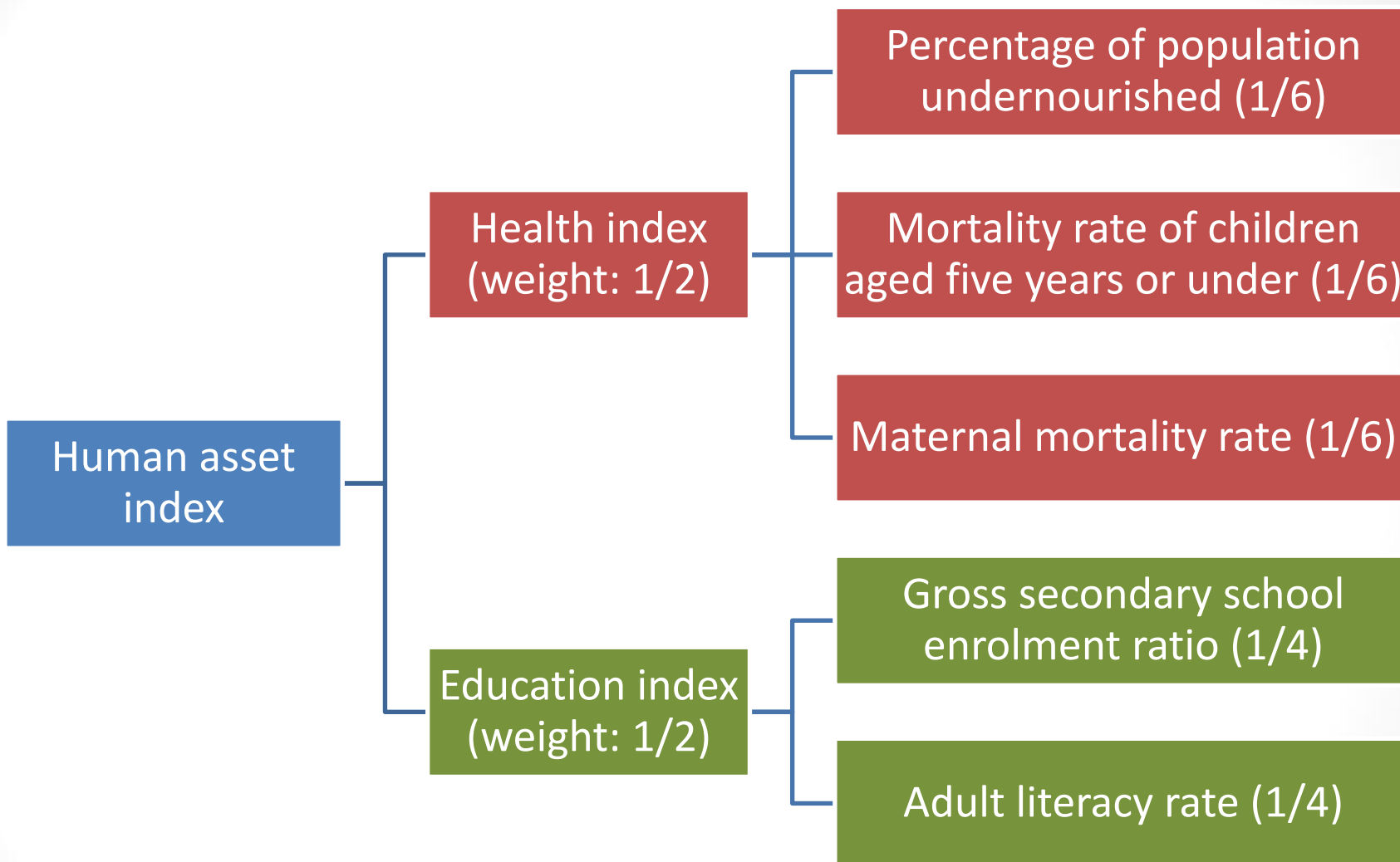
Identification of LDCs eligible for graduation

- The identification of countries for inclusion and graduation from the LDC category is based on three main criteria:
 - Income, human assets and economic vulnerability
- Graduation thresholds: 2018 Triennial review

 Gross National Income (GNI) per capita	 Human Assets Index (HAI)	 Economic Vulnerability Index (EVI)
GNI per capita: \$1,230 or above Income-only: \$2,460 or above	66 or above	32 or below

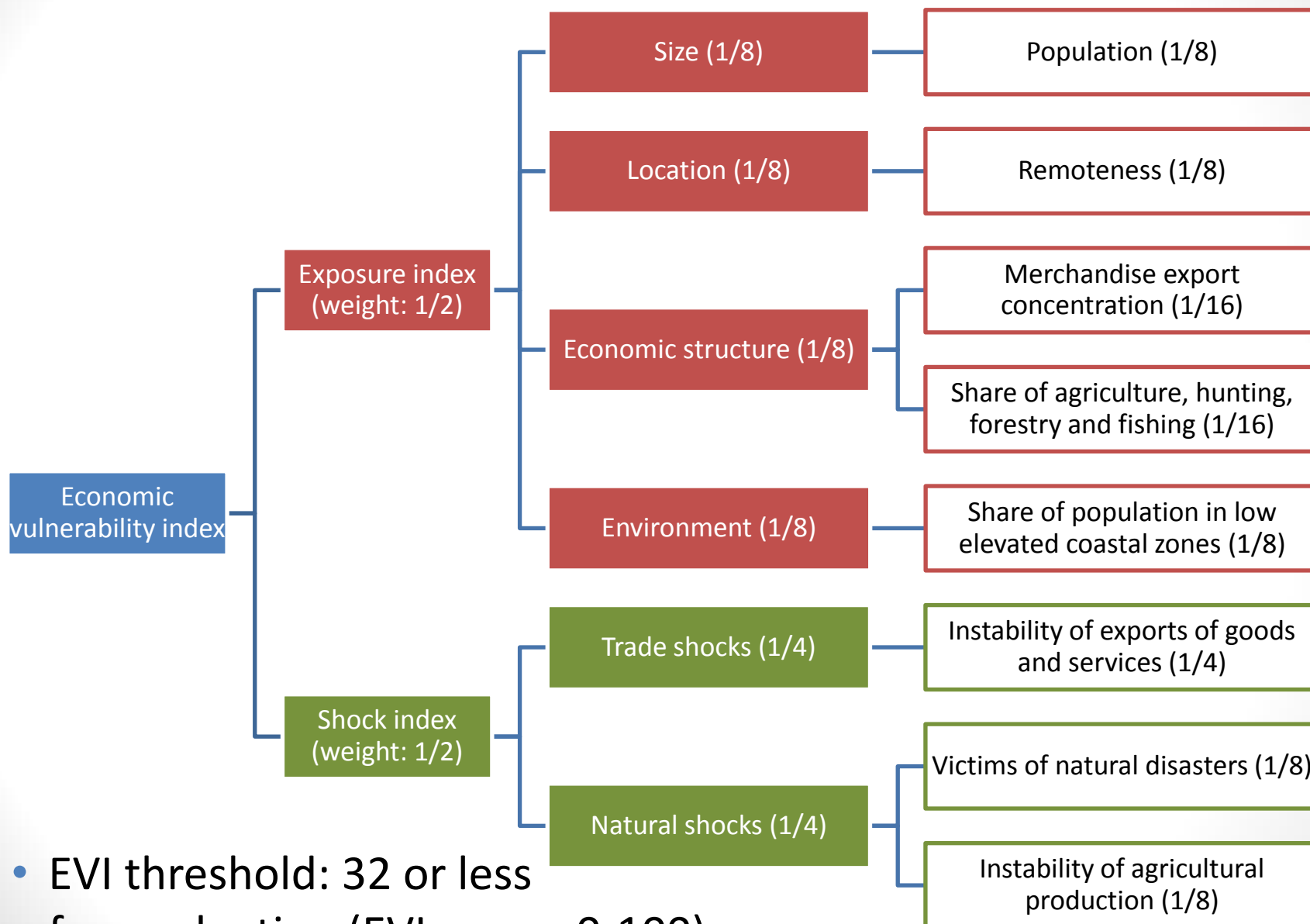
- Two possibilities to become eligible for graduation
 - Meet two out of three thresholds for graduation at two consecutive triennial reviews
 - Income-only criterion: GNI per capita is at least twice the graduation threshold in two consecutive triennial reviews

Human Asset Index (HAI)



- HAI threshold: 66 or more for graduation (HAI range: 0-100)

Economic Vulnerability Index (EVI)



- EVI threshold: 32 or less for graduation (EVI range: 0-100)

12 LDCs meet the eligibility criteria for graduation

	GNI p.c. (US\$, 2014-16 avg.)	Human assets	Economic vulnerability
<i>Graduation threshold</i>	≥ 1,230	≥ 66	≤ 32
<i>On graduation path since 2015</i>			
Angola (graduating in 2021)	4,477	52.5	36.8
Vanuatu (2020)	3,014	78.5	47
<i>2nd time eligible in 2018, started graduation path</i>			
Bhutan (2023)	2,401	72.9	36.3
Sao Tômé and Príncipe (2024)	1,684	86	41.2
Solomon Islands (2024)	1,763	74.8	51.9
<i>Consideration of graduation recommendation deferred by UN ECOSOC</i>			
Kiribati	2,986	84	73.7
Tuvalu	5,388	90.1	55.6
<i>2nd time eligible in 2018, not recommended for graduation by UN CDP</i>			
Nepal	745	71.2	28.4
Timor-Leste	2,656	66.6	56.8
<i>1st time eligible in 2018</i>			
Bangladesh	1,274	73.2	25.2
Lao PDR	1,996	72.8	33.7
Myanmar	1,255	68.5	31.7

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Graduation process

- The Committee for Development Policy (CDP), a subsidiary body of the Economic and Social Council (ECOSOC), is responsible for the identification of LDCs
- Triennial reviews of the LDC list by the CDP
 - The CDP advises ECOSOC on which LDCs should be added to or graduated from the LDC list
 - An LDC is recommended by the CDP for graduation if it meets the graduation criteria at two consecutive reviews
 - Complementary country-specific information and views of government are also taken into account



Graduation process - time-frame

Year 0

- First triennial review: LDC meets graduation criteria for the first time

Year 0-3

- Vulnerability profile (UNCTAD) and ex-ante impact assessment (UN DESA) created

Year 3

- Second triennial review: LDC meets graduation criteria for the second time
- CDP recommends graduation, ECOSOC endorses, UN GA takes note

Year 3-6

- Graduating LDC prepares a smooth transition strategy (supported by UN system and in cooperation with development and trading partners)

Year 6

- Graduation becomes effective

Year 6+

- Development partners support the implementation of transition strategy and seek to avoid abrupt reduction of LDC-specific support

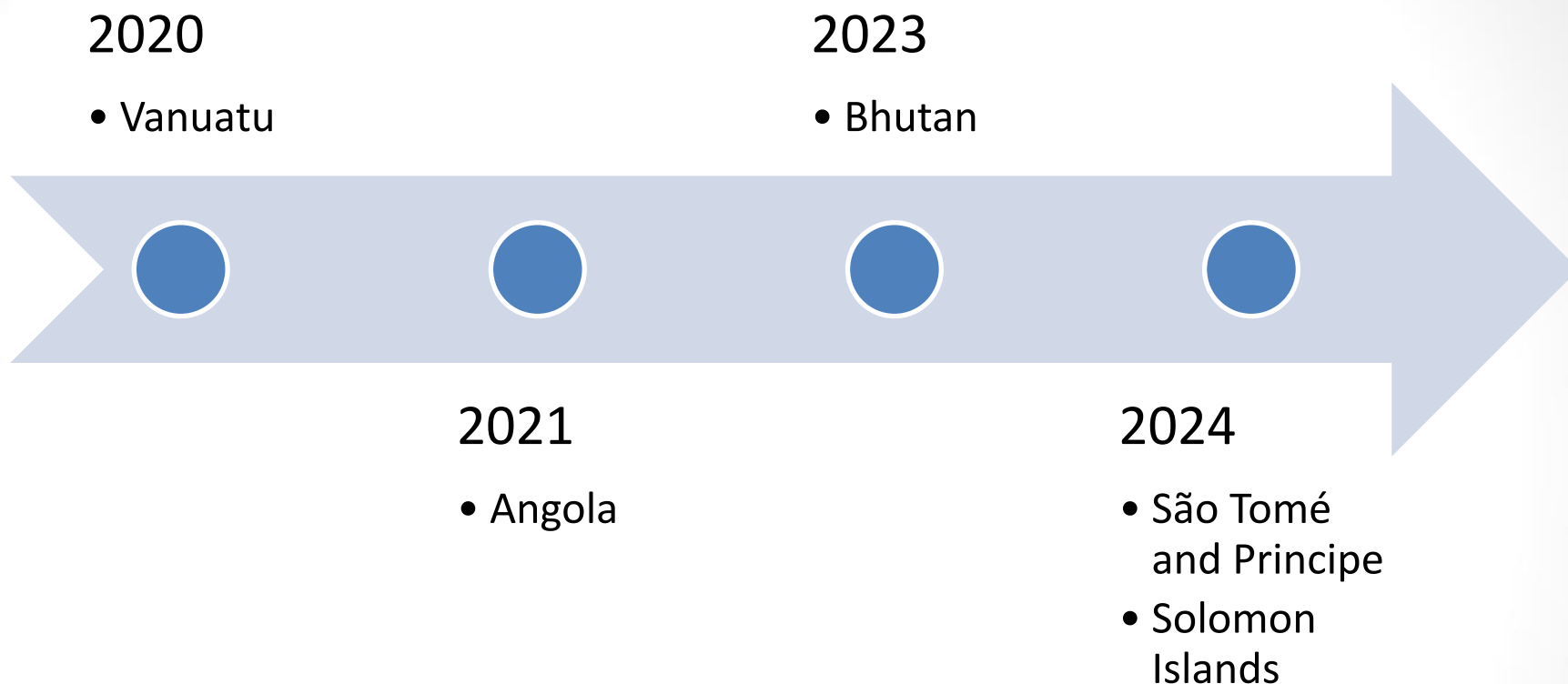


CDP Triennial Review – March 2018

- 5 LDCs recommended for graduation by CDP
 - Bhutan, São Tomé and Príncipe, Solomon Islands, Kiribati and Tuvalu
- 2 LDCs eligible, but not recommended for graduation
 - Nepal and Timor-Leste
- 3 LDCs eligible for graduation for the first time
 - Bangladesh, Lao PDR and Myanmar
- On 24 July 2018, UN ECOSOC deferred consideration of the recommendation for Kiribati and Tuvalu to no later than 2021
- On 13 December 2018, the UN General Assembly took of the recommendations by CDP to graduate Bhutan, São Tomé and Príncipe and Solomon Islands



Graduation timeline



- If recommended for graduation at Triennial Review in 2021, Bangladesh, Lao PDR, Myanmar, Nepal and Timor-Leste could graduate in 2024 (earliest date)

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Smooth transition strategy

- Preparation of smooth transition strategy during the three year period before graduation
- Implemented only after the effective graduation of the country
- Purpose of smooth transition strategy
 - Prevent that graduation disrupts development progress of graduated country
 - Focus on expected implications of loss of LDC status and associated special support measures
 - Identify actions to be taken by the graduating country as well as development and trading partners



Smooth transition strategy

- Transition strategy to be prepared by graduating country
 - in cooperation with development and trading partners (establish a “consultative mechanism”)
 - with the support of the UN system
- Format of transition strategy and length of transition period varies from country to country
 - Samoa considered the implementation of its national development strategy as the best transition strategy
- The CDP monitors the development progress of graduated countries for a period of 10 years



International Support Measures

- Smooth transition strategy addresses implications from loss of international support measures (ISMs)
- Three broad categories of ISMs for LDCs
 - Official development assistance (ODA)
 - Includes Aid for Trade
 - Not all international organizations and financing institutions use the LDC category and criteria for aid and credit allocation
 - Trade measures
 - Trade preferences and flexibilities under WTO rules
 - Participation in international forums
 - Travel support
 - Caps and discounts for financial contributions to UN agencies



Thank you!

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