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Courant Research Centre
Poverty, Equity, and Growth in Developing
and Transition Countries

Prospects and Challenges for Graduation of Least Developed Countries

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Background

- LDC list since 1970s: many additions, few graduations:
 - Botswana, Cabo Verde, Maldives, and Samoa
- Istanbul Plan of Action: Ensure that half of LDCs meet criteria for graduation by 2020;
- For Graduation to take place, two of three criteria need to be met in 2 consecutive triannual reviews:
 - Income/capita above \$1242 (,income-only' above \$2484)
 - Human Asset Index (HAI, 0-100) at 66 or higher:
 - Undernourishment rate, under five mortality rate, secondary enrolment rate, and adult literacy rate
 - Economic Vulnerability Index (100-0, EVI) at 32 or lower:
 - Exposure and shock index;
 - Captures economic and environmental vulnerabilities;
 - Graduation recommendation not mechanic;

Prospects for Graduation brighter than ever

- Equatorial Guinea, Vanuatu: graduation (in 2017) already approved by UN General Assembly;
- Tuvalu graduation to be approved by UN ECOSOC;
- Angola graduation to be approved by GA;
- Kiribati met criteria graduation in two reviews (but recommendation postponed);
- Bhutan, Nepal, Sao Tome and Principe, Solomon Islands, and Timor-Leste met graduation criteria for the first time in 2015;
- Several LDCs close to meeting two criteria: Bangladesh, Cambodia, Djibouti, Lao PDR, Lesotho, Myanmar, Senegal, Sudan, Tanzania, Uganda, (Yemen);
- Graduation prospects mostly by income and human asset criterion

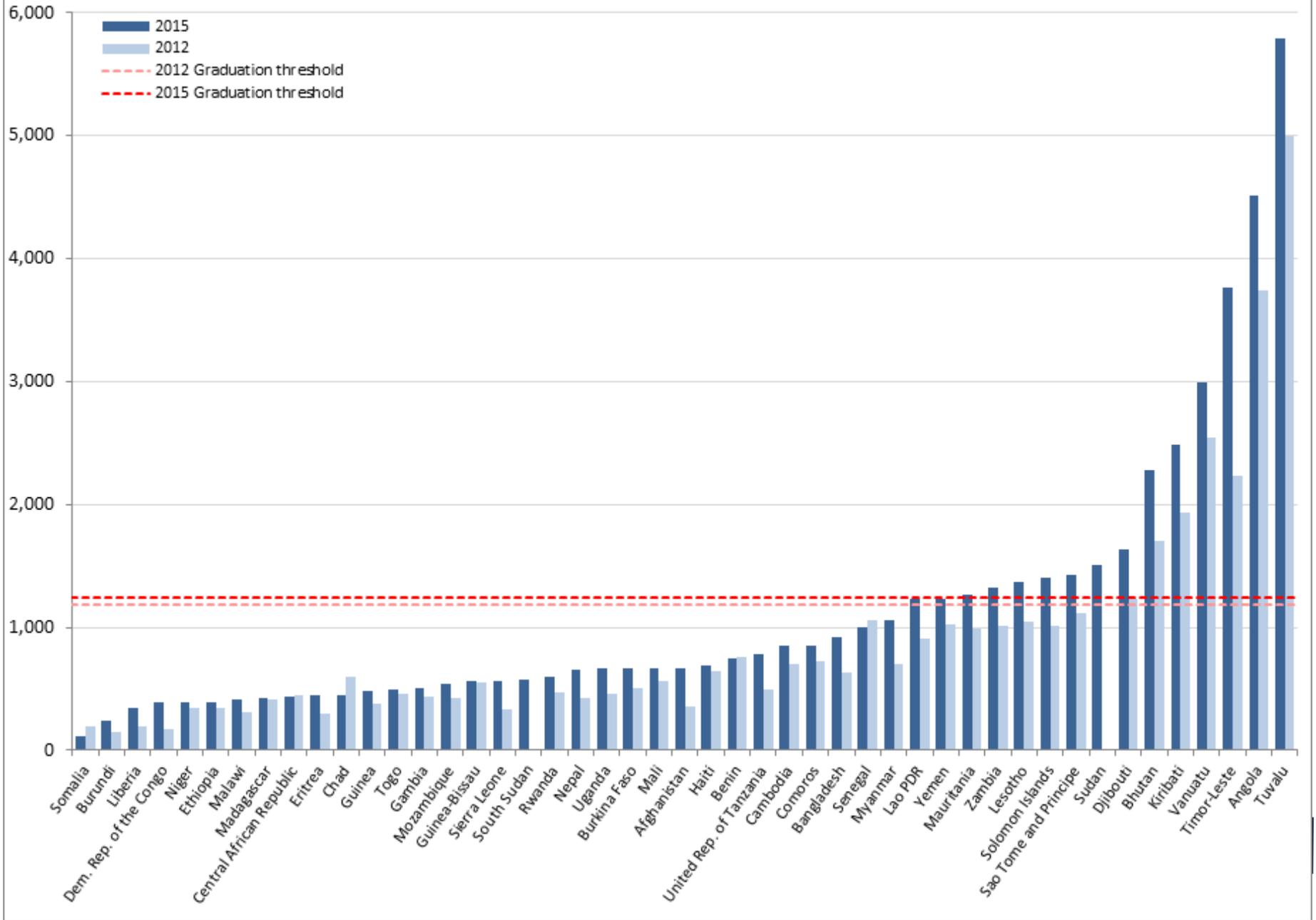
Smooth Transition

- Graduation a process of at least 6 years from the first finding:
 - Before LDC specific benefits/support measures can be withdrawn;
 - Benefits often extended, for example for 3 years;
- Messages for LDCs:
 - Use benefits before they are phased out (including technical assistance, such as Enhanced Integrated Framework);
 - Prepare for graduation (esp. changes in trade preferences, compliance to WTO rules), with support of UN system;
- Messages for International Partners of LDCs:
 - Do not withdraw support prematurely (esp. in trade preferences, but also aid allocation), but ensure smooth transition;
 - Do not use LDC status for Climate Finance (unjustified, unfair, and wrong incentives): Use EVI instead for targeting climate finance;

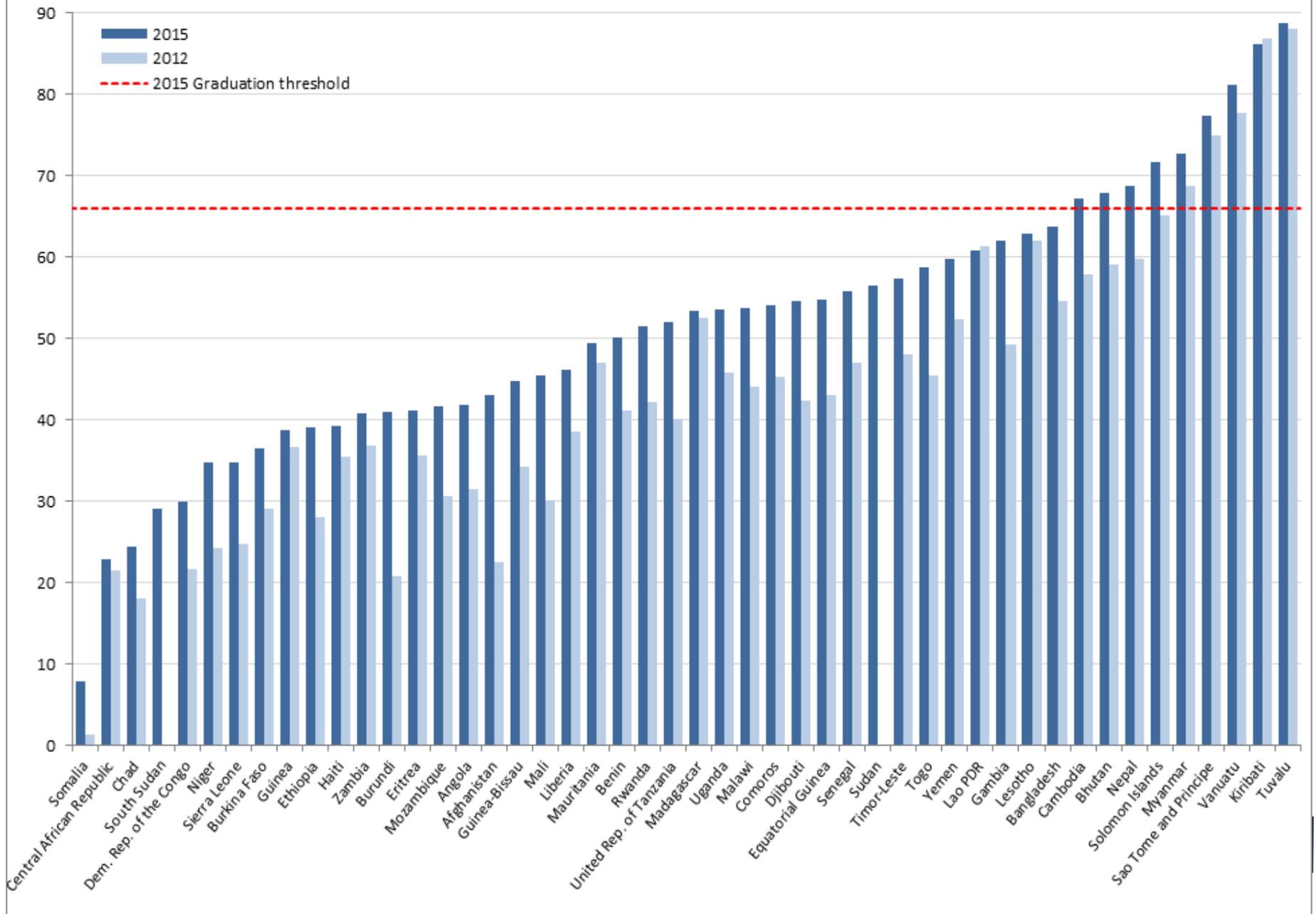
Conclusions

- Istanbul Plan of Action goal is possible to reach!
 - Better external conditions and better policies are paying off for LDCs!
 - But high vulnerability will remain for many;
- Countries should start preparing for smooth transition:
 - Challenges very country-specific;
 - Can draw on support of UN system (including regional commissions) to plan for smooth transition;
- International Community should support smooth transition:
 - Slowly phase out special support;
 - Use Economic Vulnerability Index (rather than LDC status as a whole) for eligibility and allocation of climate finance;
 - Consider special needs and vulnerabilities independent of LDC status;

Per capita GNI for 2012 and 2015 for LDC countries (excluding Equatorial Guinea)



HAI for 2012 and 2015 for LDC countries



EVI for 2012 and 2015 for LDC countries

