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
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

<table>
<thead>
<tr>
<th></th>
<th>Human Assets Index (HAI)</th>
<th>Economic Vulnerability Index (EVI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross National Income (GNI) per capita: $1,230 or above</td>
<td>66 or above</td>
<td>32 or below</td>
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<tr>
<td>Income-only: $2,460 or above</td>
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• 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)

- **Health index (weight: 1/2)**
  - Percentage of population undernourished (1/6)
  - Mortality rate of children aged five years or under (1/6)
  - Maternal mortality rate (1/6)

- **Education index (weight: 1/2)**
  - Gross secondary school enrolment ratio (1/4)
  - Adult literacy rate (1/4)

**HAI threshold**: 66 or more for graduation (HAI range: 0-100)
Economic Vulnerability Index (EVI)

- **Exposure index** (weight: 1/2)
  - Size (1/8)
  - Location (1/8)
  - Economic structure (1/8)
  - Environment (1/8)

- **Shock index** (weight: 1/2)
  - Trade shocks (1/4)
  - Natural shocks (1/4)
  - Merchandise export concentration (1/16)
  - Share of agriculture, hunting, forestry and fishing (1/16)
  - Share of population in low elevated coastal zones (1/8)
  - Instability of exports of goods and services (1/4)
  - Victims of natural disasters (1/8)
  - Instability of agricultural production (1/8)

**EVI threshold:** 32 or less for graduation (EVI range: 0-100)
12 LDCs meet the eligibility criteria for graduation

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

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- Smooth transition strategy
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 Principe, 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 Principe and Solomon Islands
Graduation timeline

2020
• Vanuatu

2021
• Angola

2023
• Bhutan

2024
• São Tomé and Principe
• Solomon Islands

- 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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