

LDCs and Their “Graduation”

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“Leave no one behind – these four words are the promise at the heart of the 2030 agenda for Sustainable Development. This is the principle this UN body committed to... Today, not only do smaller Nations and younger democracies like Malawi still feel left behind but feel much farther behind than before.”

- [Lazarus Chakwera, President of Malawi at the 77th UNGA General Debate](#)

The UN established the category of least developed countries (LDCs) in 1971, as many developing countries were navigating a path to development in the post-colonial period. The classification identified specific development challenges faced by these countries. As the [UN ECOSOC Committee for Development Planning](#) (renamed in 1998 Committee for Development Policy - CDP) acknowledged in 1971:

“[w]hile developing countries as a group face more or less the same general problems of underdevelopment, the difference between the poorest and the relatively more advanced among them is quite substantial.... The least developed among them cannot always be expected to benefit fully or automatically from such general measures adopted in favour of all developing countries. Some special supplementary measures are therefore called for to remove the handicaps which limit the ability of the least developed countries to derive significant advantages from the Second United Nations Development Decade.”

Criteria for the LDC classification and to “graduate” out of that classification have evolved over the last 50 years, as has the number of countries so designated. The path to graduation has become, implicitly and explicitly, a measure of successful development. There have been [different iterations of graduation criteria](#), with multivariate indices to better capture the complexity of development progress in LDCs. The evolution continues as the CDP – primarily responsible for determining these criteria – adopted a work plan to evaluate the process at its [2022 annual meeting](#). The CDP is a 24-member subsidiary body of the United Nations Economic and Social Council (ECOSOC) set up to provide independent advice to the Council on development policy issues.

Concomitantly, UN Member States adopted the fifth decade-long blueprint for LDC development in March 2022: the Doha Programme of Action (DPoA). To address the graduation challenges, the DPoA established targets that “i. enable 15 additional LDCs to meet the criteria for graduation by 2031. ii. Improve the scope, where necessary, and use of smooth transition measures and incentives for all graduating LDCs. iii. Provide specific support measures to recently graduated countries for making the graduation sustainable and irreversible” (para 312). It also welcomed the establishment of a [Sustainable Graduation Support Facility](#) “as a concrete country-led solution of dedicated capacity development support” (para 319).

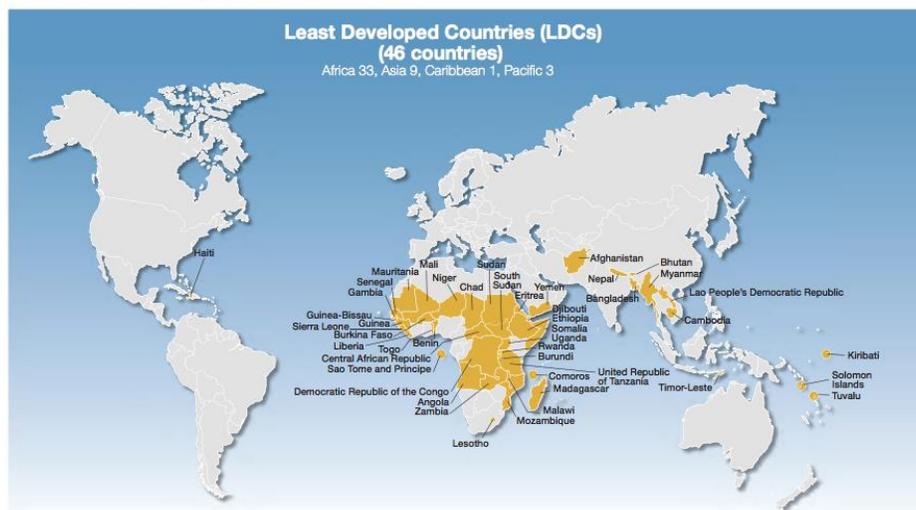
To date, there have been four UN conferences to support LDC development. The fifth LDC Conference (LDC5) scheduled to take place in Doha, Qatar in January 2022 was split into two parts due to the impact of COVID-19: 17 March 2022 for the formal adoption of the DPoA and 5-9 March 2023 for the five-day conference in Doha. The rescheduled fifth LDC Conference in 2023 provides a timely occasion to plan a quality review of the implementation of the DPoA that extends beyond ticking off a mid-term checklist as well as evaluating the relevance and quality of the metrics used, and support required on the path to graduation.

This briefing is a backgrounder on the dynamics of the graduation process from the LDC category. It addresses the developments, challenges and possible next steps of a process that provides either a path or a roadblock for sustainable development in LDCs.

Six key focus areas of the Doha Programme of Action to support sustainable graduation:

- Eradicating poverty and building capacity to leave no one behind
- Leveraging the power of science, technology, and innovation to fight against multidimensional vulnerabilities and to achieve the Sustainable Development Goals
- Supporting structural transformation as a driver of prosperity
- Enhancing International trade of least developed countries and regional integration
- Addressing climate change, environmental degradation, recovering from the COVID-19 pandemic, and building resilience against future shocks for risk-informed sustainable development
- Mobilizing international solidarity, reinvigorated global partnerships and innovative tools and instruments: a march towards sustainable graduation

Map of least developed countries in 2021



Source: United Nations Conference on Trade and Development (UNCTAD), *The Least Developed Countries Report 2021 – The least developed countries in the post-COVID world: Learning from 50 years of experience* (United Nations publication, 2021).

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

When the LDC category was created in 1971, the number of LDC countries defined as those with GNI below US \$2018 was 25. By 2003, the number had grown to 50, and soon thereafter to 52. By 2020, only six countries had graduated: Vanuatu (2020), Equatorial Guinea (2017), Samoa (2014), Maldives (2011), Cabo Verde (2007) and Botswana (1994), leaving 46 countries still in the group. Over the last two

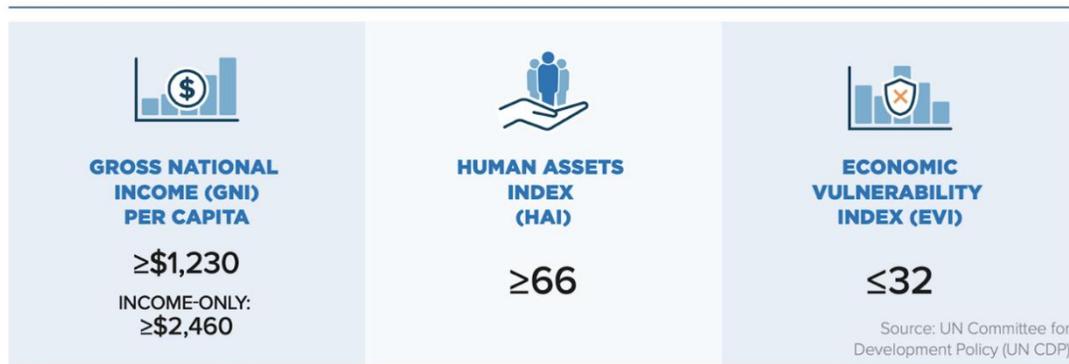
decades, LDCs have made considerable progress in reducing poverty and improving structural development. LDCs have also implemented effective policies to prevent the severe spread of COVID-19 within their countries.

The [2021 State of the LDCs OHRRLLS Report](#) outlined progress LDCs had made in a number of target areas of the [Istanbul Programme of Action \(IPoA\), that was adopted in 2011](#). These include: access to information and communications technology (ICTs); sustainable energy; health; education; gender; and governance. However, the pandemic hampered the development gains of the IPoA, along with the progress toward graduation. Additionally, a number of targets remain unmet, with gaps between the LDCs and other developing countries [continuing to increase](#), calling into question the very definition of development and the concept and criteria of their graduation.

LDC Designation and Graduation

The CDP, mandated [since 1998](#) to review the progress of LDCs and determine graduation readiness, undertakes such a review triennially. Following a comprehensive review in 2020, the CDP refined LDC graduation criteria so that currently, LDCs must meet a HAI of 66 or above, an EVI of 32 or below, a GNI per capita of US\$1,230 or above (US\$2,460 for an income only criterion), across two triennial reviews to qualify for graduation. Graduation does not have to be approved by the LDCs but does take country concerns into consideration.

Graduation Criteria:



A country that meets 2/3 graduation criteria during 2 consecutive triennial reviews of the UN CDP is recommended for graduation.

Alternatively, a country may be considered for graduation if its income per capita is 2x the income threshold.

International Support Measures for LDCs

Unlike the Low-Income Countries designation of the Bretton Woods Institutions, the UN category approach includes commitments of the LDCs, and crucially, of their “development partners” in the form of [International Support Measures \(ISMs\)](#). LDC specific support measures are centered on three targets: international trade, development cooperation, and participation in international forums. Following are some of the support measures which graduation from the LDC category impacts, altering the amount and types of support offered during and after graduation.

- **Official Development Assistance (ODA)** is a critical source of external financing for LDCs, and for many of them the largest source of external public finance. However, commitments have consistently been unmet and, according to UNCTAD, reduce “aid effectiveness and the building of

LDC state capacity to deliver on the PoAs and other development goals”. As described in the [CDP’s Handbook on LDCs](#), “ODA includes grants, ‘soft’ loans and the provision of technical assistance, and can be provided bilaterally, from donor to recipient, or channelled through multilateral organizations such as the United Nations or the World Bank. LDCs received 24 per cent of total ODA disbursed by DAC countries in 2018-2019.” Nevertheless, the quantity and quality of commitments varies markedly from the providers of ODA, affecting the grant element and untied aid, for example.

- The **United Nations Development Fund (UNDF)** provides several financial resources dedicated to LDCs; however, graduation can affect the amount and loan terms of these resources as well.
- Countries will lose access to the **LDC Fund** under the **Global Environmental Facility** upon graduation, reducing their access to climate financing.
- Graduating LDCs are also expected to transition out of the **Global Alliance for Vaccines and Immunization**: Angola and Bhutan, expected to graduate in 2024, have already transitioned out of the Global Alliance, while São Tomé and Príncipe and the Solomon Islands are in the alliance’s accelerated transition phase.
- The **Technology Bank for LDCs**, established in 2018, assists countries in the production of research, capacity development and strengthening academies of science within LDCs. Graduating countries lose access to the bank after five years.
- The **Enhanced Integrated Framework (EIF)** supports LDCs by providing assistance in national planning and implementation strategies that build trade capacities that drive development and facilitate a smooth integration into the global trading system. Like the Technology Bank, graduating LDCs lose access to EIF support after a five-year period, on top of the phasing out of preferential treatments under WTO rules, such as duty-free and quota-free market access.
- The **United Nations Capital Development Fund (UNCDF)** offers LDCs “last mile” finance methods to unlock public and private resources to support economic development. Post-graduation, UNCDF financing is provided for another three years. UN organizations and conventions ensure that LDCs are eligible for travel benefits to maintain their participation in LDC processes; but these too are limited to three years after graduation.

List of least developed countries by graduation status

With scheduled graduation date where available

Group	Countries (with scheduled graduation date, where available)	Criteria met
Graduating countries	Angola (12/2/2024)	Income only
	Bhutan (13/12/2023)	Income-only; GNI per capita, HAI, EVI
	Sao Tome and Principe (13/12/2024)	GNI per capita, HAI, EVI
	Solomon Island (13/12/2024)	GNI per capita, HAI
Countries recommended for graduation before 2021	Kiribati	Income only; GNI per capita, HAI
	Tuvalu	Income only; GNI per capita, HAI
Countries considered for graduation in 2021	Bangladesh	GNI per capita, HAI, EVI
	Lao People’s Democratic Republic	GNI per capita, HAI, EVI
	Myanmar	GNI per capita, HAI, EVI
	Nepal	HAI, EVI
	Timor-Leste	GNI per capita, HAI
Countries meeting the eligibility criteria for the first time	Cambodia	GNI per capita, HAI
	Comoros	GNI per capita, HAI
	Djibouti	Income only
	Senegal	GNI per capita, HAI
	Zambia	GNI per capita, HAI
Remaining LDCs	30 countries	

Source: Committee for Development Policy secretariat.

COVID-19 and LDC Graduation

According to [UNCTAD's 2021 LDC Report](#), “[as] the economies of ODCs [other developing countries] and developed countries recover from the pandemic shock, many LDCs risk being left behind... and face a risk of a lost decade of development and of remaining on the margins of the global economy. They may spend the coming years just trying to recover from the COVID-19 shock and eventually achieve little real progress on the Sustainable Development Goals during the 2020s.”

In light of the ongoing COVID-19 pandemic, the CDP in their 2021 triennial review approved an additional five-year preparatory period for four countries scheduled to graduate from the LDC category: Bhutan in 2023, and [Angola](#), São Tomé and Príncipe and Solomon Islands in 2024. The five-year extension will allow for a fuller analysis in the 2024 triennial review, on the effectiveness of this period in managing the impact of the pandemic, or whether another extension is needed. The CDP identified Bangladesh, Lao People’s Democratic Republic and Nepal for graduation in 2026, but recommended deferral of Myanmar and Timor-Leste until 2024. Similarly, while the CDP endorsed Kiribati and Tuvalu for graduation, ECOSOC deferred decision until 2024. Cambodia, Comoros, Djibouti, Senega and Zambia all met the graduation criteria for the first time; if they meet the thresholds for a second triennial review in 2024, they will be considered for graduation by the CDP.

Despite the lack of data on the full impact of the pandemic, neither ECOSOC nor the CDP had originally postponed the 2021 Triennial Review. In an October 2020 letter, Third World Network, a global civil society organization based in Malaysia, urged Ambassador Ligoya of Malawi to request a deferral for the 2021 CDP Triennial Review. The letter highlighted “the gigantic impact of the crisis and the inability to assess the totality of impacts at this point, [making] the Review rather presumptive and at the least unscientific. The review will be based on data up to 2019 with, at best, limited data on COVID-19 impacts in 2020. This will not even begin to catch the full impact of the crisis on LDCs that may be recommended for graduation.”

To address the pandemic’s lopsided impacts on LDCs found in its 2021 Triennial Review, the CDP identified three critical adjustments for successful graduation amid the crisis: an extended preparatory period of five years to address the health and economic impacts; a review of the pandemic’s impact on each LDC; and additional international assistance, including the extension of LDC support measures, addressing the effects of the pandemic, and increasing capacity building.

The CDP subsequently conducted a [comprehensive study on the impacts of the pandemic on LDCs](#) and concluded that “significant negative impacts of the pandemic must be factored into the graduation process” to address additional demands that arise during planning, interruptions to ongoing structural transformation processes, and LDC specific international support measures, both existing and new, in which development partners play an important role.

Continued Evolution of the Graduation Process

In the current graduation process, when a country is identified for graduation eligibility, UNCTAD drafts a country vulnerability profile and DESA prepares an ex-ante impact assessment. The CDP then consolidates the reports into one assessment, taking into account the LDC criteria and country-specific factors. The CDP also determines the length of the preparatory period before graduation, recommends priorities and the type of support needed for a smooth transition to be confirmed by ECOSOC. During years 3-6 of the graduation process, the country finalizes and implements its smooth transition strategy and reports to the CDP. After year 6, graduation becomes effective, and the country is no longer

classified as an LDC. Following graduation, the country will continue to monitor its transition strategy and report back to the CDP annually for the first three years and triennially after two triennial reviews.

Both LDCs and UN entities recognize the importance of international development support during this crucial period. OHRLLS established the UN Inter-Agency Task Force (IATF) in 2017 for LDC graduation, which works in collaboration with other UN agencies and international organizations. To assist LDCs to adapt development strategies and minimize risks of premature graduation, IATF called on development partners to strengthen aid mechanisms for transition that prevents deviation from graduation trajectories. It emphasizes the need to guarantee that the country's transition is aligned not only with its development strategy, but also its development situation.

However, in the lead-up to LDC5, LDCs consistently expressed their concerns about losing LDC specific support measures post-graduation. In November 2020, the Group of LDCs submitted a proposal (WT/GC/W/807) to the WTO General Council for the creation of an effective [smooth transition mechanism](#) (STM) for graduating countries. The proposal calls for a 12-year extension of LDC-oriented technical assistance, capacity building programmes, and facilities that are provided under the WTO system for graduated countries. Smooth transition strategies are a critical tool for ensuring a sustainable graduation. They identify the loss of LDC benefits, such as interest-free loans and trade preferences, and effective responses to crisis situations, and then adjust institutional and legal frameworks to align with international obligations. STMs are, however, still limited as they do not extend existing support mechanisms to assist graduating LDCs.

Special & Differential Treatment at the WTO

[The] Group of 90 developing and least-developed countries expressed grave alarm at the World Trade Organization on 23 September over continued “disengagement” by the major developed countries on improving special and differential treatment (S&DT) for realizing their development goals. [At] a time when the gains made by most of their economies are being reversed because of the “poly crises,” there has been no constructive engagement by the major industrialized countries. [They] are now forced to “contend with external shocks such as rocketing inflation, and the food and energy crises, and balance of payment challenges, among a host of threats to their economic recovery and development aspirations.”

“This confluence of global economic shocks will disproportionately affect developing countries, including LDCs, for decades to come,” the G90 countries argued.

The group said that “the Ministers’ commitment at the Twelfth Session of the Ministerial Conference of the WTO (MC12) and an objective appreciation of the current global economic environment and its challenges provides an opportunity for WTO Members to frankly reflect on the efficacy of policy tools within WTO agreements and to ask the all-important question whether they are congruent with the commonly stated desire to ensure that ...trade be conducted with a view to raising standards of living, ensuring full employment, pursuing sustainable development of Members, and enhancing the means for doing so in a manner consistent with Members’ respective needs and concerns at different levels of economic development”.

(Excerpts from TWN [SUNS #9655 dated 28 September 2022](#))

UNCTAD maintains that development continues beyond graduation, and that development success is tied to the foundations that countries are able to create during their graduation phase. It asserts that pre- and post-graduation strategies must be synchronized to promote a sustainable graduation and long-

term development. In its [2021 Strategy for Graduation with Momentum \(SGM\)](#), UNCTAD proposed a new objective policy framework for graduation strategies, as well as a new timeframe for the implementation of the strategy. The SGM is centered on three elements: expanding productive capacities; fostering structural transformation; and catching-up with developed countries. The SGM aims to counter the growing gap between LDCs and ODCs.

The CDP also upholds the need for development and trading partners to extend LDC specific support, phase-out measures gradually, and provide assistance throughout the entire graduation and smooth transition process to mitigate existing challenges that often continue after graduation. It recommends that trading partners consider market access alternatives, like free trade agreements and preferential market access arrangements, to continue post-graduation, and extend specific measures for graduating nations through bilateral and regional trading agreements.

The Productive Capacities Index and UNCTAD

In February 2021, UNCTAD developed the Productive Capacities Index (PCI) to support productive capacity building in developing countries. The PCI scores a country's development capacities by analysing its effective strategies. As a multi-dimensional index, the PCI aims to support the implementation of holistic and evidence-based policies, while considering the effectiveness of previous policies. It identifies gaps and limitations that hinder productive capacity building and structural transformation in LDCs. The index considers: human capital, natural capital, energy, transport, ICTs, institutions, private sector, and structural change.

An August 2021 [UNCTAD Policy Briefing](#) detailed the role of institutions in capacity building. To support strong institutions and policies in LDCs, the paper advocated for: institutional tools to implement effective policies, utilizing the PCI to monitor development progress, conduct gap assessments, increase efforts for institution building, establish advisory bodies on policy formulation, improve public and private sector collaboration, foster greater inclusion of non-governmental actors in policy development, and increase institutional coordination.

(For the latest from UNCTAD: [LDC Report 2022](#))

A [CDP background paper](#) on working towards a resilience building framework further highlighted the need for better monitoring of graduating and graduated countries, urging that HAI and EVI be maintained as Crisis Vulnerability Assessment (CVA) indicators to guide decision making throughout the graduation process. It called for enhanced monitoring of pandemic effects in graduated countries and strengthened support for the graduation process, including establishing a crisis response and management mechanism, and rapporteurs for each graduating and graduated country.

The Secretary-General in a [2021 report](#) addressed these two concerns regarding STMs and monitoring. The report identified the need for technical assistance and capacity building to avoid financing gaps or debt traps and proposed a crisis response process to be included in the annual monitoring cycle to analyse the impacts of shocks on the smooth transition strategy. It particularly identified LDC5 as an opportunity for the international community to adopt improved aid mechanisms, especially regarding concessional finance and innovative financing measures. The conference will also be an opportunity for the UN system, OHRRLLS, and resident coordinators to step up and commit to increased support toward LDC graduation.

With the pressure of coping with climate, conflict, food and debt crises added to the already precarious circumstances of LDCs, graduation and how it is facilitated are critical for LDC development that adheres to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals. [Speaking at an LDC5 preparatory meeting](#) in the Asia-Pacific region, Dr. A. K. Abdul Momen, Foreign Minister of Bangladesh, explained: “Transformative development is on the horizon but strong support to realize it is urgently needed.... LDCs and their international partners must collaborate to overcome the COVID-19 pandemic and tackle the climate crisis, but also provide specific support for LDCs to graduate smoothly out of the Least Developed category.”

Reporting and monitoring on transition out of the least developed country category

	Before graduation	After graduation	
		First three years	Following six years
Graduating/ graduated country	Invited to report annually to the CDP on the preparation of the transition strategy	Invited to report annually to CDP on the implementation of the transition strategy	Invited to report to the CDP every three years (before the triennial review)
CDP	Monitors development progress and reports to ECOSOC	Monitors development progress in consultation with the graduated country and reports annually to ECOSOC	Monitors development progress in consultation with the graduated country as part of the triennial reviews

Source: General Assembly resolutions 59/209 and 67/221; Economic and Social Council resolutions 2008/12 and 2013/20; and report of the Committee for Development Policy on its fifteenth session (18–22 March 2013) (*Official Records of the Economic and Social Council, 2013, Supplement No. 13 (E/2013/33)*).

In response, the CDP established an [enhanced monitoring mechanism](#), called for by the 2022 DPoA for LDCs, which purports to better respond to emerging crises and link monitoring to specific support. To complement existing national and international monitoring processes by focusing on the impact of crises on the smooth transition out of the LDC category, the mechanism is meant to be closely linked to a country’s own monitoring of its smooth transition strategy. The monitoring mechanism consists of three main elements: improved annual monitoring, the new crisis response process and strengthened support measures linked to the monitoring.

The crisis response process enables monitoring to react quickly to a crisis situation in a graduating or graduated country. It can be triggered by the country directly or through the UN resident coordinator, or by way of an automated trigger, using a set of agreed upon crisis indicators. The CDP country rapporteur then assesses the situation and its potential impact on graduation, and advises whether additional, crisis-specific graduation support measures may be needed.

[At its 24th session](#) in February 2022, the CDP elaborated on this mechanism and reported monitoring the [development progress](#) of one recently graduated country, Vanuatu, and seven graduating countries: Angola, Bangladesh, Bhutan, the Lao People’s Democratic Republic, Nepal, Sao Tome and Principe and Solomon Islands. It also reached out to countries whose graduation had been deferred, namely, Kiribati and Tuvalu, to discuss development challenges.

The 2022 report acknowledged that owing to multiple crises, all of these countries find it difficult to maintain macroeconomic stability. With reduced fiscal space, it is hard for them to prioritize both short-term recovery and long-term sustainable development, potentially involving policy trade-offs. The enhanced monitoring mechanism would provide another layer of protection against crisis situations arising from these external pressures on LDCs by identifying potential issue areas and mitigation measures.

Least developed country criteria for the countries monitored, 2022

	Least developed country criteria			
	Gross national income per capita (United States dollars)	Human assets index	Economic and environmental vulnerability index	Productive capacities index
Graduation threshold	≥1 242	≥66.0	≤32.0	Not applicable
Graduated country				
Vanuatu	3 050	77.1	46.3	29.4
Graduating countries				
Angola	2 791	52.2	45.6	22.2
Bangladesh	2 004	76.2	27.2	26.8
Bhutan	3 045	79.8	25.5	30.1
Lao People's Democratic Republic	2 539	73.0	27.1	27.1
Nepal	1 198	76.5	23.8	26.3
Sao Tome and Principe	1 978	91.0	22.7	26.7
Solomon Islands	2 343	73.5	48.7	26.2
Averages				
Least developed countries	1 391	58.5	39.0	23.9
Other developing countries	9 259	88.3	31.1	31.6

Source: Committee for Development Policy secretariat and the United Nations Conference on Trade and Development.
Note: Details on the least developed country criteria and sub-indicators of the human assets index and the economic and environmental vulnerability index are available on the Committee's website. For details on the construction and interpretation of the productive capacities index, see the United Nations Conference on Trade and Development website. The productive capacities index values refer to 2018.

There are multiple crises facing LDCs, existing prior to and beyond the pandemic, including the alarming and accelerating increase in global warming, natural disasters, armed conflict and related crises of hunger and food security. While these multitude of crises impact all countries negatively, the detriment is exponential for LDCs with their manifold and specific vulnerabilities. This risks LDCs straying from the DPoA goal of “accelerating the number of least developed countries reaching the graduation thresholds and for ensuring sustainable and irreversible graduation” (para 265), and already graduated countries will no longer meet the criteria and in fact, slide back. With the DPoA target of another 15 to meet the graduation criteria by 2031 and more than a third of LDCs in various stages of the graduation process, the CDP is “deeply concerned that a significant number of least developed countries, particularly those in Africa, will remain far behind and struggle to achieve graduation”.

With many unknown variables in this perennial state of crises, it will be important for the graduation criteria to be reviewed and updated to be fit for purpose: a sustainable and irreversible graduation – and more importantly, sustainable development – of all LDCs. The external stressors of interlocking crises disproportionately burden the “poorest and most vulnerable,” as the UN Secretary-General underlined in his address to the 2022 General Assembly and pose a challenge to the global system that is “a case study in moral and economic injustice.”

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