Committee for Development Policy

POLICY NOTE

Potential impacts of LDC graduation

Cambodia, Comoros, Djibouti, Senegal and Zambia

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United Nations

United Nations Department of Economic and Social Affairs

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Committee for Development Policy

The Committee for Development Policy (CDP) is a subsidiary body of the United Nations Economic and Social Council (ECOSOC). It advises the Council on a range of issues related to development policy and sustainable development, including periodically reviewing the criteria for and composition of the least developed country (LDC) category. The 24 members of the CDP are nominated by the United Nations Secretary-General in their personal capacity and are appointed by ECOSOC for a period of three years. The Secretariat of the CDP is part of the Economic Analysis and Policy Division (EAPD) of the United Nations Department of Economic and Social Affairs (UN DESA). For more information, visit https://cdp.un.org/.

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Foreword

There are currently 16 countries at different stages of the process towards graduation from the least developed countries (LDC) category. Graduation is an important achievement and a milestone in the development of these countries. However, it also means losing access to the international support measures that are exclusively granted to LDCs, including preferential market access for exports, certain mechanisms for technical and financial cooperation, and support for the participation of representatives in international meetings and organizations.

Understanding the nature and significance of these expected changes is an important part of the deliberations of the Committee for Development Policy (CDP) as it conducts its periodic review of the LDC category. Based on these reviews, the CDP determines whether identified LDCs that meet the relevant thresholds in terms of income per capita, the Human Assets index (HA) and the Economic and Environmental Vulnerability index (EVI) can be recommended for graduation. Such understanding is also critical for the governments of the graduating countries, as they prepare their strategies for a smooth transition out of the category, the importance of which has been emphasized in the Doha Programme of Action.

This Policy Note presents a synthesis of the assessments conducted for Cambodia, Comoros, Djibouti, Senegal and Zambia over the course of 2021 and 2022. The assessments will continue to be updated ahead of the CDP's 2024 triennial review, to reflect new data, changes in support measures or policies and additional information submitted by the relevant governments and organizations.

I hope the information presented here can contribute to a better and more nuanced understanding of the likely impacts of graduation from LDC status, including in areas where support is expected to be unchanged. A well-informed process can help formulate better national strategies and more effective international support for accelerating a graduating country's development trajectory. I take this opportunity to thank our partner organizations and the governments that have contributed to the preparation of this Policy Note and, and to the broader work of the United Nations in this area.

Li Junhua
Under-Secretary-General for Economic and Social Affairs
United Nations
February 2023

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This report was prepared by the Economic Analysis and Policy Division (EAPD) at the United Nations Department of Economic and Social Affairs (UN DESA), consolidating analysis undertaken in preparation for the Committee for Development Policy's 2024 triennial review of the LDC category. It is based on inputs received from trade and development partners of the five focus countries, including several international organizations, as well as information contained in the *Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures (Fourth Edition)* and the LDC Portal on international support measures for LDCs (www.un.org/ldcportal). The document also builds on previous impact assessments and a background document containing a preliminary assessment of the impacts of graduation in these five countries on development cooperation, all available at https://cdp.un.org. UN DESA is grateful to the governments and organizations that have provided inputs to the impact assessments. Comments, corrections or updates are welcome and should be sent to cdp@un.org.

Explanatory notes

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term "country" as used in the text also refers, as appropriate, to territories or areas. The designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgment about the stage of development reached by a particular country or area in the development process.

The views expressed in this publication do not necessarily reflect the opinions and policies of the United Nations. Every effort has been made to provide accurate information. This publication in no way replaces legal texts or official policy documents.

The following abbreviations have been used:

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ACWL	Advisory Centre on WTO Law
ADB	Asian Development Bank
AfCFTA	African Continental Free Trade Agreement
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
CDP	Committee for Development Policy
COMESA	Common Market for Eastern and Southern Africa
CREWS	Climate Risk and Early Warning Systems
DAC	Development Assistance Committee of the OECD
DCTS	Developing Countries Trading Scheme of the United Kingdom
DFQF	duty-free, quota-free
DSSI	Debt Service Suspension Initiative for the Poorest Countries
DSU	Dispute Settlement Understanding
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms
ECOSOC	Economic and Social Council
ECOWAS	Economic Community of West African States
EIF	Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
EPA	Economic Partnership Agreement
EVI	Economic and environmental vulnerability index
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
GCF	Green Climate Fund
GDP	Gross domestic product

GEF	Global Environmental Facility
GNI	Gross national income
GSP	Generalized System of Preferences
GSP+	Special Arrangement for Sustainable Development and Good Governance (GSP+)
HAI	Human assets index
IAEA	International Atomic Energy Agency
IDA	International Development Association of the World Bank Group
IMF	International Monetary Fund
ISP/LDCs	Investment Support Programme for LDCs
ITC	International Trade Centre
ITU	International Telecommunication Union
JICA	Japan International Cooperation Agency
LDBC	least developed beneficiary countries (of the Unite States' GSP scheme)
LDCs	least developed countries
LDCF	Least Developed Countries Fund (climate change)
LLDCs	landlocked developing countries
MFN	Most Favored Nation
NFIDC	Net food importing developing countries
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
RCEP	Regional Comprehensive Economic Partnership
RTA	Regional Trade Agreement
SCM	Subsidies and Countervailing Measures
SIDS	small island developing States
STDF	Standards and Trade Development Facility
SPS	Sanitary and Phytosanitary
TFA	Trade Facilitation Agreement
TRIPS	Agreement on trade-related intellectual property rights
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UN DESA	Department of Economic and Social Affairs of the United Nations Secretariat
UNDP	United Nations Development Programme
UN ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNITAR	United Nations Institute for Training and Research
UN-OHRLLS	Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNV	United Nations Volunteers
UPU	Universal Postal Union
WAEMU	West African Economic and Monetary Union
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

Summary

When a country leaves ("graduates from") the least developed countries (LDC) category, it ceases to benefit from international support measures that are exclusive to LDCs (in some cases, these measures are available for a set period after graduation, known as a smooth transition period). This Policy Note provides an overview of the expected impacts of the withdrawal of LDC-specific international support measures in Cambodia, Comoros, Djibouti, Senegal and Zambia. These countries met the Committee for Development Policy (CDP)'s graduation thresholds for the first time in 2021 and, according to the established procedures will be assessed again in 2024, when they may be recommended for graduation.

For any country, the loss of LDC-specific support measures can mean a potential reduction in the resources or policy space to address development challenges. For example, no longer benefiting from the LDC-specific special and differential treatment provisions under WTO agreements, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Agreement on Agriculture and the Agreement on Subsidies and Countervailing measures could mean a reduction of policy space. Similarly, the loss of preferential market access can make it more difficult, if other competitiveness factors are in place, to pursue export diversification strategies. These potential, long-run, impacts depend on the relevance of the support measures for countries' development strategies, and on countries' capacity to use them. This Policy Note focuses on the likely impacts, in the short and medium run, of the withdrawal of these measures, taking into account the nature of the support measures and how the identified countries have used them so far.

The principal expected impacts are presented in the table below:

Trade	Development cooperation	Support for participation in international forums
Cambodia		
Significant impacts on access to the European Union (EU) market (after a 3-year transition period), particularly for garments, given the double transformation rule and conditions for accession to the Special Arrangement for Sustainable Development and Good Governance (GSP+).	Possible reclassification into "blend" group at the Asian Development Bank (ADB) (not automatic, other factors are taken into account). Higher interest rates on new concessional loans from Japan and the Republic of Korea. Possible reduction in official development assistance (ODA) from France, which would be mostly in the form of loans. In time, a possible gradual shift from grants to loans from Germany (grants maintained in certain areas).	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially peacekeeping and ITU) of the order of 100,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC).

Trade	Development cooperation	Support for participation in international forums
Cambodia		
Similar impacts in Canada and the United Kingdom (it will be easier for Cambodia to accede to an intermediary scheme where most products are duty-free, but Cambodia would still need to comply with more stringent rules of origin, including double transformation for garments). End of LDC-specific flexibilities under TRIPS in pharmaceuticals could lead to barriers to entry for generic drugs. Reduction in trade-related capacity-building and technical assistance, particularly from the Enhanced Integrated Framework (EIF).	Possibly, a small adjustment in UNDP core resources. Climate/environment: no new funding under the UNFCCC's LDC Fund (LDCF), possibly lower allocations from the Global Environment Facility (GEF) in future programming periods; Cambodia will no longer be a priority country under the Green Climate Fund (GCF); no new projects under the Climate Risk and Early Warning Systems (CREWS) initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Less support for travel to international meetings. Fewer opportunities for diplomatic training.
Comoros		
Most exports are not affected. Increases in tariffs for exports to India (cloves). Economic Partnership Agreement (EPA) mitigates impacts in the EU. Possible non-LDC transition timeframe under the African Continental Free Trade Area (AfCFTA) depending on negotiations. Reduction in trade-related capacity-building and technical assistance, particularly from the EIF. Depending on the timing of the accession process, WTO guidelines and benchmarks for LDC accession would no longer apply as references in the negotiation.	Possible removal from France's list of priority countries. New support would be mostly in the form of loans. The Saudi Fund would review the terms on new loans on a case-by-case basis. Possibly, small adjustment in UNDP core resources. Climate/environment: no new funding under LDCF. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially ITU and UPU) in the order of 83,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC). Less support for travel to international meetings. Fewer opportunities for diplomatic training.
Djibouti		
Most exports are not affected. Increase in tariffs on exports to China (chlorides, copper) after a 3-year transition period. Possible non-LDC transition timeframe under AfCFTA depending on negotiations. Reduction in trade-related capacity-building and technical assistance, particularly from the EIF.	Possible removal from France's list of priority countries. New support would be mostly in the form of loans, but the state of Djibouti's indebtedness may exclude it from eligibility. Possibly, small adjustment in UNDP core resources.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially ITU and UPU) in the order of 83,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC).

Trade	Development cooperation	Support for participation in international forums
Djibouti		
	Climate/environment: no new funding under LDCF, possibly lower allocations from GEF in future programming periods, no new projects under the CREWS initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Less support for travel to international meetings. Fewer opportunities for diplomatic training.
Senegal		
Most exports not affected. Increase in tariffs expected on exports to the EU (including fish and seafood, fruits and vegetables, mitigated should Senegal join GSP+), United Kingdom (various agricultural products, fish, seafood), India (mostly phosphoric acid) and China (mostly groundnuts). Reduction in trade-related capacity-building and technical assistance, particularly from the EIF.	Uncertain impacts in cooperation with France. Higher interest rates on new concessional loans from Japan and Korea. In time, possible gradual shift from grants to loans from Germany (grants maintained in certain areas). Possibly, small adjustment in UNDP core resources. Climate/environment: no new funding under LDCF, possibly lower allocations from GEF in future programming periods, no new projects under the CREWS initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially peacekeeping) in the order of 50,000 dollars annually. Less support for travel to international meetings. Fewer opportunities for diplomatic training
Zambia		
Most exports are not affected. Increase in tariffs on exports to China (copper; MFN tariff is 2 per cent; a 3-year transition period). Possible non-LDC transition timeframe under AfCFTA depending on negotiations. Reduction in trade-related capacity-building and technical assistance, particularly from the EIF.	Higher interest rates on new concessional loans from Japan. In time, possible gradual shift from grants to loans from Germany (grants maintained in certain areas). Possibly, small adjustment in UNDP core resources. Climate/environment: no new funding under LDCF, possibly lower allocations from GEF in future programming periods, no new projects under the CREWS initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially peacekeeping, ITU, UPU) in the order of 127,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC). Less support for travel to international meetings. Fewer opportunities for diplomatic training

It is also important to take note of what will not be affected by graduation. This includes:

- Trade to countries that do not provide LDC-specific preferences, or where the LDC-specific preferences are not already extended to the graduating countries' exports, or where the alternatives (regional or bilateral agreements) after graduation are equivalent in terms of preferential treatment, or where exports are duty free under MFN terms. This is the case for a significant share of exports of the five countries, with the exception of Cambodia;
- Special and differential treatment under the WTO that will have been phased out before graduation, or that applies to all developing countries;
- Financing and other forms of assistance from the World Bank, IMF, Global Fund, GAVI, the Vaccine Alliance, the African Development Bank, and several bilateral partners;
- A significant proportion of support from the United Nations system that is not contingent specifically on LDC membership.

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Chapter I

BACKGROUND

Since the establishment of the least developed countries (LDC) category in 1971, international organizations and countries have put in place support measures specifically for this group of countries in the areas of trade and development cooperation (financial and technical assistance). They have also put in place measures to support the participation of LDCs in international organizations and processes. When LDCs achieve a certain level of development and leave ("graduate from") the LDC category, they are no longer entitled to those measures.[1] As part of the graduation process, the United Nations Department of Economic and Social Affairs (UN DESA) assesses the potential impacts of the withdrawal of the international support measures. The United Nations Committee for Development Policy (CDP) takes these assessments into consideration, along with quantitative criteria, a vulnerability profile prepared by the United Nations Conference on Trade and Development (UNCTAD), and other analytical inputs, consolidated into a "graduation assessment, when deciding on whether to recommend a country's graduation. An overview of the expected impacts of graduation can also be helpful for graduating countries as they start to elaborate their strategies to transition smoothly out of the LDC category.[2]

This report documents the background information and conclusions of UN DESA's impact assessments for the five countries that began their graduation journey in 2021, when they fulfilled the graduation criteria for the first time: Cambodia, Comoros, Djibouti, Senegal and Zambia (hereafter referred to as "the five countries"). The CDP will assess these countries at its Triennial Review of the LDC category in 2024 (see Box 1 for information on the graduation process).[3]

1 For more information on the graduation process and international support measures, see the LDC Portal (https://www.un.org/ldcportal); information on LDCs on the CDP website (https://bit.ly/cdpldcs) and the *Handbook on the Least Developed Country Category*, Fourth Edition (https://bit.ly/2021-LDC-handbook).

2 The term "smooth transition" has been used by the General Assembly in numerous resolutions through which it urges the international community to support countries that are in the process of graduating or have recently graduated, inter alia by phasing out support measures. Some international support measures that are in principle exclusive to LDCs continue to be granted for a period beyond graduation, referred to as a "smooth transition" period. Governments of graduating countries are encouraged to prepare smooth transition strategies. See the LDC Portal for information on smooth transition strategies and graduation support (https://www.un.org/ldcportal/content/support-ldc-graduation).

3 The CDP will also assess Timor-Leste and Myanmar, which had entered the graduation pipeline before but, for different reasons, had their decision on graduation deferred. See Official report on the CDP's 2021 Triennial review: CDP's report to ECOSOC on its twenty-third session (Official records, 2021; Supplement No. 13; E/2021/33): https://undocs.org/en/E/2021/33.

The report aims to identify the LDC-specific measures and the provisions for LDCs in trade and development programmes and policies, and what the implications are of no longer benefitting from them.

Two introductory notes are important in framing the report. First, graduating from the LDC category must not be confused with meeting other milestones such as achieving middle-income status or graduating from the concessional windows of multilateral development banks. The timeframes for these different "graduations" can be similar, as they all reflect advances in a country's development, but the criteria and consequences are different. For example, graduating from the LDC category will have no impact on a country's status with the World Bank group's International Development Association (IDA).

Second, none of the five countries will graduate before 2027, and it is not possible to fully anticipate changes in the international support measures for LDCs up until the date of graduation or beyond, or the country-specific conditions that would define the extent to which countries would benefit from these measures. The assessment provided here is based on current rules, policies, practice, strategic priorities and the current situations of each country with regard to the main trade and development partners, products they export, relative performance on indicators adopted to define mandatory contributions to UN budgets, etc. It provides a general view of where the most important impacts are, that governments would have to address in collaboration with trade and development partners as they work on their smooth transition strategy.

Box 1

The LDC graduation process: situation and next steps for Cambodia, Comoros, Djibouti, Senegal and Zambia

The Committee for Development Policy (CDP) reviews the LDC category every three years. When a country meets pre-established thresholds in two out of three indicators – GNI per capita, the Human Assets Index (HAI) and the Economic and Environmental Vulnerability Index (EVI) (or, alternatively, has a GNI per capita of more than twice the threshold), a number of information gathering activities are set in motion, in preparation for a second assessment three years later. These criteria are periodically reviewed. The last review took place in February 2023.

The five countries in question met the graduation criteria for the first time in 2021. If they meet them again at the second assessment (2024), the CDP will consider the information contained in the graduation assessment, the views of the governments concerned, and any other information it considers pertinent. It may recommend the country for graduation or, in case it has serious concerns (for example about the sustainability of the country's development progress) it can defer the decision to the following review, three years later.

After the CDP's recommendation, the Economic and Social Council (ECOSOC) must endorse the recommendation and the General Assembly must take note. This is done through resolutions issued by each of these bodies. The General Assembly also determines the date of graduation, which follows a "preparatory period" between the date of the General Assembly resolution and the actual date of graduation during which the country remains an LDC. The standard period is of three years, but the General Assembly may determine a longer period depending on the circumstances. Countries recommended for graduation in 2024, therefore, could graduate as early as 2027, but depending on circumstances, could be granted a longer period.

In addition to the preparatory period, some international support measures for LDCs contain "smooth transition" provisions, which ensure that countries continue to benefit for a few years, in some cases, under modified terms and conditions. For example, the European Union's Everything-But-Arms (EBA) trade scheme applies to beneficiaries for 3 years after the date of graduation.

How did the 5 countries perform against the graduation thresholds in 2021?

The graduation thresholds in 2021 were GNI per capita of USD 1222 and above; HAI of 66 and above; EVI of 32 and below. The 5 countries performed as follows:

	GNI per capita (USD)	HAI	EVI	How the country meets the graduation criteria
Cambodia	1377	74.3	30.6	Crossed all three thresholds
Comoros	1376	67.2	37.7	Crossed income and HAI thresholds
Djibouti	3235	61.9	53.9	GNI per capita more than twice the threshold
Senegal	1370	66.4	43.0	Crossed income and HAI thresholds
Zambia	1411	67.1	41.7	Crossed income and HAI thresholds

What are the prospects for 2024?

The COVID-19 pandemic and the global consequences of the war in Ukraine have severely impacted the economic and social situation in many LDCs. The CDP will assess the five countries' performance against the criteria in 2024, as well as supplementary indicators and information, including on the expected impacts, before making its decision on graduation. There are three main scenarios:

- The country does not meet the criteria and therefore is not recommended for graduation. Because a necessary condition for graduation is that the country meet the criteria at two successive CDP triennial reviews, the process would restart once the country meets the criteria again (in 2027, in 2030 or later).
- The country meets the criteria and the CDP recommends graduation. The next steps would be for ECOSOC and the General Assembly to endorse the decision, which typically happens over the course of the same calendar year. Graduation would normally happen three years later, but the General Assembly can establish a longer preparatory period, as it did for the countries that were recommended for graduation in 2021, in the midst of the global COVID-19 crisis.
- The country meets the criteria but the CDP does not recommend graduation, for example, due to concerns about the sustainability of development progress. In this case, the country would be assessed again in 2027 and, if it continues to have met the graduation criteria then and concerns are resolved, it could be recommended for graduation, which would happen after endorsements by ECOSOC and the General Assembly and the preparatory period.

For more information

- ⇨ on the criteria used to determine which countries are considered LDCs, including composition of indicators, see https://bit.ly/ldccriteria.
- ⇨ on the graduation process and thresholds see https://bit.ly/LDCGraduationprocess
- ⇨ on the impact of COVID-19 on LDCs, including on LDC graduation: https://bit.ly/CDP_COVID_LDC
- ⇨ Handbook on the Least Developed Country Category, fourth edition: https://bit.ly/2021-LDC-handbook
- ⇨ Official report on the CDP's 2021 Triennial review: CDP's report to ECOSOC on its twenty-third session (Official records, 2021; Supplement No. 13; E/2021/33): https://undocs.org/en/E/2021/33
- ⇨ LDC Portal: http://www.un.org/ldcportal

Chapter II

IMPACTS OF LDC GRADUATION ON TRADE

LDC-specific international support measures in trade consist of: (i) preferential market access for goods; (ii) preferential market access for services; (iii) special and differential treatment under the WTO agreements; (iv) special and differential treatment and additional flexibilities under certain regional agreements; and (v) capacity-building, training and technical assistance related to trade. After graduation, countries no longer benefit from these measures. Some, but not all, measures have "smooth transition" periods, that is, set periods after graduation during which a graduated country continues to benefit from the LDC-specific measure.

Preferential market access for trade in goods

What are the LDC-specific measures? Most developed countries and several developing countries grant either full or nearly full duty-free, quota-free (DFQF) market access to LDCs.[4] Some countries also apply less stringent rules of origin to LDCs or more lenient cumulation rules. After graduation, countries cease to benefit from those schemes. Table 1 lists the main LDC-specific schemes used by the five countries and the schemes under which they might trade after graduation.[5]

Are there smooth transition periods? The European Union's Everything But Arms (EBA), the LDC-specific schemes of Turkey and the United Kingdom, and China's duty-free treatment scheme for LDCs have smooth transition periods of three years. Other countries do not have smooth transition periods but in some cases, the administrative procedures associated with removing the graduated country from the list of beneficiaries of the scheme, stretch the eligibility period beyond the date of graduation. Canada has kept certain graduated countries on the list of beneficiaries

4 In the case of developed countries, the legal basis for these preferences is the decision on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries" (known as the "Enabling Clause"), adopted in 1979 by the Members of the GATT, which allowed developed countries to depart from their MFN obligation with respect to all developing countries, including LDCs. The Enabling Clause is not time constrained. In developing country markets, trade preferences to LDCs are allowed under the waiver to the MFN obligation under the decision on "Preferential-Tariff Treatment for Least-Developed Countries", originally adopted in 1999 and most recently extended to 2029.

5 A full list of LDC-specific preferential market access schemes is available on the UN's LDC Portal (www.un.org/ldcportal).

of their LDC scheme.[6] The United States' list of "Least Developed Beneficiary Developing Countries" (LBDC), which benefit from DFQF market access for 82 per cent of tariff lines, is similar to the UN's LDC list but the President may designate any developing country that is a beneficiary of the GSP as LDBC, and there is no defined timeframe for removing a country from the LDBDC list.

What happens after graduation and smooth transition periods? After graduation and the applicable smooth transition (or administrative) periods, in developed country markets, former LDCs generally have access to the standard Generalized System of Preference (GSP) schemes, which apply to developing countries in general. For products that are not covered by those schemes, graduated countries export under the most favored nation (MFN) tariff or any applicable regional or bilateral agreements, or alternative schemes. In developing country markets, former LDCs export under MFN tariffs or any applicable regional, or bilateral agreements.

The European Union, Turkey, the United Kingdom, and Norway have intermediary schemes, granted under certain conditions, which extend greater preferences than the standard GSP schemes. In the United States, the African Growth and Opportunity Act (AGOA), which grants duty-free, quota-free access to 97 per cent of tariff lines to countries in Sub-Saharan Africa, does not consider LDC status and is not affected by graduation.

Table 1

LDC-specific schemes of the main trade partners of the five countries

Importing market	Coverage of LDC-specific DFQF/ preferential tariffs	Smooth transition provisions	Applicable schemes after graduation
Australia			
Generalized System of Preferences under the Australian System of Tariff Preferences - ASTP	100%	No smooth transition provisions. The list of LDC beneficiaries contained in legislation updated in February 2022 still lists Cape Verde, Equatorial Guinea, Maldives, Samoa and Vanuatu (all graduated) as LDCs. For countries to stop benefitting from the LDC preferences under the ASTP, the Australian Government would be required to actively amend its Schedule.	Standard GSP, MFN or regional agreements (Australia has preferential tariffs for ASEAN under the ASEAN-Australia and New Zealand Free Trade Agreement)

6 Customs Tariff 2022: List of countries and applicable tariff treatments: https://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2022/html/countries-pays-eng.html

Importing market	Coverage of LDC-specific DFQF/ preferential tariffs	Smooth transition provisions	Applicable schemes after graduation
Australia			
		The Australian Government informed UN DESA that it "has no imminent intention to amend the Schedule, and therefore these countries will continue to be eligible for LDC treatment. Should Australia consider reviewing the ASTP in the future, the developing status of countries and places would be a consideration in any amendments to the eligibility criteria."	
Canada			
Least Developed Country Tariff Programme – LDCT (sunset on December 31, 2024; there may be adjustments upon renewal)	98.5%	No smooth transition provisions. However, graduation from the LDC category "does not result in automatic graduation out of the LDCT program". Some graduated countries have remained beneficiaries of the LDCT	General Preferential Tariff, unless the country stays on the LDCT list based on income level.
China			
Duty-free treatment for LDCs. Applies to LDCs that have diplomatic relations with China.	97% (98% in new scheme announced in December 2021)	Preferential treatment may be extended for up to three years after graduation.	MFN, bilateral or regional agreements.
European Union			
Everything-But-Arms (EBA) (in force until 31.12.2023; currently being revised[7]). Grants DFQF access to the EU market and preferential rules of origin.	99.8% (excludes arms and ammunition)	Smooth transition period of 3 years.	The GSP (including the EBA) is currently under review. Under the current scheme, LDCs that graduate export under the standard GSP or MFN. They can apply to join the Special Arrangement for Sustainable Development and Good Governance (GSP+), which grants DFQF market access for 66% of EU tariff lines, if they meet certain conditions, including ratification and implementation of 27 international conventions on human rights, labour rights, environmental protection and good governance.

7 See GSP Review under "Generalised Scheme of Preferences", European Commission: https://policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences_en

Importing market	Coverage of LDC-specific DFQF/ preferential tariffs	Smooth transition provisions	Applicable schemes after graduation
European Union			
			Comoros ratified, in 2019, the Economic Partnership Agreement (EPA) with the EU and the countries of the Southern African Region, which ensures duty-free, quota-free (DFQF) access to the EU market regardless of LDC status.
India			
Duty-free Tariff Preference Scheme	94.1%	No smooth transition provisions.	MFN or regional agreements
Japan			
GSP - Enhanced duty and quota-free market access	97.8%	No smooth transition provisions.	Standard GSP or regional agreements. Japan has preferential tariffs for ASEAN members under the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEPA).
Republic of Korea			
Preferential Tariff for LDCs	89.9%	No smooth transition provisions.	MFN or regional agreements. The Republic of Korea also extends preferential treatment under its agreement with ASEAN and under APTA.
Switzerland			
GSP - Revised Preferential Tariffs Ordinance	100%	No smooth transition provisions. Countries undergoing multilateral debt relief are also accorded LDC treatment, even if they are not on the LDC list.	Standard GSP or MFN
Thailand			
Duty-free treatment for LDCs	71.1%	No smooth transition provisions.	MFN
United Kingdom			
Comprehensive Preferences under the new Developing Countries Trading Scheme - DCTS, starting in 2023	99.8%	Smooth transition period of 3 years.	Standard Preferences, Enhanced Preferences or MFN. The new DCTS, which enters into force in 2023, makes it easier for graduating countries to accede to the Enhanced Preferences regime (zero tariff on 85% of tariff lines)
United States			

Importing market	Coverage of LDC-specific DFQF/ preferential tariffs	Smooth transition provisions	Applicable schemes after graduation
GSP for Least Developed Beneficiary Developing Countries - LDBDC.	82.3%	No smooth transition provisions. The LDBDC list matches the LDC list for the most part, but the U.S. GSP statute authorizes the President to designate any developing country that is a beneficiary of the GSP as an LDBC. There is no defined timeframe for removing a country from the LDBDC list for purposes of GSP benefits.[8]	Standard GSP or MFN Comoros, Djibouti, Senegal and Zambia can export under the African Growth and Opportunity Act (AGOA), which grants duty-free, quota-free access to 97 per cent of tariff lines

Sources: Government sources and WTO Preferential Trade Arrangements Database. See also: "Preferential market access for goods" on the LDC Portal, https://www.un.org/ldcportal/content/preferential-market-access-goods-2.

What would this mean in practice? For any graduating country, losing LDC-specific preferential market access can mean the loss of an important instrument in efforts towards economic diversification and export growth. In practice, not all countries can effectively take advantage of these preferences, given other competitiveness factors and the nature of the preferences themselves. Many countries will graduate from the LDC category without having made full use of LDC-specific preferential market access.

A review based on the main recent export markets and products, while not fully capturing the long-term and dynamic implications of not having access to these arrangements, or the impacts for each and every export segment, can nonetheless provide an indication of the main products and geographic markets of potential concern in the medium term, that may require consideration in the context of a smooth transition strategy. It can also help identify markets where graduation is not expected to have significant impacts. Graduation has no impact on exports of products and services that are not covered by the LDC-specific preferences, on exports to markets that do not grant LDC-specific preferences, on exports to markets where the country has equivalent or better market access terms due to bilateral or regional agreements, or on exports which for any reason (e.g., inability to meet rules of origin) do not use the available preferences:

8 USTR, Countries eligible for GSP (as of December 2020): https://ustr.gov/sites/default/files/gsp/countrieseligiblegsp.pdf.

Cambodia[9]

Most of Cambodia's exports are to countries that provide LDC-specific preferential market access. Cambodia is, in fact, one of the countries with the highest rate of utilization of LDC-specific preferences. The main impacts are expected to be in the European market, and especially in the garment industry. The situation in each of its main markets (see Figure 1a) is as follows:

- **The European Union** has been the destination of approximately a quarter of Cambodia's recent exports (Figure 1a), Cambodia currently benefits from the EBA. However, preferences over a significant number of products (equivalent to about a fifth of exports) were withdrawn by the EU in August 2020 due to serious and systematic concerns related to human rights. The EBA is currently under revision. Under the current scheme, Cambodia would continue to export under the EBA (with limitations related to the withdrawal, depending on future developments in this regard) for three years after graduation. After that, it would export under the standard GSP, unless it accedes to the GSP+ scheme (see Table 1). Cambodia has not ratified two of the conventions required to be able to apply to the GSP+. The human rights concerns raised by the EU, that motivated the partial withdrawal of EBA preferences, would need to be addressed in the context of an application to the GSP+ scheme.

Exporting under the standard GSP would result in higher tariffs and more stringent rules of origin. Cambodia's most important exports to the EU are garments (conversely, the EU has been the largest market for Cambodia's garment exports). Most garments would face a tariff of 9.6 per cent under the GSP. Moreover, to benefit from GSP or GSP+ tariffs, Cambodia's garments would need to meet the "double transformation" requirements in order to comply with the rules of origin. This means that products need to undergo two stages of transformation (for example, produce the fabric and sew) as opposed to the "single transformation" rule applicable to LDCs, which enables garment exporters to take advantage of preferential tariffs for garments produced from imported fabric. Cambodia's garment industry is mostly based on a "cut-and-sew" model, and producers might face difficulties in meeting the double transformation rule.[10] MFN tariffs for most garments are 12 per cent. The industry is an important source of regular, formal employment, particularly for women.

9 See also WTO/EIF (2022), Trade impacts of LDC graduation – Cambodia. Available at https://www.un.org/ldcportal/content/trade-impacts-ldc-graduation-cambodia-wto

10 See EIF, ITC, UNDESA, UNCTAD and WTO (2022), Textiles and clothing in Asian graduating LDCs – challenges and options, available at https://www.wto.org/english/res_e/publications_e/textcloth2022_e.htm.

- Similar impacts are expected in **Canada and the United Kingdom**:
  - The United Kingdom has enacted a new Developing Countries Trading Scheme (DCTS). The new scheme makes it easier for graduated countries to accede to the intermediary regime ("Enhanced Preferences"), as it does not require the ratification or implementation of international conventions (though the United Kingdom may suspend a country on the grounds of human rights and labour violations). This would ensure continuing DFQF market access for most of Cambodia's exports to the United Kingdom. However, like in the EU, Cambodia would have to comply with more stringent rules of origin, which may be a challenge for the clothing industry.[11]
  - Canada, the country in which Cambodia has most expanded its market share in textiles and clothing, has, in the past, kept on the list of beneficiaries of the LDC preference scheme countries that have graduated but remain within the World Bank's low or lower middle income categories.

- In most other markets, including the United States, impacts would be limited:
  - Most of Cambodia's exports to the United States, including garments, are not covered by the LDC-specific scheme. Cambodia would retain LDC preferences until the United States removes it from its list of Least Developed Beneficiary Countries (LDBDC).
  - Due to its ASEAN membership, Cambodia will retain equivalent or almost equivalent market access terms in several countries, including Thailand,a member of ASEAN, Japan, China, India, the Republic of Korea, Australia and New Zealand, which have free trade agreements with ASEAN. Additionally, Cambodia and the Republic of Korea signed a free trade agreement in October 2021; Cambodia and China signed a free trade agreement which entered into force on January 1, 2022. The Regional Comprehensive Economic Partnership (RCEP) is expected to further reduce tariff and non-tariff barriers among participants.

Cambodia's Trade Integration Strategy 2019-2023 points out that the country will need to address both market access and other

11 Razzaque, Mohammad (2023), What the UK's New Developing Countries Trading Scheme means for Least Developed Countries Including the Graduating Ones, consultancy report. Available upon request.

competitiveness factors as it transitions out of the LDC category. Reforms in several areas are already underway.[12]

Comoros

Most exports will not be affected by graduation:

- The European Union is Comoros's largest trade partner, having accounted for approximately 44 per cent of exports from 2016 to 2020 (Figure 1b). Comoros ratified, in 2019, the Economic Partnership Agreement (EPA) with the EU and the countries of the Southern African Region, which ensures DFQF access to the EU market regardless of LDC status.
- India has been the second-largest destination for Comoros' products and has preferential tariffs for LDCs. The main export from Comoros to India has been cloves (accounting for 89 per cent of exports in 2016-2020) and India is Comoros' top market for cloves. While Comoros remains an LDC, these products enter the Indian market duty-free. After graduation, the MFN tariff of 35 per cent would apply. A smooth transition will require understanding and addressing the impacts, for producers and their communities, of the change in the terms of market access for cloves and other relevant export products.
- In the United States, Comoros is a beneficiary of the African Growth and Opportunity Act (AGOA) (though it is considered ineligible for wearing apparel provisions). This is not dependent on LDC status. Moreover, most of Comoros's exports to the United States in 2020 entered duty-free under MFN terms.
- Comoros's main export to China have been essential oils (ylang-ylang). These products enter China duty-free for LDCs, with an MFN rate of 20 per cent and a general duty rate of 80 per cent. China has been the destination market for only a small share (no more than 1 per cent) of exports of these products from Comoros.
- Most exports to other markets that offer LDC-specific preferences such as Canada, Japan, Norway, Thailand, and Turkey are also duty-free under MFN terms, as is the case for a significant share of exports to the Republic of Korea. Most of Comoros's exports to the United Kingdom are expected to be duty-free under the Enhanced Preferences regime which Comoros would be able to accede after graduation.

12 Cambodia Trade Integration Strategy (CTIS) 2019-2023: https://ttri.info/cambodia-trade-integration-strategy-ctis-2019-2023/

Djibouti[13]

Most of Djibouti's exports will not be affected by graduation. The main exceptions are exports to China, particularly of chlorides and copper:[14]

- Based on mirror data available for 2016-2019 (Figure 1c), Saudi Arabia, Ethiopia and other markets that do not grant LDC-specific preferences account for approximately half of Djibouti's exports from 2016 to 2020, though Saudi Arabia's share fell sharply after 2019, while Ethiopia's (as well as China's) have increased.
- A significant share of Djibouti's exports to other markets enter duty-free under MFN terms. This was the case, according to WTO data, for 82 per cent of exports to the European Union, 57 per cent of exports to the United States, and virtually 100 per cent of Djibouti's exports to Australia, Canada, and the Republic of Korea in 2020.[15] For those products that are not duty-free under MFN:
    - In the United States, over half of recent imports from Djibouti have entered on an MFN duty-free basis. In addition to the GSP for least developed beneficiary countries (LDBCs), Djibouti is a beneficiary of AGOA and the Trade and Investment Framework Agreement with the Common Market for Eastern and Southern Africa (COMESA). Neither is contingent on LDC status.
- In the European Union, for products that are not MFN duty-free, Djibouti has had a low rate of utilization of the LDC-specific preferences. EBA preferences would apply for three years after graduation and Djibouti could apply to the GSP+. Per EU current rules, Djibouti would need to ratify the UN Single Convention on Narcotic Drugs.
- Almost all Djibouti's exports to the UK would continue to be duty-free either under MFN terms or the Enhanced Preferences regime of the new DCTS.
- Most products exported to India are MFN duty-free. For other products, Djibouti could benefit from India's DFQF scheme for LDCs, but information on the WTO Preferential Trade Arrangements Database suggest it has not.[16]

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13 See also WTO/EIF (2022), Trade impacts of LDC graduation – Djibouti. Available at https://www.un.org/ldcportal/content/trade-impacts-ldc-graduation-djibouti-wto

14 There is currently no recent information on exports disaggregated by product or partner reported by Djibouti on UN Comtrade. Data used here are reported by importing partners. Data may include re-exports.

15 Based on data from the WTO Preferential Trade Arrangements Database, http://ptadb.wto.org

16 Ibid.

- On the other hand, according to WTO data, almost all of Djibouti's exports to China in 2020 benefited from LDC-specific preferences. LDC treatment is expected to be observed for three years after graduation. After that, most of the products Djibouti currently exports to China (chlorides, copper) would face tariffs between 1 and 5 per cent.

Senegal[17]

Most of Senegal's current exports will not be affected by graduation. The most significant impacts would be in the European Union, India, China and the United Kingdom:

- More than half of Senegal's exports are to countries, mostly in Africa, that do not provide LDC-specific trade preferences (Figure 1d).
- Most exports to Switzerland are gold and other products for which the MFN tariff is zero.
- In the United States, Senegal is a beneficiary of AGOA.
- In the European Union, according to WTO data, approximately a third of Senegal's exports to the EU are duty-free under MFN terms and would not be affected by graduation. Other products, including fish and seafood, fruits and vegetables could be subject to tariffs under the standard GSP, after the three-year smooth transition period. Alternative scenarios include accession to the GSP+ (under current rules Senegal would need to ratify the UN Single Convention of Narcotic Drugs of 1961 to be eligible) or reach a bilateral agreement.[18] Table 2 shows applicable tariffs under different regimes for Senegal's top exports to the European Union in 2021.

17 See also WTO/EIF (2022), Trade impacts of LDC graduation – Senegal. Available at https://www.un.org/ldcportal/content/trade-impacts-ldc-graduation-senegal-wto

18 Senegal and another 15 countries concluded the EU-West Africa Economic Partnership Agreement (EPA) in 2014. ECOWAS and WAEMU are also signatories. Senegal has not ratified the agreement. Côte d'Ivoire and Ghana, also signatories of the EU-West Africa EPA, have entered into interim, or "stepping stone" agreements with the EU. Source: https://trade.ec.europa.eu/access-to-markets/en/content/epa-west-africa

Table 2

Senegalese exports to the EU, 2021 – tariffs under GSP+ and standard GSP, selected products

	% of total in 2021	GSP+	Standard GSP	MFN
0307.52 Molluscs; octopus (...), frozen	17%	0	2.8%	8%
2615.10 Zirconium ores and concentrates	9%	NA	NA	0
0306.17 Crustaceans; frozen, shrimps and prawns (...)	8%	2.4-3.6%	4.2-8.5%	12%
0807 Watermelons	5%	0	5.3%	8.8%

Source: UN Comtrade, mirror data. Extracted on 8 September 2022.

- Senegal's main exports to India are phosphoric acid, for which MFN tariffs are 5-7.5 per cent, and cashews, for which the MFN tariff is 2.5 per cent.
- The main exports to China are groundnuts, for which the MFN tariff is 15 per cent. China would extend LDC-specific preferential market access for three years after graduation. China and Senegal have concluded a bilateral trade agreement, committing to provide facilitation in relevant areas.
- In the United Kingdom, Senegal would accede more easily to the "Enhanced Preferences" scheme of the new DCTS than it would have to the previous intermediary scheme, which mirrored the EU's GSP+. However, a significant share of Senegal's exports to the United Kingdom – including several agricultural products, fish and seafood, are not covered by Enhanced Preferences. It is estimated that Senegal will face higher tariffs on 42 per cent of its exports to the United Kingdom, which accounts for approximately 2 per cent of its total exports.[19]

Zambia[20]

Most of Zambia's exports will not be affected by graduation:

- About a third of Zambia's exports go to markets that do not provide LDC-specific preferences (Figure 1e), including some of its main export partners like the Democratic Republic of the Congo.

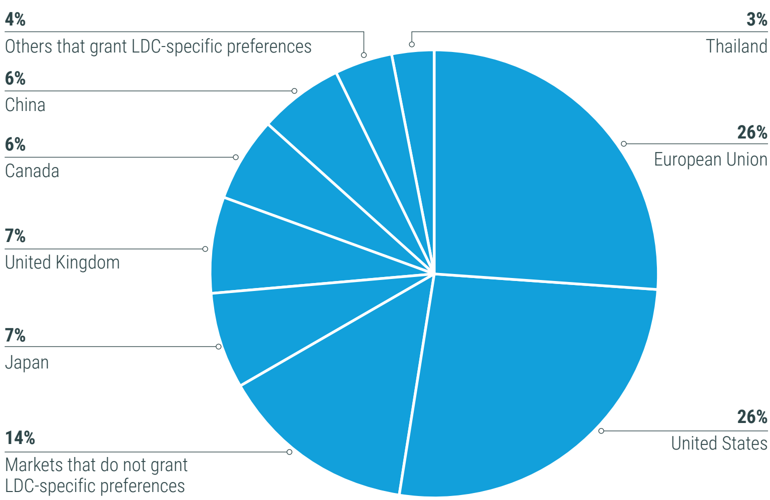
19 Razzaque, Mohammad (2023), What the UK's New Developing Countries Trading Scheme means for Least Developed Countries Including the Graduating Ones, consultancy report. Publication forthcoming. Available upon request.

20 See also WTO/EIF (2022), Trade impacts of LDC graduation – Zambia. Available at https://www.un.org/ldcportal/content/trade-impacts-ldc-graduation-zambia-wto.

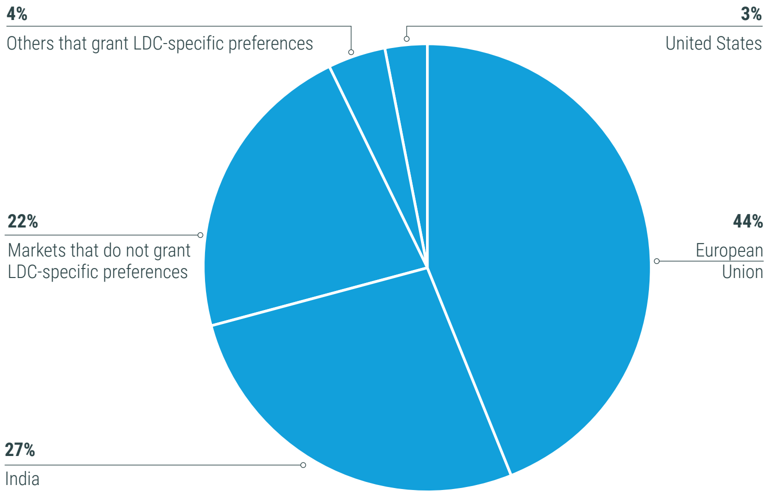
- Switzerland is Zambia's largest export market. Zambia exports mostly copper to Switzerland, which is either duty-free under the standard GSP or has MFN tariffs of 0.04 per cent or lower, depending on the tariff line. According to the WTO's records, in 2020 Zambia did not use LDC-specific preferences.
- Copper is also the main export product to China, where the MFN rate is 2 per cent or lower. According to WTO records, Zambia used China's LDC preferences only marginally in 2020. China will extend LDC-specific DFQF market access for three years after graduation. Zambia is one of the beneficiaries of China's new scheme for LDCs which ensures zero tariffs on 98 per cent of tariff lines. In the United Kingdom, Zambia is expected to accede to the "Enhanced Preferences" regime under the new Developing Countries Trading Scheme (DCTS), which extends DFQF treatment to several but not all of Zambia's major export products. Considering exports that are MFN duty-free and those that will be duty-free under the Enhanced Preferences scheme, 10-12 per cent of Zambia's exports to the UK are expected to face higher tariffs.
- In the EU, most exports are MFN duty-free. For other products, Zambia could apply to be included in the GSP+. Per current rules, Zambia would need to ratify the UN Single Convention on Narcotic Drugs.

Figure 1
Export destinations, 2016-2020 (percentages)

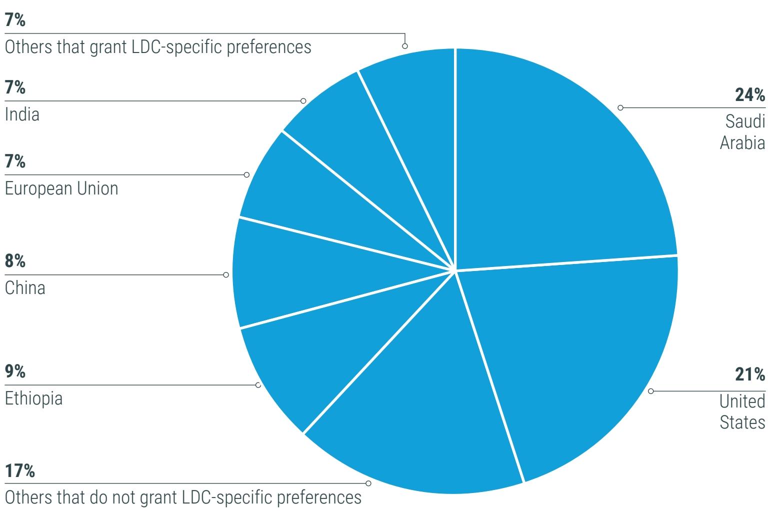
1.a Cambodia



1.b Comoros



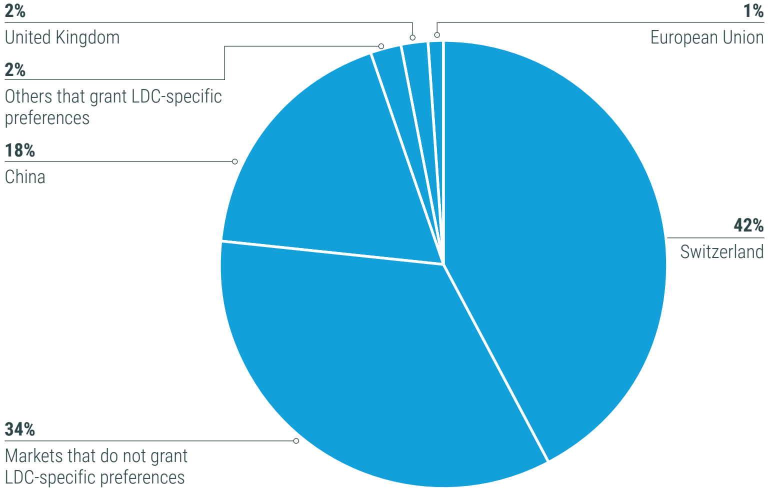
1.c Djibouti



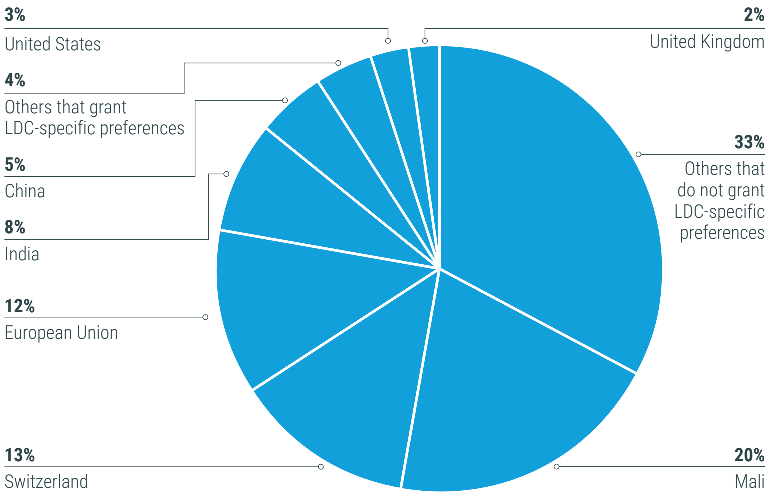
Source: based on data extracted from UN Comtrade.

Notes: 1) For Djibouti, mirror data. 2) Data on the European Union excludes the United Kingdom. 3) Markets designated in gray do not grant LDC-specific preferences; those designated in blue do, but not all exports benefit from these preferences.

1.d Senegal



1.e Zambia



Source: based on data extracted from UN Comtrade.

Notes: 1) For Djibouti, mirror data. 2) Data on the European Union excludes the United Kingdom. 3) Markets designated in gray do not grant LDC-specific preferences; those designated in blue do, but not all exports benefit from these preferences.

Preferential treatment for services

What are the LDC-specific measures? The main LDC-specific market access preferences in services are those granted under the decision adopted by WTO Members in 2011 known as the "services waiver".[21] The decision allows WTO Members to grant to LDC services or service suppliers preferential treatment that would otherwise be inconsistent with Article II (MFN) of the GATS. The WTO has received notifications from 25 developed and developing country WTO members, covering 86 per cent of global services trade.

Is there a smooth transition period? There is no smooth transition period for the services waiver.

What happens after graduation? Upon graduation, countries would no longer have access to preferential treatment under the services waiver.

What would this mean in practice? The practical implications are expected to be limited. According to study by the WTO and EIF, the conclusions regarding the impact of no longer benefiting from the services waiver were as follows: "The desired impacts of preferences granted under the services waiver has not yet been realized. In many cases, notified measures reflect the applied MFN regime. Moreover, some notified measures reflect commitments found in preferential trade agreements that also reflect the applied regime. And opportunities have been limited under Mode 4 (presence of natural persons), which has been the single most modal focus of the LDC Group. In addition, a growing body of research suggests that weak domestic supply-side capacities constitute major constraints for LDCs to increase their participation in international services trade. In view of these factors, in the present circumstances, graduating LDCs are unlikely to lose much in services preferences" after graduation.[22]

Special and differential treatment under the WTO agreements

Among the five countries, Cambodia, Djibouti, Senegal and Zambia are members of the WTO. Comoros is in the process of accession.

21 Preferential Treatment to Services and Service Suppliers of Least-Developed Countries, WT/L/847, 19 December 2011.

22 See WTO and EIF (2020), Trade impacts of LDC graduation, available at https://www.wto.org/english/res_e/publications_e/ldc_graduation_e.htm

The situation of WTO members

What are the LDC-specific measures? LDCs that are members of the WTO benefit from special terms for their implementation of WTO rules. A number of provisions specifically dedicated to LDCs were time-bound and have already expired.[23] Among the remaining ones, some are administrative (such as simplified procedures or more flexible notification requirements).[24] Others consist of the encouragement of other WTO member states to consider the special situation of LDCs.[25] Capacity-building and technical assistance measures are discussed in section 2.5 below. The main remaining LDC-specific substantive provisions under WTO agreements and/or related decisions are as follows:

- **Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement:**
    - LDCs benefit from a longer transition period to implement the TRIPS agreement. The period has been extended, most recently until 1 July 2034. Also, in line with the Doha Ministerial Declaration on TRIPS and public health, LDCs benefit from a special transition period for pharmaceutical products, most recently extended until 1 January 2033. LDCs are exempt from providing protection for pharmaceutical patents, from providing the possibility of filing mailbox applications and from granting exclusive marketing rights.
    - Developed country members are required to provide incentives to enterprises and institutions on their territories to promote the transfer of technology to LDCs (Article 66.2), on which they report annually.
    - The TRIPS amendment, which entered into force in 2017, allows the use of compulsory licensing for the export of pharmaceuticals to countries with limited manufacturing capacity (Art. 31 bis). LDCs have the following advantages:
        - Notification requirements and proof of limited manufacturing capacity: To use compulsory licensing, mem-

23 For example, LDCs were granted flexibilities on their obligations under the Trade-Related Investment Measures (TRIMs) Agreement, but all measures incompatible with the agreement were to be phased out by 2020.

24 For example, under the Understanding on the Balance-of-Payments Provisions of the GATT, LDCs can use simplified procedures when invoking trade restrictions for balance-of-payment reasons; LDCs have greater flexibility in the frequency of their Trade Policy Reviews. For details, see the LDC Portal (https://www.un.org/ldcportal/content/special-treatment-regarding-obligations-and-flexibilities-under-wto-rules).

25 For example, WTO members are to take particular account of LDCs when preparing and applying sanitary and phytosanitary (SPS) measures under the SPS Agreement.

bers need to i) notify an intent to use the system; and ii) show that manufacturing capacity is limited. LDCs are deemed to have limited manufacturing capacity and therefore only need to notify intent.

- Notification requirements for members of regional trade agreements (RTAs) where half the members are LDCs: a developing country member or LDC that produces or imports pharmaceuticals under compulsory licenses, and which is a party to an RTA in which at least half of the members are LDCs, can export the pharmaceuticals to other members of the RTA that share the same health problem without any further notification.

- **Agreement on Agriculture and related decisions:** Under the Nairobi Decision on Export Competition (2015), LDCs and Net food importing developing countries (NFIDCs) were allowed:

  - A longer timeframe within which to phase out certain agricultural subsidies (2030);
  - Longer repayment terms for the acquisition of basic foodstuffs;
  - To monetize international food aid to redress food deficit requirements or address insufficient agricultural production that gives rise to malnutrition.

- **Agreement on Subsidies and Countervailing Measures (SCM):**

  - WTO members are not allowed to use non-agricultural export subsidies. LDCs are exempted from this prohibition (as are a group of members identified in the list of Annex VII (b) of the agreement, until their income per capita reaches US$ 1,000 in 1990 constant dollars for three consecutive years).

- **Dispute Settlement Understanding (DSU):** LDCs benefit "from special considerations under the Dispute Settlement Understanding (DSU). The DSU requires WTO members to exercise due restraint in bringing cases involving LDCs. LDCs are also eligible to request the good offices of the WTO Director-General or the Chair of the Dispute Settlement Body before the establishment of a panel.

- **The Trade Facilitation Agreement (TFA)** also contained special provisions for LDCs, most of which were time bound and have expired or will have expired before the earliest possible graduation dates (e.g., the date for LDCs to submit category C commitments was 22 August 2022), with the exception of notification requirements and flexibility to shift between category B and C provisions. Categorization of trade facilitation obligations already notified under the TFA will not change due to graduation.

Are there smooth transition periods? There are currently no smooth transition periods.

What happens after graduation? After countries graduate, they cease to benefit from these LDC-specific rules.

What would this mean in practice? In its assessments of the trade impacts of LDC graduation for Cambodia, Djibouti, Senegal and Zambia (see Table 3 for a summary), the WTO Secretariat concludes there would be limited impacts given that the provisions are not used (e.g., countries could, but do not, provide export subsidies), are merely administrative in nature (e.g., notification requirements), will have expired by the time these countries graduate (e.g. TFA provisions); or were at least partially waived in the accession package (e.g., Cambodia's commitments regarding the implementation of TRIPs).

Complementing that analysis, a recent examination of the impacts of the loss of the LDC-specific provisions under TRIPs for Cambodia, Djibouti, Senegal and Zambia concludes as follows:26

- Longer transition periods:
    - Cambodia: as noted by the WTO (see Table 3), in its accession to the WTO, Cambodia committed to apply the TRIPs Agreement no later than January 1, 2007. Cambodia also agreed to introduce TRIPS plus standards of protection in some respects. However, Cambodia's legislation did enable it to use the LDC-specific transition period for pharmaceuticals. When it graduates, Cambodia will need to extend patents to pharmaceuticals. Moreover, even though it was not required to, Cambodia established a mailbox system by which pharmaceutical patent applications can be filed during the transition period, to be examined once the period is over (i.e., at graduation) and acceded to patent treaties (including with the European Patent Office), which would enable many of the applications in the mailbox to be granted patents based on the validation of patents granted in other jurisdictions. Therefore, Cambodia could already have a number of pharmaceutical products

26 Nirmalya Syam, Impact Assessment of TRIPS Implementation upon LDC Graduation of Cambodia, Djibouti, Senegal and Zambia. Consultancy report. February 2023. Available upon request.

protected by patents immediately after graduation, in addition to any patents granted on the basis of applications after graduation. This could create significant entry barriers for generic products. It should be noted that Cambodia has no obligation, under TRIPS, to extend patent protection to applications filed under the mailbox system.

- Djibouti: Djibouti does not make use of the TRIPS transition periods available to it as an LDC, even for pharmaceutical products. Djibouti's 2009 patent law covers all fields of technology and allows the grant of patents without examination if the applications fields are not opposed within a period of three months. Despite this legislation, the level of patenting activity in Djibouti is extremely low, reflecting the lack of a sound or viable technological base.
- Senegal: Senegal is a contracting party to the revised Bangui Agreement of 1999[27] and a member of the African Intellectual Property Organization (OAPI). The Bangui Agreement does not have provisions that would accommodate the LDC-specific TRIPs flexibilities, so Senegal has not taken advantage of the transition period under article 66.1 generally or for pharmaceutical products. Chemicals and pharmaceuticals are the sectors with the highest patenting activity.
- Zambia: There is no provision in Zambia's main patent law, the Patents Act of 2016, enabling the application of the LDC-specific transition periods. Zambia does adopt a strict approach towards patenting of pharmaceutical products and excludes new uses of a known product, including second use of a medicine, from patentability, which does not depend on the LDC-specific flexibilities and will therefore not be affected by graduation. An impediment to the application of these standards is that Zambia's patent law allows for the grant of a patent based on patents granted by the African Regional Intellectual Property Office (ARIPO), which take effect in countries that are signatories of the Harare Protocol on Patents and Designs unless the national office rejects them within 6 months. So far, no patent granted by ARIPO has been opposed by a national office of a contracting party. Zambia had only two patent examiners in 2020.

27 Bangui Agreement Relating to the Creation of an African Intellectual Property Organization, Constituting a Revision of the Agreement Relating to the Creation of an African and Malagasy Office of Industrial Property. https://www.wipo.int/wipolex/en/treaties/details/227

- Technology transfer under Art. 66.2:
  - In general, initiatives reported as meeting the obligations of Art. 66.2 cannot be effectively considered initiatives to incentivize technology transfer and have not specifically targeted LDCs.

- Notification for compulsory licensing, Art. 31bis:
  - In general, the four countries have made little use of compulsory licensing due to limitations in capacity or restrictions imposed by the legislation in place. Notification requirements add to the administrative costs of using the systems and could further limit the capacity to respond to public health emergencies, but they are not the main barrier in the use of the system. For Senegal, the revised Bangui Agreement contains notification and other requirements, and restrictions for compulsory licensing that go beyond those of the TRIPS Agreement.

Graduating LDCs may request waivers at the WTO for transition periods to phase out flexibilities or phase in obligations. As the WTO is member-driven, any such waivers would need to be the object of negotiations. In December 2020, the LDC Group circulated a draft Ministerial decision proposing a formal smooth transition procedure in the WTO, which would extend support measures benefitting LDCs for a period of twelve years after graduation. There has not been consensus on this proposal. The group then proposed, as an interim arrangement for consideration at the WTO's 12th Ministerial Meeting, a "Smooth Transition Package in Favour of Members Graduating from the LDC Category", which was not adopted at the Meeting. There have also been proposals, still under discussion, to enable graduating LDCs with a GNP below 1,000 dollars, in constant 1,990 dollars, to continue to benefit from the exemption from the provision on export subsidies under the SCM; and for graduated countries to be included in the list Net Food Importing Developing Countries (NFIDCs), which would mean the extension of LDC treatment in terms of the 2015 Nairobi Decision on Export Competition. The Decision granted LDCs and NFIDCs the possibility of providing certain agricultural export subsidies until 2030, among other flexibilities.

Table 3

WTO secretariat/EIF conclusions on impacts of graduation on matters related to WTO Agreements (substantive provisions)

Cambodia	Djibouti	Senegal	Zambia
TRIPS: longer transition period to implement TRIPS (to 2034)			
During accession negotiations, Cambodia agreed to implement the TRIPS Agreement by 2007. Cambodia has enacted several IP laws, covering most of the areas under the TRIPS Agreement. Cambodia would need to comply with notification requirements. Notifications are subject to review by the TRIPs Council.	Djibouti would be required to implement the TRIPS Agreement, enact IP laws, and comply with notification requirements. The WTO considers the potential impact to be limited.	No statement on Senegal's existing legislation. Senegal would be required to comply with notification obligations.	Zambia has enacted several IP laws.
TRIPS: transition period for pharmaceuticals (to 2033) and exemption from providing protection for pharmaceutical patents, mailbox applications and granting exclusive marketing rights.			
At the time of accession in 2004, it was understood that Cambodia was entitled to benefit from the specific transition period for pharmaceuticals offered to LDCs.	Djibouti is not able to take advantage of the transition period for pharmaceutical products because it does not have a large pharmaceutical industry.		
TRIPS: transfer of technology under article 66.2			
Cambodia has been mentioned in 186 reports. It may consider engaging with trading partners to discuss continuation of the programmes.	Djibouti has been mentioned in over 50 reports. It may consider engaging with trading partners to discuss continuation of the programmes.	Senegal has been mentioned in over 150 reports. It may consider engaging with trading partners to discuss continuation of the programmes.	Zambia has been mentioned in over 180 reports. It may consider engaging with trading partners to discuss continuation of the programmes.
TRIPS Amendment notification requirements			
Cambodia ratified the TRIPS Amendment in 2018. After graduation, to use the compulsory licensing system, Cambodia would have to notify intent of using the system and confirm that manufacturing capacity is limited. Cambodia has not used the system so far.	Djibouti may consider ratifying the TRIPS Amendment, which allows the use of compulsory licenses to export to countries with limited manufacturing capacity.	Senegal ratified the TRIPS Amendment in 2011. After graduation, to use the compulsory licensing system, Senegal would have to notify the intent of using the system and confirm its limited manufacturing capacity.	Zambia ratified the TRIPS Amendment in 2009. After graduation, to use the system of compulsory licenses, Zambia will have to notify its intent and the existence of limited manufacturing capacity. Zambia has not used the system so far.

Subsidies and Countervailing Measures (SCM): exemption from prohibition of non-agricultural subsidies			
The impact of graduation is expected to be limited, as Cambodia has not made use of non-agricultural export subsidies.	Djibouti does not appear to have made use of non-agricultural export subsidies.	The last notification from Senegal under the SCM Agreement was made in 2014, indicating that for the year 2013 Senegal did not provide any subsidies under the SCM Agreement. Senegal is also included in the list of members under Annex VII (b) of the SCM Agreement. Following graduation, it will remain eligible to provide non-agricultural export subsidies until its GNI per capita reaches US$ 1,000 in constant 1990 dollars (per WTO methodology) for three consecutive years.	In 2015, Zambia notified that it neither provided nor introduced any non-agricultural export subsidies.
Agreement on Agriculture/Nairobi Decision on export subsidies in agriculture: longer timeframe to phase out agricultural subsidies.			
The impacts of graduation for Cambodia would be limited. During the accession negotiations, Cambodia committed not to use agricultural export subsidies. Since then, Cambodia has been regularly notifying to the WTO that it has not been providing agricultural export subsidies.	The impact of graduation is expected to be limited as Djibouti does not provide agricultural export subsidies.	Senegal is expressly included in the NFIDC list and therefore it will continue to benefit from these flexibilities following graduation from LDC status.28 Senegal has also annually notified the WTO Secretariat that it does not provide agricultural export subsidies.	According to the latest notification, Zambia does not provide agricultural export subsidies.
Trade facilitation: extended timelines and simplified procedures			
Cambodia's graduation will have very limited impact on TFA implementation as Cambodia has already implemented most of the Agreement.	Djibouti's graduation will have limited impact on TFA implementation.	Senegal's graduation will have limited impact on the TFA implementation.	Zambia's graduation will have limited impact on TFA implementation.
Dispute settlement: special consideration and good offices			
So far, Cambodia has not made use of WTO dispute settlement.	So far, Djibouti has not made use of WTO dispute settlement.	To date, Senegal has only participated two dispute settlement cases as a third party.	Zambia has only participated in two disputes as a third party.

Source: WTO/EIF, 2022, "Trade impacts of LDC graduation" series (Cambodia, Djibouti, Senegal, Zambia). Excludes references to most administrative provisions.

28 LDCs were not expressly included in the list, but when the list was created in 1996, Senegal was not an LDC.

The situation of Comoros in the process of accession

Comoros is currently in the process of accession. As an LDC, it benefits from the LDC Accession Guidelines (adopted in 2002 and strengthened in 2012). The guidelines encourage WTO members to exercise restraint in seeking market access concessions and commitments on the trade in goods and services from acceding LDCs in these processes. They contain benchmarks on goods and services commitments on transparency in accession negotiations; special and differential treatment and transition periods; and technical assistance. After graduation, WTO guidelines and benchmarks for LDC accession would no longer apply as references in the negotiation of the terms of accession. The country would also no longer have access to LDC-specific support for accession. Once a member of the WTO and after graduation, Comoros would not benefit from LDC-specific special and differential treatment (SDT) under WTO agreements and decisions, but concretely the impact would depend on the terms and the time of accession, as some countries have waived their rights to certain LDC-specific S&D provisions in their accession packages. Like Senegal, Comoros is a contracting party of the revised Bangui Agreement on intellectual property rights, which leaves little room for the use of the LDC-specific transition periods for TRIPS.

Special and differential treatment and additional flexibilities (other than market access) in certain regional agreements

The impacts of graduation in terms of flexibilities under regional agreements will be limited:

Cambodia: ASEAN

Cambodia is part of the ASEAN Free Trade Area, and as such of the free trade agreements of ASEAN with Australia and New Zealand, India, Japan, China, the Republic of Korea. Cambodia benefits from special treatment in the context of the ASEAN Free Trade Area as a newer ASEAN Member State, but this is not contingent on its LDC status.

What are the LDC-specific measures? The only clause, within the ASEAN Free Trade Area and free trade agreements with other partners, identified as contingent on LDC status is article 18 of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), which provides that:

> "At all stages of the determination of the causes of a dispute and of dispute settlement procedures involving newer ASEAN Member States, particular sympathetic consideration shall be given to the special situation of newer ASEAN Member States. In this regard, Parties shall exercise due restraint in raising matters under these procedures involving a least-developed country Party. If nullification or impairment is found to result from a measure taken by a least-developed country Party, a Complaining Party shall exercise due restraint regarding matters covered under Article 17 (Compensation and Suspension of Concessions or other Obligations) or other obligations pursuant to these procedures."[29]

Is there a smooth transition period? There is no smooth transition period.

What happens after graduation? The commitment to exercise due restraint if nullification or impairment is found to result from a measure taken by Cambodia would not apply after graduation. The commitment on "particular sympathetic consideration" "at all stages of the determination of the causes of a dispute and of dispute settlement procedures involving newer ASEAN Member States" would still apply.

What would this mean in practice? It is difficult to establish the extent to which due restraint has been used because countries are LDCs, and therefore, whether or not they are no longer being covered under this provision would have significant consequences. All parties are encouraged to make every effort to achieve mutually agreed solutions to any dispute and have recourse to consultations, good offices, conciliation, mediation, and arbitral tribunals.

Djibouti, Senegal, Zambia and Comoros: transition period in the AfCFTA

Djibouti, Senegal and Zambia have ratified, and **the Comoros** has signed, but at the time of writing had not yet ratified, the African Continental Free Trade Agreement (AfCFTA). Other agreements these four countries are signatories of do not have LDC-specific provisions.

What are the LDC-specific measures? The Agreement Establishing the AfCFTA recognizes the special situation of LDCs (among other groups of countries) and includes variable geometry and

29 Chapter 17, Article 18. The text of the Agreement can be read at https://aanzfta.asean.org/uploads/2016/09/AANZFTA-legal-text-PRINTED-Signed.pdf. For more on special and differential treatment under AANZFTA, which is not contingent on LDC status, see aanzfta.asean.org/special-and-differential-treatment.

flexibility as well as special and differential treatment among its principles. The main flexibility provided by the AfCFTA to LDCs is a ten-year transition period during which to cut tariffs, compared to five years for other countries; and a 13-year transition period for sensitive products comprising up to 7 per cent of tariff lines, as opposed to ten for other countries. Negotiations on tariffs and rules of origin have not yet been concluded.

Are there smooth transition periods/what happens after graduation? Negotiations have not specifically addressed graduation issues or smooth transition periods so far. Considering the realities of regional integration, there is agreement that members of customs unions that have at least one LDC in their membership, will use the LDC transition timeframes.

What would this mean in practice? Because Senegal is part of the Economic Community of West African States (ECOWAS), along with other LDC member states, it would be able to apply the LDC transition period regardless of graduation. The process to operationalize the customs union of the Common Market for Eastern and Southern Africa (COMESA), of which Comoros, Djibouti and Zambia are parties of, has still not been finalized, so these countries would, in principle, need to apply the non-LDC transition timeframe.

Capacity-building, training and technical assistance related to trade

LDCs benefit from special mechanisms or priority in trade-related capacity-building, training and technical assistance. The main LDC-specific measures are priority and special activities and funds in the WTO's technical assistance programmes; the Enhanced Integrated Framework (EIF); priority and preferential co-financing terms under the Standards and Trade Development Facility (STDF); and access to the Advisory Centre on WTO Law (ACWL) without the requirement to become a member, and with preferential rates for assistance in dispute settlement cases.

WTO technical assistance: priority for LDCs

LDCs that are WTO members (and in some cases acceding members) have priority in the WTO's trade-related technical assistance. This includes training courses for LDCs, a greater number of national activities for LDCs than for other countries and priority for LDC nationals in internship programmes. The WTO considers that graduation will have very limited impacts on a country's ability to access technical assistance offered by the WTO secretariat, and that special consideration will be accorded to the WTO's graduating members to ensure a smooth transition. Countries that graduate will continue to benefit from assistance provided to all developing countries. The WTO encourages countries to engage with the WTO secretariat to ensure they make the best use of the LDC-focused technical assistance, (for example on compliance with outstanding notification requirements and compliance with WTO Agreements). Special consideration is accorded to the WTO's graduating LDC members to ensure their smooth transition (see WTO/EIF studies in footnotes 9, 12, 16 and 18).

Enhanced Integrated Framework (EIF)

The Enhanced Integrated Framework (EIF) is an Aid for Trade mechanism specifically dedicated to LDCs (most Aid for Trade is independent of LDC status and will not be affected by graduation). The EIF supports countries through analytical work, institutional support, and productive capacity-building projects. One of the main activities are the Diagnostic Trade Integration Studies (DTIS), which provide in-depth assessments of policy, export markets and potential. Graduated countries continue to have access to selected EIF benefits for five years following graduation. Table 4 shows recent activities under the EIF in the five countries. Countries also benefit from regional and thematic projects. The EIF supported analysis of the trade-related impacts of graduation for Cambodia, Djibouti, Senegal and Zambia (WTO/EIF, 2022a, 2022b, 2022c, 2022d). Beyond country-specific operations, the LDCs also benefit from regional initiatives such as projects to enhance investment promotion agencies, enhance capacity for sustainable cross-border trade digitalization. Cambodia also benefits from an initiative implemented by UNCTAD on trade preferences and market access.

EIF supports countries on the path to graduation through analytical work on graduation impacts and strategy, and by strengthening national institutions and sector-specific productive capacity as a means to face preference erosion.

Is there a smooth transition period? The EIF programme has been implemented in phases, each with its rules decided on by its Board. Under the rules for the current Phase (II), which runs until the end of 2023, the EIF continues to support countries for a period of five years after graduation.

What happens after graduation and the applicable smooth transition period? Countries no longer have access to EIF support after five years, according to current rules.

Table 4

EIF activity in the five countries

Country	Activities	EIF Funding (total, 2010-2021, USD)
Cambodia	EIF supports Cambodia to build its capacity to formulate, implement, manage and monitor a pro-poor trade policy. The DTIS was undertaken in 2007 and updated in 2019, leading to Cambodia's Trade Integration Strategy 2019-2023, which included an analysis of graduation. EIF has provided sector-specific support to Cambodia in milled rice, high-value silk, fisheries, cassava and hospitality. Cambodia has also used the EIF's support to set up a permanent mission in Geneva, play an active role as LDC Coordinator, prepare for the Trade Policy Review and maximize its visibility during the 11th WTO Ministerial Conference. More recently, Cambodia has been working with the EIF to develop an e-commerce strategy and help Cambodian SMEs to fully realize the opportunities offered by the digital economy.	9,067,035
Comoros	EIF is supporting Comoros to prioritize trade and is working with the Government to address the country's trade-related needs. This includes instrumental support as Comoros progresses toward WTO accession, and in-country enhancements to enable private sector development. The key agricultural sectors of vanilla, ylang-ylang and clove are being targeted for strengthening at the producer, processor and institutional levels. The DTIS was undertaken in 2007 and updated in 2015.	7,359,154
Djibouti	Djibouti's DTIS was done in 2004 and updated in 2015. Recommendations from the DTIS were incorporated into the country's first Poverty Reduction Strategy Paper in 2004. Trade enhancement efforts have included a capacity-building partnership with the Ministry of Trade and Industry and the National Investment Promotion Agency to help Djibouti enhance its human resource skills in tourism and to integrate into the multilateral trading system. In 2022, with EIF's support, Djibouti was preparing national trade and e-commerce strategies and investing in improving its business environment by strengthening SME competitiveness and supporting informal operators to move into the formal sector. In the past, Djibouti also benefitted from EIF resources for tourism development.	5,631,049
Senegal	The DTIS was undertaken in 2002 and updated in 2013. EIF support has enabled Senegal to develop an e-commerce strategy, to strengthen the competitiveness of its mango sector and to strengthen its national Aid for Trade metrology system.	6,885,277
Zambia	The DTIS was undertaken in 2005 and updated in 2014. Institutional strengthening through the EIF has helped enable planning, implementation and coordination of Aid for Trade in Zambia, the formulation and implementation of Zambia's export strategy and trade policy, and the integration of trade in its National Development Plan. These activities have also facilitated the introduction of trade and development courses in public universities. With support from the EIF, Zambia has also strengthened its productive sectors by boosting compliance with sanitary and phytosanitary (SPS) requirements and by improving the quality of honey. The government of Zambia, in partnership with the International Trade Centre (ITC) and the EIF, has been ensuring necessary training and support is provided for women entrepreneurs running agricultural and textiles-related businesses in Zambia. Zambia's new DTIS Update, to be concluded in 2023, will address smooth transition from the LDC category.	6,882,734

Sources: EIF 2021 Annual Report and country pages at https://enhancedif.org; WTO/EIF, 2022a, 2022b, 2022c, 2022d; and information received from the EIF secretariat.

Standards and Trade Development Facility (STDF): allocation rule and co-financing

The STDF originated is a global partnership supporting developing countries to implement sanitary and phytosanitary (SPS) standards, especially those under the WTO Agreement on Sanitary and Phytosanitary Measures.[30]

What is the LDC-specific measure? The STDF has a target of dedicating at least 40 per cent% of total project financing to LDCs or other low-income countries (OLICs). There is also a lower co-financing requirement for technical assistance. The minimum required contribution from LDCs and OLICS is 10 per cent, as opposed to 20 per cent for lower middle-income countries and 60 per cent for upper middle-income countries.

Is there a smooth transition period? Countries may continue to benefit from the 10 per cent co-financing threshold for a period of three years after graduation.

What happens after graduation and the smooth transition period? After graduation, countries are no longer included in the 40 per cent share of project financing allocation. After the three-year transition period, they would need to contribute at least 20 per cent of the requested STDF contribution to a project, up from the current 10 per cent.

What would this mean in practice? As for the allocation requirements, according to the STDF website, 67 per cent of funding for new projects went to LDCs and OLICs, significantly above the 40 per cent target. If a similar margin exists at the time of graduation, graduation would probably not affect the amount of resources dedicated to the five countries, all other factors remaining equal. As for the additional 10 per cent that would be due in co-financing after the three-year transition period, Table 5 provides information on the amount received to date by each of the countries from 2003 to 2022:

30 The Standards and Trade Development Facility (STDF) was created in 2003 (originating in a joint communique of FAO, OIE, WB, WHO, WTO at Doha Ministerial in 2001) to “increase capacity of developing countries to implement international SPS standards, guidelines and recommendations and hence ability to gain and maintain market access.”

Table 5

Project grant allocations under the STDF (2003-2022), United States dollars

Amount disbursed for country-specific projects	Amount disbursed per country in multi-country projects (assuming equal distribution among participants)	10% contribution, annual average over 20 years
Cambodia		
199,360 (SPS action plan)	1,070,535	7,055
Comoros		
1,321,075 (Strengthening SPS System)	Comoros is not listed as a participant in regional projects	7,339
Djibouti		
No country-specific projects	109,800	610
Senegal		
854,518 (Strengthening sanitary capacity in the shellfish sector)	1,116,541	14,485
636,175 (Making cabbage production safe and competitive)		
Zambia		
629,697 (Strengthening phytosanitary capacity for plant exports)	339,647	5,385

Sources: Project Grants | Standards and Trade Development Facility (standardsfacility.org) (https://standardsfacility.org/projectgrants). Excludes project preparation grants.

Advisory Centre on WTO Law (ACWL)

The Advisory Centre on WTO Law (ACWL), an intergovernmental organization based in Geneva, provides developing countries and least developed countries (LDCs) legal advice and training on WTO law as well as support in WTO dispute settlement proceedings at discounted fees.

What is the LDC-specific measure? ACWL's legal advice and training on WTO are available free of charge to the developing countries that are members of the ACWL and to LDCs that are members of the WTO or are in the process of acceding to the WTO. In other words, LDCs can benefit from these services without becoming members of the ACWL. In dispute settlement support, the ACWL charges fees in accordance with a time budget established by the Management Board and at hourly rates. Hourly rates are higher for non-LDCs. Non-LDC members are classified into categories depending on their share of world trade with an upward correction reflecting their per capita income.

Is there a smooth transition period? There is no smooth transition period.

What happens after graduation? Upon graduation, in order to retain access to the ACWL's services, Cambodia, Comoros, Djibouti, Senegal and Zambia would need to become members of the ACWL, by entering into a protocol of accession and making a one-time membership contribution of CHF 81,000. The non-LDC fees would apply, and the rate would depend on share of world trade and per capita income.

What would this mean in practice? In addition to the one-time fee to become members of the ACWL, the financial impacts would depend on each country's demand for dispute settlement support. As a reference, Table 6 provides the hourly rates and maximum charges in different categories of countries.

Table 6

Fees and maximum charges for ACWL support in dispute settlement, Swiss francs

		Maximum charges	
	Fees	As a complainant or respondent	As a third party
LDCs	40/hour	34,160	6,120
Category C	162/hour	138,348	24,786
Category B	243/hour	207,522	37,179
Category A	324/hour	276,696	49,572

Source: ACWL

None of the five countries have been parties in dispute settlement cases as complainants or respondents to date. Senegal and Zambia have each participated as third parties in two cases. As noted above, after graduation, LDCs benefit from special considerations under the Dispute Settlement Understanding (DSU) and a requirement of "due restraint" on the part of other members in bringing cases involving LDCs.

Chapter III

DEVELOPMENT COOPERATION

The impact of graduation on technical and financial cooperation is naturally a concern for many countries. In practice, it depends on how a country's main development partners consider the LDC category, on the extent to which a graduating country takes advantage of LDC-specific instruments, and what kind of support is in place after graduation. Although commitments have been made internationally regarding official development assistance (ODA) to the LDC category, many technical and financial cooperation programmes are neither exclusively nor primarily determined by LDC status.[31] The volume and type of assistance are usually determined based on a combination of factors related to recipientś income level, creditworthiness, population size, needs, and vulnerabilities; partnerś policies and priorities; competing demands; and the broader international context. In the case of bilateral cooperation, geographic proximity and cultural and historical ties often play an important role. This section reviews (i) how the most important development partners for the five countries take (or do not take) the LDC category into account in the determination of their resource allocation or type of support provided, and the expected consequences of LDC graduation on operations in or resource allocation to the five countries (sections 3.2 and 3.3); and (ii) how the five countries have used the LDC-specific instruments. Based on this, Section 3.4 summarizes the expected consequences of graduation on development cooperation in each of the five countries.

As background, it is important to keep in mind that:

- As noted in Chapter I, graduation from the LDC category is not the same as achieving middle-income status or graduating from the concessional windows of multilateral development banks. As mentioned in the introduction, the timeframes for these different "graduations" can be similar, as they all reflect advances in a country's development, but the distinction is important. For example, staying in the LDC category will not result in a country remaining in the World Bank group's International Development Association (IDA) category if it otherwise meets the criteria to leave the IDA. On the other hand, some countries start seeing gradual changes in cooperation

31 See information on the LDC Portal: https://www.un.org/ldcportal/content/bilateral_oda.

with certain partners; for example, a shift from grants to loans years before LDC graduation, as the income level increases and the country meets other development milestones.

- All five countries are expected to remain on the OECD DAC's list of ODA recipients for the foreseeable future and all five are currently lower middle-income countries under the World Bank's classification.[32]
- Several measures that benefit LDCs also benefit countries that are part of other groups, to which four of the five countries (all except Cambodia) belong. For example, the terms applicable to LDCs under the Global Environment Facility (GEF) are also applicable to Small Island Developing States (SIDS); the Green Climate Fund has a goal of allocating at least 50 per cent of adaptation resources to "vulnerable countries" which includes LDCs but also SIDS and African States; the EU gives priority to LDCs but also to countries experiencing fragility or conflict, SIDS, landlocked developing countries (LLDCs) and heavily indebted poor countries (HIPCs) among others.

Policies, rules and strategic priorities change. For example, France has recently enacted legislation determining that development cooperation focus on LDCs; and new rules for LDCs were defined for the GEF's 8th replenishment period. The assessment presented here is based on the policies and rules in place in 2022, whether directly informed to UN DESA by the respective governments, or organizations or stated in official documents.

- Naturally, countries that leave the LDC category are in principle no longer included in analytical or other work related to the category, such as reports dedicated to LDCs. They are also no longer involved in meetings, capacity-building activities or analysis related to the programmes of action for LDCs, unless it is in their capacity as graduated countries (for example for knowledge sharing), or because other categories of countries are also included. Instead, projects and programmes are developed based on demand and within the appropriate non-LDC frameworks.

32 According to the OECD's policies, all low- and middle-income (lower middle-income, upper middle-income) countries, based the World Bank classification, are eligible for ODA, with the exception of G8 members, EU members and countries with a firm date for entry into the EU. Graduation from ODA eligibility occurs when a country is found to have exceeded the high-income threshold for three consecutive years. The OECD Development Assistance Committee (DAC) has a number of recommendations and requirements relating to LDCs, including a higher minimum grant element for a bilateral loan to be considered ODA when it is extended to an LDC, a slightly higher discount rate used to determine the present value of future payments for purposes of definition of the grant element, and a recommended average grant element.

- Several UN organizations are committed to supporting countries through a "smooth transition" out of the category and UN-OHRLLS coordinates an inter-agency task force to that effect.

Development partners that do not take the LDC category into consideration in resource allocation (graduation has no impact)

Several of the most important development partners for the five countries, including the World Bank, the IMF, GAVI, the Global Fund, and several bilateral partners **do not take the LDC category into consideration (see Tables 7 and 8).**[33] They may take into consideration factors that overlap or correlate with the LDC indicators, such as per capita income, but not whether or not a country is on the LDC list. They may also have general commitments towards the LDC category and/or other categories of vulnerable countries but implement these commitments by focusing on recipient countries' characteristics and needs, and their own specializations and strategic priorities, rather than the categorization of individual countries as LDCs.[34] For these partners, LDC graduation is irrelevant. However, at around the time when countries are approaching the graduation thresholds and/or graduation itself, there might be changes in the type or volume of assistance delivered by these partners due to changes in the factors they do take into account, such as an increase in income or an improvement in health-related indicators.

33 An exception to this general rule is that the scope of eligibility for the Debt Service Suspension Initiative for the Poorest Countries (DSSI), which the World Bank and the IMF urged the G20 to set up in 2020 to respond to the COVID-19 crisis, included all IDA-countries that were on any debt service to the IMF and the World Bank and all LDCs in that situation, so that a non-IDA LDC would have benefitted whereas a non-IDA, non-LDC would not. The initiative has now expired. All five countries are IDA countries. Comoros, Djibouti, Senegal and Zambia participated.

34 For example, UNICEF is required by its Executive Board to allocate 60 per cent of its regular resources to LDCs. This is done based on a system that gives higher weight to countries with the lowest GNI per capita, highest under-five mortality rate and largest child population. This results in LDCs being naturally the greatest beneficiaries, but also means that graduation itself does not affect the amount of resources allocated to a country. Another example is Turkey, which has a history of supporting the LDC category, notably in connection with the Istanbul Programme of Action and the establishment of the Technology Bank for LDCs, but graduation is not expected to affect its cooperation with specific countries.

Table 7

Consideration of LDC status in technical and financial assistance programmes, 2022

Multilateral	Bilateral
Partners that do not consider LDC status in the determination of country assistance programmes or do not expect graduation to lead to changes to their assistance	
World Bank	Australia
IMF	Belgium
African Development Bank	China
Global Fund	European Union[35]
GAVI, the Vaccine Alliance	Japan (grants and technical assistance)
Most of the United Nations system (exceptions are UNDP core resource allocation and the LDC-specific mechanisms – see below)	Republic of Korea (grants and technical assistance)
	Poland
	Thailand
	Turkey
	United States
Partners that do consider LDC status in country programming and/or support instruments (in most cases graduation does not entail withdrawal or abrupt changes in assistance – see text)	
Asian Development Bank (ADB): LDC status is a secondary criterion in determining country classification	France
UNDP: LDC status is a secondary criterion in core resource allocation	Japan – concessional loans
Global Environment Facility (GEF): higher minimum allocation floors for LDCs	Republic of Korea – concessional loans
Green Climate Fund (GCF): priority (with other categories)	Germany
Climate Risk and Early Warning Systems (CREWS) Initiative	Saudi Fund
LDC-specific instruments (no longer available after graduation and a smooth transition period)	
UN Technology Bank	
LDC Fund (Climate Change)	
UNCDF	
Investment Support Programme for LDCs (ISP/LDCs)	
Enhanced Integrated Framework (EIF) (see 2.5)	

Source: official documents and, for bilateral, communications to UN DESA in 2022.

35 The European Union defines the terms of its bilateral assistance through multi-annual indicative programmes within the framework of regulations on international cooperation. The European Union has been consulted on the impacts of graduation on cooperation with the five countries and as of November 2022 had responded specifically on Cambodia, indicating that graduation will not affect Cambodia's eligibility to EU ODA, although its progress as a middle income country (which is not the same as LDC graduation) "may lead in the medium term to a gradual shift towards other cooperation mechanisms such as concessional loans, guarantees or other risk-sharing mechanisms".

Table 8

Eligibility for assistance from the World Bank, IMF, GAVI, Global Fund, African Development Bank

Eligibility
World Bank
Concessional financing under the World Bank's International Development Association (IDA) is provided to countries with low per capita incomes (the threshold in fiscal year 2023 is 1,255 dollars) and/or that lack the financial ability to borrow from the IBRD. Depending on income and creditworthiness, countries may receive only IDA financing, a blend of IDA and International Bank for Reconstruction and Development (IBRD) loans or only IBRD loans. The financing terms of the IDA are determined with reference to recipient countries' risk of debt distress, the level of GNI per capita, and creditworthiness for the IBRD. Recipients with a high risk of debt distress receive 100 per cent of their financial assistance in the form of grants and those with a medium risk of debt distress receive 50 per cent in the form of grants. Other recipients receive IDA credits on regular or blend terms with 38-year and 30-year maturities respectively. Under the Small Island Economies Exception, IDA also supports island states with a population of 1.5 million people or less that are above the income threshold but lack the creditworthiness needed to borrow from the IBRD. As of November 2022, all five countries are among the 75 IDA-eligible countries.
IMF
The IMF considers per capita income and other criteria, but not whether a country is an LDC, to determine the terms of its assistance to countries. Besides the General Resources Account which is available to all IMF members, the IMF's Poverty Reduction and Growth Trust (PRGT) assists low-income countries; and the Resilience and Sustainability Trust assists low-income and vulnerable middle-income countries (all PRGT-eligible countries all small states, i.e. those with population under 1.5 million, with per capita GNI below 25 times the 2021 IDA operational cutoff, and all middle-income countries with per capita GNI below 10 times the 2021 IDA operational cutoff). As of November 2022, all five countries are among the 69 PRGT-eligible countries and 142 RST-eligible countries.
GAVI, the Vaccine Alliance
Assists countries below a certain GNI per capita threshold and that meet certain conditions, assessed by an independent group of experts. Beyond this threshold, countries enter a transition phase towards self-financing. LDC status is not taken into account.
Global Fund
Considers GNI and a disease burden index.
African Development Bank (AfDB)
The African Development Bank considers GNI per capita and creditworthiness, and its own graduation process takes into account quantitative and qualitative criteria related to (i) economic structure and growth prospects; (ii) fiscal policy; (iii) monetary and exchange rate policy; (iv) balance of payments risks; (v) financial sector risks; (vi) public debt burden and debt and vulnerabilities; (vii) and (vii) socio-political risk, as well as the global outlook.

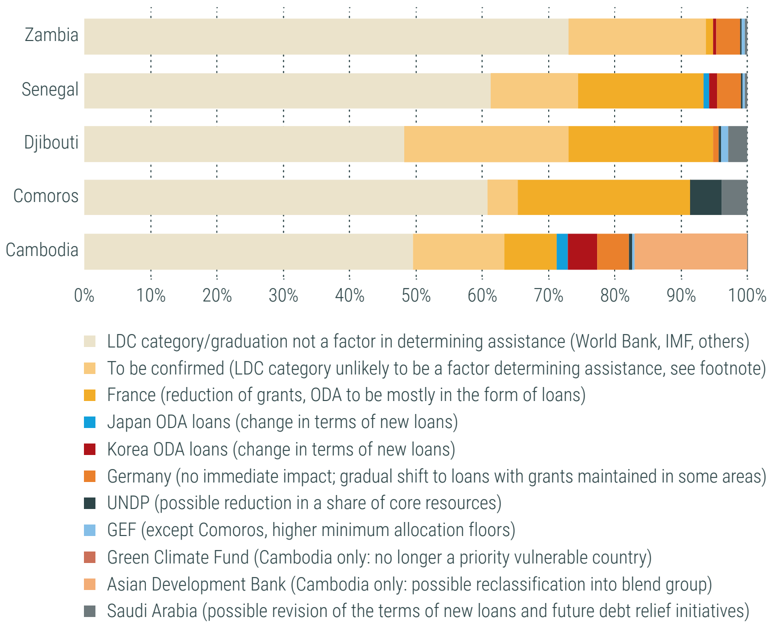
Sources: IDA borrowing countries: https://ida.worldbank.org/en/about/borrowing-countries; IDA terms: https://thedocs.worldbank.org/en/doc/7d6a0de7eb1be32d6952ba5a593543da-0410012021/original/IDA-terms-effective-jan-1-2022.pdf; "IMF lending": https://www.imf.org/en/About/Factsheets/IMF-Lending; GAVI eligibility: https://www.gavi.org/types-support/sustainability/eligibility; Global Fund eligibility: https://www.theglobalfund.org/en/funding-model/before-applying/eligibility/; AFDB: letter to UN DESA Economic Analysis and Policy Division, April 18, 2022.

Most entities belonging to the United Nations system, while recognizing the LDC category, and in some cases having institutional structures or specific programmes dedicated to LDCs, do not consider whether or not a country is on the LDC list when it comes to determining the volume or type of assistance deployed at the country level. These organizations will continue to support countries, once they have graduated, in their respective areas of specialization, based on the country's needs and vulnerabilities.

Based on the above, Figure 2 provides an indication of the relative importance, for the five countries, of partners that do not take the LDC category into account, or that would not change assistance due to graduation. The policies of the remaining partners are explained in detail in section 3.2.

Figure 2

ODA according to how partners consider the LDC category, 2011-2020
(millions of dollars)



Source: OECD/DAC Creditor Reporting system for ODA data. Communications from governments and organizations for the classification (sources in the footnotes).

For a number of other development partners, designated in stripes in the figure above, while there has been no specific communication on the prospects for the five countries, there is indication that LDC graduation would not lead to a significant reduction or change in cooperation, though this remains to be confirmed:

- **The Arab Fund:** The Arab Fund's focus are Arab countries, with priority given to financing joint Arab projects. Non-LDC members have benefitted from both loans and grants.[36]

- **Ireland:** The focus of Ireland's development cooperation is sub-Saharan Africa. Ireland concentrates its long-term development assistance on nine "key partner countries", among which is Zambia. Not all nine are LDCs. Additionally, Ireland partners with four other countries, only one of which is an LDC. The latest available strategy paper for bilateral cooperation does not refer to Zambia's LDC status.[37]

- **Italy:** Several of the 20 focus countries of Italian development cooperation are not LDCs and there is no reference to LDCs in the General law on international development cooperation (2014).[38]

- **Kuwait:** The Kuwait Fund for Arab Economic Development assists Arab and other developing states, many of which are not LDCs.[39]

- **Norway:** Even though Norway is one of few countries to exceed the target of allocating 0.15-0.2 per cent of GNI to LDCs, the Norwegian Agency for Development Cooperation (NORAD)'s Strategy Toward 2030 does not refer to LDCs. In previous graduation impact assessments, Norway indicated that development assistance does not depend on LDC status.

- **Switzerland:** Most of Switzerland's bilateral cooperation is undertaken in a set of priority countries which include both LDCs and non-LDCs (18 LDCs out of 41 countries). These are defined in a consultative process and based on the needs of the population, the added value of Swiss cooperation, and Swiss interests (International Cooperation Strategy 2021 to 2024).[40]

- **United Kingdom:** The 2015 UK Aid Strategy, "UK aid: tackling global challenges in the national interest" does not refer to LDCs.[41] There have been significant changes in UK development cooperation institutions, policies and funding. Research for this

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36 https://www.arabfund.org/

37 Irish Aid, "Countries Where We Work". Available: https://www.irishaid.ie/what-we-do/countries-where-we-work/

38 Italy, General law on international development cooperation (Lao no. 125 of 11 August 2014). Available: https://www.aics.gov.it/wp-content/uploads/2016/07/LEGGE_11_agosto_2014_n__125_ENG.pdf.

39 Kuwait Fund for Arab Economic Development, "Partners in Development". Available: https://www.kuwait-fund.org/en/web/kfund/home.

40 Swiss Confederation. Switzerland's International Cooperation Strategy – 2021-24. Available at: https://www.eda.admin.ch/dam/deza/en/documents/die-deza/strategie/broschuere-IZA-strategie-2021-2024_EN.pdf.

41 UK Department for International Development. UK aid: tackling global challenges in the national interest. Available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/478834/ODA_strategy_final_web_0905.pdf.

document found no indication that being an LDC would become in any way a determinant of receiving assistance.[42] The Foreign, Commonwealth & Development Office's Policy Paper for Zambia (2 September 2021) does not refer to Zambia's LDC status

Moreover, the OECD DAC data do not include concessional financing by all countries, and notably by China, which is estimated to have provided grants and concessional loans in significant volumes, and has informed UN DESA that it would continue to support countries beyond graduation.

Only a fraction, small for most countries, of the remaining share in Figure XX will possibly be affected by graduation, as explained in sections 3.2 and 3.3. below.

Development partners that consider LDC status among other eligibility factors

Formal consultations, published strategic documents, and legislation analysed for this report indicate that a relatively small number of development partners take the LDC category into consideration in ways that will, or might, mean that graduation would trigger changes in the type of assistance or quantity of resources dedicated to each country. In some cases, the changes will be marginal, or depend on multiple other factors.

Bilateral partners

France: focus on LDCs under the 2021 law on development programming

France is a major bilateral partner and especially important, in relative terms, for Comoros, Djibouti and Senegal, which in turn have been priority countries for French development cooperation. In 2021, France enacted a new law on programming of development cooperation which stipulates that it will focus its bilateral development assistance, and particularly grants, on LDCs, and especially those in sub-Saharan Africa. Assistance to middle-income countries is now to be mostly in the form of loans, in partnership with the private sector, local communities and civil society.[43] Graduating

42 For example, there was no reference to LDCs in the ministerial statement of the Foreign Secretary to Parliament on allocating Foreign, Commonwealth and Development Office ODA budget (21 April 2021).

43 Ministère de l´Europe et des Affaires Etrangères, 2021, Une nouvelle ambition pour la politique de développement française. Available: https://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/developpement/une-nouvelle-ambition-pour-la-politique-de-developpement-francaise/ [2021, September 20]; Ministère de l´Europe et des Affaires Etrangères, 2021, Priorités géographiques. Available : https://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/developpement/priorites-geographiques/ [2021, September 20].

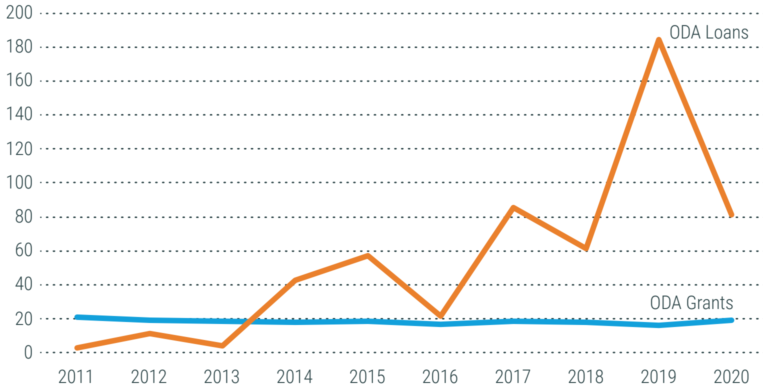
LDCs can expect significant changes in the assistance they receive from France:

- **Cambodia:** France accounts for approximately 8 per cent of ODA received by Cambodia between 2011 and 2020. Cambodia is not among France's priority countries. Graduation can be expected to lead to a reduction in ODA for Cambodia. As a middle-income non-LDC, ODA can be expected to be mostly in the form of loans. While grants have been relatively stable, at around 20 million dollars a year, loans have already become an increasingly important part of total ODA from France (Figure 3a).
- **Comoros:** France has been Comoros' largest single development partner, accounting for about 26 per cent of total ODA to Comoros during 2011-2020. Comoros has received only grants from France since 2014. Comoros is on France's list of 19 priority countries. Currently, the 150 million Euro France-Comoros Development Plan 2019-2022 is under implementation, aimed at structuring development projects while better coordinating donors. The plan covers the areas of health; social and economic integration of youth and support to sustainable employment; education and professional training; and environment and spatial planning. While Comoros remains an LDC, it would remain a priority country for France. France has informed that graduation would lead to Comoros losing its priority status, which would mean a significant scaling down of financial and technical support.
- **Djibouti:** Similarly, France has been Djibouti's largest single development partner, accounting for about 22 per cent of total ODA from 2011 to 2020. Djibouti is also on France's priority list, but this would change if Djibouti were to graduate, leading to a significant reduction of financial and technical support provided by France. Moreover, the state of Djibouti's indebtedness may exclude it from eligibility for financing through concessional loans. About 10 per cent of France's ODA to Djibouti from 2011 to 2020 was in the form of loans.
- **Senegal:** like Comoros and Djibouti, Senegal is on France's list of priority countries, and France is the largest single development partner, accounting for approximately 19 per cent of total ODA from 2011 to 2020. Like Cambodia, Senegal is already experiencing an increase in the importance of ODA loans versus grants from France. At the time of writing, no information had been provided by France about the impacts of graduation on development cooperation with Senegal taking into account the 2021 law.

- **Zambia:** France accounts for approximately 1 per cent of ODA received by Zambia from 2011 to 2020. The loans Zambia received from France over this period, particularly between 2014 and 2017, in the order of 110 million dollars, dwarf the grants received, (around 6 million dollars). Zambia is not a priority country for France. As a middle-income non-LDC, grants could be expected to be reduced, and new loans would depend on the country's indebtedness situation.

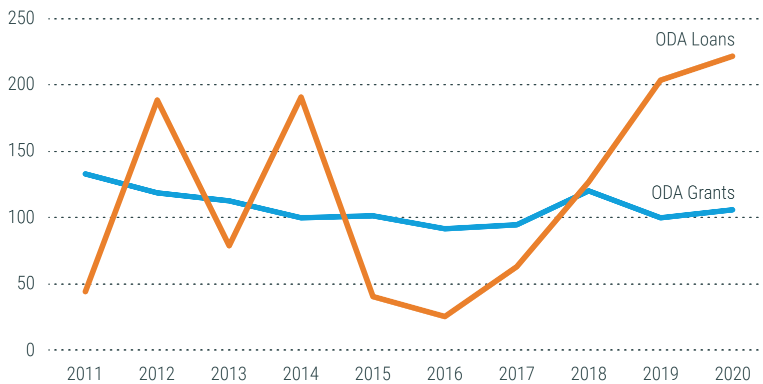
Figure 3
Loans and grants from France to Senegal and Cambodia, 2011-2020
(millions of dollars)

3.a Cambodia



Source: OECD Creditor Reporting System.

3.b Senegal



Source: OECD Creditor Reporting System.

Japan: special terms on concessional loans for LDCs

Allocation of grant aid and technical cooperation by Japan does not take LDC status into account, and these forms of assistance are therefore not expected to be affected by LDC graduation. Japan International Cooperation Agency (JICA) has concessional terms on loans for developing countries, with conditions varying according to whether a country is in the LDC category, which World Bank income group it falls into, and other criteria. Low-income LDCs have access to the most favourable terms under Japanese ODA loans, while non-LDC low-income countries and LDCs that are not low-income have access to a second category of preferential loans. Upon graduation, a lower middle-income country such as Cambodia would enter a third category. Other developing countries have access to less favourable but still concessional terms for loans, according to their level of income and nature of the project. New loans contracted after graduation would therefore apply the non-LDC rate. As a reference, Table 9 summarizes the terms of one type of loan, applicable from October 2022: if Cambodia graduated today, the interest rate on new loans taken out under "general terms" (not preferential rates specific to certain sectors), on a fixed exchange rate, with a 30-year repayment period and a 10-year grace period, would have an interest of 0.5 per centage points higher than for an LDC. Conditions vary depending on the types of projects and sectors and are revised annually.[44]

Table 9

Terms and conditions of Japanese ODA loans, effective from 1 October 2022 – selected categories

Category	Terms of loan	Interest rates (%)	Repayment period (years)	Grace period (years)	Conditions for procurement
Low-income LDCs (GNI per capita under 1,045 dollars) (not applicable to the five countries)		0.01	40	10	Untied
LDCs or low-income countries (GNI per capita under 1,45 dollars)	General terms, fixed exchange rate, standard	1.20	30	10	Untied
Lower middle-income countries	General terms, fixed exchange rate, standard	1.70	30	10	Untied

Source: Japan International Cooperation Agency (JICA), "Terms and Conditions of Japanese ODA Loans (Effective from October 1, 2022). Available: https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/index.html.

44 For details, see Japan International Cooperation Agency (JICA), Terms and Conditions of Japanese ODA Loans (Effective from October 1, 2022). Available: https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/index.html.

A transition period exists for low-income LDCs, that can benefit from the most beneficial terms for three years after leaving the category (either by graduating from the LDC category or acceding to the lower middle income group). None of the five countries are in this category.

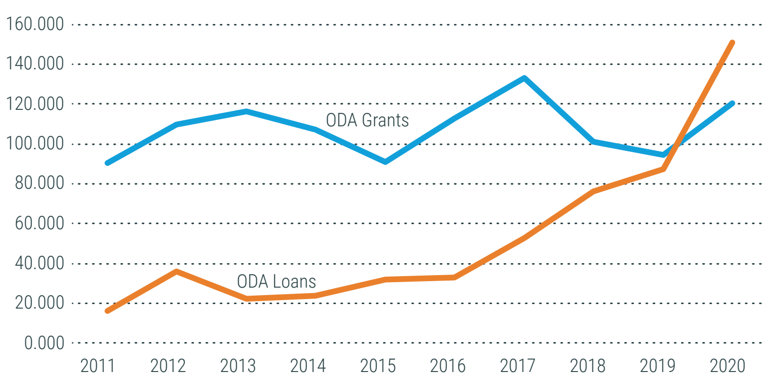
Of the five countries,

- Cambodia is the one that received most Japanese ODA loans and for whom the loans have been relatively most important. Cambodia has seen an increase in both loans and grants from Japan in recent years, with loans having overtaken grants in 2020. Japan accounted for 16 per cent of total ODA loans received by Cambodia from 2011 to 2020, as recorded by the OECD/DAC.
- Comoros and Djibouti have received only grants from Japan, which would not be affected by graduation. Loans in future, after graduation, would be under non-LDC terms.
- Senegal started receiving loans from Japan in 2017. Grants have seen a declining trend over the past decade, independently of graduation. Over the decade from 2011 to 2020, Japan accounted for 2 per cent of total ODA loans to Senegal.
- ODA loans by Japan to Zambia are on a much smaller scale than grants. Japan accounted for three per cent of total ODA loans to Zambia for the same period.

Figure 4

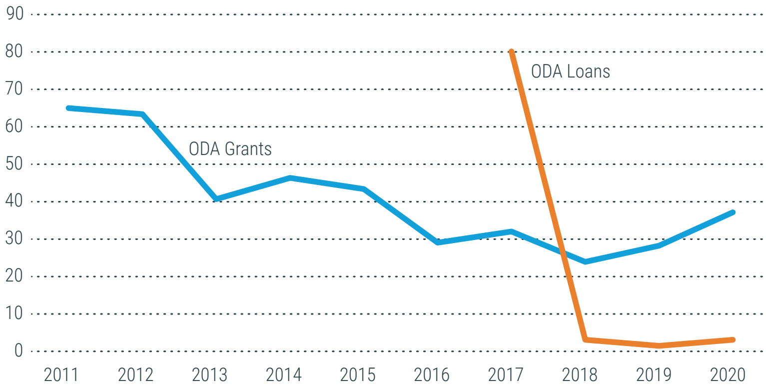
ODA loans and grants from Japan, 2011-2020 (millions of dollars)

4.a Cambodia

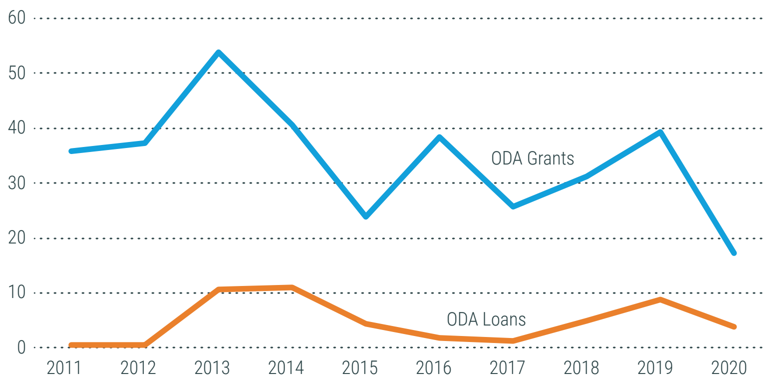


Source: OECD Creditor Reporting System

4.b Senegal



4.c Zambia



Source: OECD Creditor Reporting System

Republic of Korea: special terms on concessional loans for LDCs

For grants and technical assistance, the Republic of Korea defines its cooperation programmes based on national development strategies, economic and social environment and other factors. These are not expected to be affected by graduation. For concessional loans, LDCs have the most favorable conditions (including lower interest rates and longer repayment periods) in the loans provided by the Economic Development Cooperation Fund of Korea, administered by the Export-Import Bank of Korea and the Ministry of Strategy and Finance. Loans taken out after graduation would be under less favorable but still concessional terms.

The concessional loan mechanism identifies five groups of countries for which different interest rates and repayment periods apply. The LDCs are the group receiving the most favorable conditions. LDCs are eligible for lower rates and longer repayment periods.

The Republic of Korea accounted for 11 per cent of ODA loans to Cambodia from 2011 to 2020 and three per cent of ODA loans to Senegal. It has not extended loans to the other three countries.

Germany: LDC status is one among other factors in determining cooperation and the mix of grants and loans

Germany provides grants and concessional loans to LDCs. LDCs receive mostly grants; non-LDC developing countries receive mostly loans; but there are exceptions. In 2020, the BMZ undertook a reform – BMZ 2030, enhancing its focus on the areas addressed and partner countries. It defined four categories of countries for its bilateral official development cooperation, of which over half are not LDCs. Cambodia and Zambia are considered in a category of countries with which Germany maintains long-term cooperation to support shared development goals. Senegal is one of the "Reform partners", countries that are "particularly reform-minded".[45] Comoros and Djibouti are no longer considered partner countries for bilateral cooperation

Germany defines its development programmes based on a number of factors, including recipients' specific development challenges and capacities. LDC status is one factor considered, among several others. Graduation is not expected to have immediate impacts on cooperation with any of the five countries. Regular assessments and dialogue with partner governments as a country develops normally lead to adjustments according to the recipient's development needs and opportunities. As countries develop, and LDC graduation is one element attesting to that, it is expected that there would be a gradual shift from grants to loans, though grants would be maintained in certain areas.

Currently, Germany only extends grants to the five countries. Germany accounted for five per cent of total ODA in Cambodia from 2011 to 2020, four per cent in Senegal and six per cent in Zambia.

45 Country list for the BMZ's bilateral official development cooperation. Available: https://www.bmz.de/resource/blob/116876/bmz-country-list.pdf

Saudi Arabia/Saudi Fund: LDC status is one among other factors in determining the terms of new loans and possibly future debt relief initiatives

Information is available on ODA from Saudi Arabia, which is delivered through the Saudi Fund, for 2015 onwards. The Saudi Fund categorizes countries into groups according to development needs. Djibouti is classified in Group I, with the highest priority. Comoros and Senegal are in Group II, and Senegal and Zambia are in Group III. All but Cambodia have received both loans and grants. Saudi Arabia is a relatively more important donor in Comoros and Djibouti, where it accounted for six per cent and four per cent of total ODA received by these countries, respectively, between 2015 and 2020. In the other three countries it accounted for one per cent or less.

LDC status may play a role in the determination of the terms of new loans extended by the Saudi Fund. The Fund would review the terms of any new loans requested after graduation on a case-by-case basis. Graduation could also affect how Saudi Arabia supports debt relief in the future.

Multilateral and regional partners and instruments

UNDP's core (or regular) resources: TRAC resource allocation, predictability, minimum allocation

UNDP's core programmatic presence on the ground is financed through core resources distributed to programme countries based on the Target for Resource Assignment from the Core (TRAC) system. TRAC is a three-tiered system in which TRAC-1 and TRAC-2 resources are linked in a combined pool to support country programming, while TRAC-3 resources are made available through a separate pool to support crisis response. Allocation of TRAC-1 takes into account a country's gross national product per person and its population size.[46] By decision of its Executive Board, UNDP aims to ensure that at least 60 per cent of total TRAC-1 and TRAC-2 resources are allocated to LDCs. These parameters do not cover non-core resources. If, by applying all the primary allocation factors (GNI per person, population size, etc.), the allocation to LDCs

46 "TRAC-1 allocations are based on the Executive Board's approved criteria, taking into account the income status and population size of each country, with the majority of these resources channeled to low-income and least developed countries. (…) TRAC-2 was designed to provide UNDP with the flexibility to allocate regular programme resources to high-impact, high-leverage, and high-quality programme activities and to help UNDP to respond effectively to differentiated country needs (decision 2013/4). (…) A portion of the regular resources, TRAC-3, is also channeled to programme countries that are affected by conflicts and natural disasters. In these countries, TRAC-3 resources are used in conjunction with TRAC-1 and other resources." UNDP integrated resources plan and integrated budget estimates for 2022-2025, Report of the Administrator (DP/2021/29), 2 July 2021.

remains above the 60 per cent requirement, a country's allocation may not be affected by LDC graduation. For the period 2022 to 2025, TRAC-1 allocations to LDCs are 82.4 per cent of the total, and currently the 16 countries that are at different stages of the graduation pipeline account for 9 per cent.[47] If allocation is under 60 per cent, adjustments may need to be made to the allocation of core resources to non-LDC countries, including recently graduated countries.

Additionally, one of the principles for UNDP resource allocation is predictability. This is implemented in practice through the "floor principle" for TRAC distribution. The floor principle ensures that a country receives at least a set percentage of the TRAC-1 resources received in the previous programming cycle. If the country's basic TRAC-1 earmarking is lower than the floor amount, a floor supplement is added to the basic TRAC-1 earmarking to make up for the difference. This is intended to prevent major abrupt changes in TRAC allocation because of a shift in GNI per capita that could be temporary. For LDCs, that minimum is 75 per cent, whereas for non-LDC middle-income countries it is 40 per cent. There is a 45 per cent rate for "transitional middle-income countries", or countries that recently shifted from low-income to middle-income status. Currently, Cambodia, Comoros and Senegal are considered transitional middle-income countries but by the time they graduate they may no longer be considered in the transitional category. For the programming period after the date of graduation, the middle-income percentage (40 per cent) would likely apply to the five countries.

There is no smooth transition period, but any changes would only apply to the four-year budget that is formulated after graduation. Hence, for any of the five countries, the change in LDC status would be taken into consideration at the earliest for the period after 2029. Even so, the overall volume of core resources available for allocation to programme countries after graduation would depend on additional factors, including the country's needs and UNDP's overall core funding available.

Finally, UNDP has minimum TRAC-1 allocations, which are different for LDCs and non-LDCs in the case of countries that have UNDP country offices. For LDCs, the minimum allocation is 450,000 United States dollars, whereas for middle-income non-LDCs with GNI per capita under $6,692 the minimum is $350,000. The LDC minimum also applies to "transitional middle-income

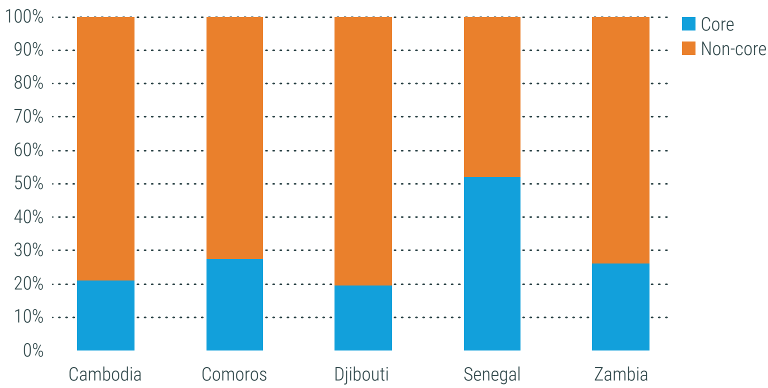
47 UNDP integrated resources plan and integrated budget estimates for 2022-2025, Report of the Administrator (DP/2021/29), Annex I. 2 July 2021.

countries". Currently Djibouti is the only one of the five countries whose annual allocation is close to the minimum. There is no difference between LDCs and non-LDCs in terms of minimum allocation to countries with no country office.

In sum, in the first budget formulated after a country has graduated, if allocation of UNDP's TRAC-1 resources to LDCs based on the adopted formulas is under the 60 per cent floor, there could be adjustments to the resources allocated to the non-LDCs (including the recently graduated countries), relative to what would have been the case had the country remained an LDC, depending on other factors including country needs. Any change would not lead to a reduction to less than 40 per cent of the previous period, given the predictability principle. For countries in which UNDP has offices, the minimum allocation would be $350,000 instead of $450,000. Non-core resources are not affected.

With the exception of Senegal, core-resources accounted for less than 30 per cent of resources in 2020 (Figure 3). Total ODA from UNDP (core and non-core) accounted for 1.7 per cent of ODA received by Comoros for 2011-2020, and less than 0.5 per cent of that received by the other four countries.

Figure 5
UNDP core and non-core resource allocation to the five countries, 2020
(percentages)



Source: 2022 Secretary-General's report on the implementation of the QCPR, Statistical Annex, https://www.un.org/ecosoc/en/content/2022-secretary-general%E2%80%99s-report-implementation-qcpr

Global Environment Facility (GEF) trust fund: higher minimum allocation floors

With the exception of the LDC Fund (see Figure 3.3), funding from the GEF is available for all developing countries. The system currently in place for the allocation of the GEF Trust Fund resources for biodiversity, climate change and land degradation is called STAR (System for Transparent Allocation of Resources) and is based on indicators of "global benefits" (steering funds towards the countries where GEF investments could potentially deliver the most global environmental benefits), country performance (assessing the capacity of countries to deliver on potential benefits) and GDP (steering resources from the high-income to the lower income countries), in addition to pre-defined parameters and index weights, among other factors. After allocation based on this system, floors and ceilings are applied to make sure that no country gets too many or too few resources in each focal area. There are special floors for LDCs.

For the 8th replenishment period (GEF-8, July 2022 to June 2026), the minimum allocation floor for LDCs is 8 million dollars, and the same floor applies to SIDS. Cambodia, Comoros, Djibouti and Senegal received an initial allocation for climate change that was equivalent to the minimum allocation floor for LDCs, which suggests that the higher minimum floor for LDCs may have played a role and that if these countries were not entitled to the minimum floor, they may have received fewer resources. The same goes for Djibouti in biodiversity, and for Comoros generally.

Table 10

Minimum allocation floors for GEF-8 and initial allocations to the five countries (millions of dollars)

Minimum for non-LDCs and SIDS	Minimum for LDCs and SIDS	Cambodia	Comoros	Djibouti	Senegal	Zambia
Biodiversity						
3.00	4.00	4.65	4.08	4.00	6.02	7.80
Climate change						
1.00	2.00	2.00	2.00	2.00	2.00	4.04
Land degradation						
1.00	2.00	3.14	2.00	3.87	6.15	5.65
Aggregate						
5.00	8.00	9.80	8.08	9.87	14.17	17.49

Source: GEF, Initial GEF-8 STAR Country Allocations. GEF/C.63/Inf.05. July 1, 2022.

Graduating from the LDC category does not automatically mean that countries will receive smaller GEF allocations. STAR model allocations depend not only on the country's own variables but on multiple parameters (index weights, data updates, funding available) and how other countries fare relatively against these parameters. For Comoros, a SIDS, the application of the minimum allocation floors would not change.

There are no smooth transition periods but any changes in allocation would only apply in replenishment periods that start after graduation. For example, assuming rules stay the same, if a country graduates in 2027 (during GEF-9) it would still benefit from the LDC floors until the end of that replenishment period (after 2030). Changes would apply for GEF-10, and depend on the rules negotiated for that period.

Green Climate Fund (GCF): priority for vulnerable countries, including LDCs, SIDS, African States

The Green Climate Fund (GCF) is mandated to support developing countries raise and realize their nationally-determined contributions (NDCs) ambitions towards low-emissions, climate resilient pathways. Ten billion dollars were mobilized for the first implementation period of the fund (2020-2023). The GCF is not limited to LDCs. It does prioritize "vulnerable countries, including least developed countries (LDCs), small island developing states (SIDS) and African States" in the allocation of adaptation funds and readiness support. For the first replenishment period (2020-2023), GCF is mandated to invest 50 per cent of its resources into mitigation and 50 per cent into adaptation in grant-equivalent terms, and half of those adaptation resources are to be invested in SIDS, LDCs, and African States. GCF also aims for at least half of the resources of the Readiness Programme (which encompasses activities in adaptation planning, formulation of national adaptation plans, capacity-building and related issues), to be allocated to the vulnerable countries. The Readiness Programme has allocated 265 million dollars (equal to 62 per cent) of total approved support to these countries.

Graduation would not necessarily mean any changes in allocation, as this would depend on the application of other allocation factors and how far above the required floors for vulnerable countries the fund is after graduation. Since the beginning of the operationalization of the fund in 2015, adaptation allocation funding to vulnerable countries has remained considerably above the 50 per cent floor in grant equivalent terms.48 Of the five countries,

48 GCF 2021 Annual Results Report. https://www.greenclimate.fund/sites/default/files/document/20220412-arr2021.pdf; and Status of the GCF Portfolio: approved projects and fulfilment of conditions, Green Climate Fund, Meeting of the Board, 7-20 October 2022. GCF/B.34/Inf.09.

Cambodia is the only one that would not remain among the group of vulnerable countries. Allocation of new resources to Cambodia through the GCF would only change if the Fund were not meeting its LDC targets. Cambodia would still be eligible for the fund, like other non-LDC middle-income countries.

Climate Risk and Early Warning Systems (CREWS) Initiative

CREWS is a mechanism that provides funding to LDCs and SIDS for risk informed early warning systems. The implementing partners are the World Bank Global Facility for Disaster Risk and Recovery (GFDRR), the World Meteorological Organization (WMO) and the United Nations Office for Disaster Risk Reduction (UNDRR).

After graduation, Cambodia, Djibouti, Senegal and Zambia would no longer qualify for new CREWS projects. Comoros, as a SIDS, would continue to have access. Graduated countries other than Comoros would also not be included in new phases of current projects. Current projects include:

- Cambodia: a project for Cambodia and Lao PDR amounting to 5.5 million dollars to reduce the impacts of disasters caused by hazards through the utilization of early warning and risk information.
- Comoros: a regional project in the South-West Indian Ocean, amounting to a total of 4 million dolllars for 4 countries in the region.
- Senegal: Senegal has benefited from the West African Regional Project which seeks to establish risk-informed early warning services.

Asian Development Bank (ADB)

Of relevance only to Cambodia among the five countries, the ADB classifies countries into groups according to the type of financing they are eligible for. Group A receives concessional assistance only, Group C receives regular market-based ordinary capital resources (OCR) loans, and Group B receives a blend of both (see Table 11).[49] The classification is based primarily on income per capita and creditworthiness for regular ordinary capital resources (OCR) loans. The ADB considers LDC status as a secondary criterion when classifying countries. Countries that are above the per capita GNI cut-off level and are deemed to lack creditworthiness

49 Asian Development Bank (2022), Classification and Graduation of Developing Member Countries, Operations Manual Section A1, Policies and Procedures, issued on 1 January 2022. https://www.adb.org/sites/default/files/institutional-document/31483/om-a1.pdf

may be reclassified from group A to group B after LDC graduation; countries that are above the per capita GNI cut-off level and are deemed to have adequate creditworthiness may be reclassified from group B to group C after LDC graduation. However, these reclassifications are not automatic. They are analyzed on a case-by-case basis and other factors need to support the change. In addition to country- and situation-specific factors that could influence the decision on reclassification within the ADB, in general a Group A country that graduates from the LDC category and is at moderate or high risk of debt distress or in debt distress, will remain a Group A country. Graduation does not affect the classification of countries that are above the per capita GNI cut-off level and are deemed to have limited creditworthiness. These countries remain in Group B.

Table 11
Classification criteria of the Asian Development Bank

Creditworthiness	Per capita GNI cut-off		
	Below the per capita GNI cut-off	Above the per capita GNI cut-off	
		LDC	Non-LDC
Lack of	Group A (concessional assistance only)	Group A (concessional assistance only) – Cambodia	Group B (OCR blend). If at moderate or higher risk of debt distress, then remains Group A Cambodia after graduation and reclassification process
Limited	Group B (OCR blend)	Group B (OCR blend)	Group B (OCR blend)
Adequate	Group B (OCR blend)	Group B (OCR blend)	Group C (Regular OCR only)

Source: adapted from Asian Development Bank (2022), "Classification and Graduation of Developing Member Countries", Operations Manual Section A1, Policies and Procedures, issued on 1 January 2022.

Cambodia, the only one of the five countries to benefit from ADB financing, is currently classified as a Group A country and is considered to be at low risk of debt distress. LDC graduation could trigger the beginning of a process towards potential reclassification into Group B. Nevertheless, issues such as protracted impacts of the COVID-19 crisis could justify keeping Cambodia in group A in the short and medium terms.

In 2021, the ADB committed 332 million dollars in loans, 5 million dollars in grants, 18 million in technical assistance and 18 million in a microfinance programme in Cambodia.[50]

50 Asian Development Bank and Cambodia: Fact Sheet. Available: https://www.adb.org/sites/default/files/publication/27757/cam-2021.pdf

LDC-specific instruments, programmes and funds

There are instruments, programmes and funds dedicated exclusively or primarily to LDCs. These instruments have been used to different degrees by the five countries, and their activities are not necessarily reflected in large transfers of monetary resources. While limited in terms of the financial resources they mobilize, they are important in leveraging additional resources and in building capacity. It is important for LDCs approaching graduation to consider how they can make the best use of each of them during the period in which they are still eligible. Below are brief descriptions of the instruments, programmes and funds and information on recent usage by the five countries (see section 2.5 for information on the EIF).

The LDC Fund (Climate change)

In 2001, an LDC work programme and a Least Developed Countries Expert Group (LEG) were established under the UNFCCC, and an LDC Fund (LDCF) was set up to support the work programme, including the preparation and implementation of National Adaptation Programs of Action (NAPAs) and more recently includes support to the national adaptation plans (NAPs). The LDCF is operated by the GEF. It disbursed 1.65 billion in grant financing in its first 20 years. Disbursements under the LDCF follow a principle of "equitable access" for LDC Parties, which means there are caps on the amount of funds a single country can receive in any specific replenishment period (currently USD 20 million for 2022-2026, the GEF-8 period), and a cumulative cap (currently at USD 60 million).[51] Table 12 summarizes disbursements to the five countries by the LDCF since its beginning, compared to the GCF for the period 2015-2022.

After graduation, countries are no longer eligible to receive new funding under the LDCF. There is no smooth transition period, but projects approved before and up until graduation continue to receive funding for their full implementation. The LDCF Secretariat plans to conduct targeted outreach to, and consultations with, graduating LDCs so that they can address their adaptation priorities through the LDCF before they graduate.

51 GEF Programming Strategy on Adaptation to Climate Change for the Least Developed Countries Fund and the Special Climate Change Fund for the GEF-8 Period from July 1, 2022 to June 30, 2026 and Operational Improvements.

Table 12

LDCF and GCF resource access as of 2022 (millions of USD)

Total financing under LDCF (national)	Total financing under LDCF (regional/global)	Total GCF financing received (2015-2022)	Status of NAPAs and NAPs (December 2022)
Cambodia			
31.62	15.00	104.00	NAPA submitted in 2007; NAP submitted in July 2021
Comoros			
35.94	0.21	66.70	NAPA submitted in 2006; NAP not submitted
Djibouti			
29.01	9.14	24.00	NAPA submitted in 2006; NAP not submitted
Senegal			
32.85	9.55	167.30	NAPA submitted in 2006; NAP not submitted
Zambia			
33.20	1.45	91.20	NAPA submitted in 2007; NAP not submitted

Source: based on "Progress Report on the Least Developed Countries Fund and the Special Climate Change Fund. 32nd LDCF/SCCF Council Meeting, June 23, 2022, GEF/LDCF.SCCF.32/06 June 14, 2022; "Countries, Green Climate Fund", https://www.greenclimate.fund/countries; Recipient Countries | GEF (thegef.org) https://www.thegef.org/projects-operations/recipient-countries; UNFCCC LDC Expert Group (2021), National Adaptation Plans 2020 – Progress in the Formulation and Implementation of NAPS, https://unfccc.int/sites/default/files/resource/NAP-progress-publication-2020.pdf; National adaptation plans (unfccc.int), https://www4.unfccc.int/sites/NAPC/Pages/national-adaptation-plans.aspx; Submitted NAPAs: https://unfccc.int/topics/resilience/workstreams/national-adaptation-programmes-of-action/napas-received.

Graduated countries continue to have access to other sources of funding for climate change, including the Special Climate Change Fund (SCCF), the Adaptation Fund and, more significantly, the GCF discussed in the previous section. The SCCF is open to all vulnerable developing countries, and in 2021, had a portfolio of 364 million dollars. The Adaptation Fund is open to all developing countries and, in August 2021, had a balance of 537 million dollars.

Technology Bank for LDCs

The Technology Bank assists LDCs to build their science, technology and innovation (STI) capacities:

- Technology Needs Assessments (TNAs) of the LDCs, in collaboration with other organizations and partners, including in the private sector. The TNAs are undertaken in close collaboration with the Ministries responsible for science, technology, and innovation and involve the relevant national stakeholders.

- Capacity development and international research collaboration to support LDCs to build high-quality research capabilities and strengthen the capacity of academies of science in LDCs. New and upcoming initiatives include:
    - Science, technology and innovation capacity-building programmes in LDCs in the areas of biotechnology in partnership with UNESCO, and the World Academy of Sciences for the advancement of science in developing countries and the International Centre for Genetic Engineering and Biotechnology;
    - SDG Impact Accelerator projects, currently in Bangladesh and Uganda, in partnership with Turkey and UNDP, to unlock entrepreneurial talent and leverage emergent technologies to improve livelihoods;
    - An innovation programme focused on supporting LDCs to exploit their latecomer advantages and leverage existing technologies through entrepreneurial activity as well as enhancing their capacity to find, adapt and adopt proven, off-the-shelf technologies.
    - Collaboration with the private sector build capacities of healthcare workers and communities (e.g., addressing hearing loss for children under 14 years in Bhutan) through know-how and technology transfer.
    - In collaboration with Turkey, support for programmes targeted at youth, technology transfer in food production and post-harvest waste management, and sustainable housing in LDCs.
    - The Technology Bank has also joined the Alliance for Affordable Internet, a partnership with the World Wide Web Foundation that aims to ensure equitable access to meaningful Internet in LDCs.

There is a smooth transition period of five years. According to current rules, after that, countries cease to have access to the Technology Bank's services. During the smooth transition period, countries can take advantage of support provided by the Technology Bank to identify the technologies they need to meet national development objectives. The TNA provides information on the technologies and the STI ecosystem that LDCs need to build their productive capacities, upgrade their technological capabilities, and design a strategy for graduation and smooth transition from the LDC category.

As of mid-2022, TNAs had been conducted for Cambodia and Djibouti and initiated for Senegal. Completed TNAs have identified the main sectors that the countries consider as priorities for national development goals. For example, Cambodia prioritized energy, agriculture and food, education, and human health; Djibouti prioritized education, health, energy, and water.

UNCDF

The United Nations Capital Development Fund (UNCDF) is the United Nations catalytic financing entity for the LDCs. In 2021, it operated in 37 LDCs, working to invest and catalyse capital to support these countries in achieving sustainable growth and inclusiveness. UNCDF aims to strengthen financing mechanisms and systems to contribute to transformation pathways such as green economy, digitalization, urbanization, inclusive economies and gender equality and women's economic empowerment. In 2021, UNCDF disbursed more than 38 million through strategic grants, loans and guarantees, which collectively unlocked 89 million in direct and catalytic financing along with an additional 37 million channeled through decentralized financing mechanisms supported by UNCDF.

After a country graduates from the LDC category, programmes can continue to be funded by the UNCDF under the same conditions for three years. Assuming continued development progress, funding for another two years can be provided on a minimum 50/50 cost-sharing basis with either the Government or a third party. During this period, UNCDF will define a sustainable exit strategy for its activities, placing an increasing focus on strengthening national systems and capacities of country stakeholders to design and implement viable financing mechanisms and facilities that catalyze public and private capital for SDG investments.

Of the five countries, UNCDF currently has activities in Cambodia, Senegal and Zambia. Were they to be recommended for graduation in 2024, and assuming continued availability of financial resources, UNCDF expects to further prioritize support that helps establish sustainable financing mechanisms and solutions that enable these countries to diversify their sources of SDG financing to enable smooth transition towards irreversible graduation. Support would include increased focus on mobilization of private financing and of non-ODA public resources, including own source revenue mobilization at local level and strengthening of fiscal decentralization systems. UNCDF would also expect to further accelerate support for the development of inclusive digital economies and digital financial services to strengthen productive capacities and enable structural economic transformation.

Investment Support Programme for LDCs (ISP/LDCs)

The Investment Support Programme for LDCs (ISP/LDCs), a partnership between the International development Law Association and UN-OHRLLS, provides on-demand legal and professional assistance and training to LDC governments, and eligible state-owned or private sector entities for investment-related negotiations and dispute settlement. Its services are provided by private law-firms and other experts at no costs to LDCs. Its first engagement was in 2020, supporting the Gambia. Graduated countries remain eligible to apply for assistance under the programme for a period of five years after the date of graduation.[52] The five countries had not yet used the ISP/LDCs as of 2022.

Main impacts on development cooperation, country by country

Based on the above, the main expected impacts of graduation on development cooperation, country by country, are as follows:

Cambodia

Among Cambodia's main development partners (Figure 6), the most significant changes in terms of development cooperation are expected to be as follows (see the previous sections for details):

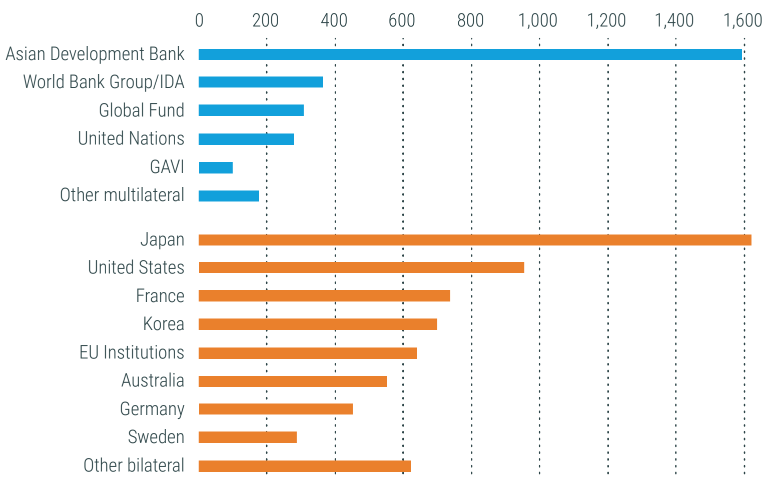
- At the ADB, a possible reclassification from the group that receives only concessional resources to the group that receives a blend of concessional and ordinary capital resources (OCR). Reclassification is not automatic. They are analyzed on a case-by-case basis, taking other factors into account.
- New loans from Japan and the Republic of Korea will be granted with slightly higher interest rates. Grants from these countries would not be affected. Grants accounted, from 2011 to 2020, for 67 per cent of ODA received by Cambodia from Japan and 48 per cent of ODA received from the Republic of Korea.
- France would likely reduce the volume of ODA to Cambodia, which would be mostly in the form of loans. Grants to Cambodia have been of the order of 20 million dollars a year in recent years, and loans have been on an upward trend, having peaked at 184 million dollars in 2019.

52 Investment Support Programme for Least Developed Countries. Available: https://www.idlo.int/Investment-Support-Programme-LDCs.

- Cooperation from Germany would not immediately be affected but based on regular assessments and dialogue, there could be a gradual shift from grants to loans, with grants maintained in certain areas.
- Sweden had not, at the time of writing, responded to a request for information on development cooperation with Cambodia after graduation. Sweden's Development Cooperation Framework states that its bilateral cooperation should be focused LDCs and the most vulnerable countries, but also acknowledges the needs of other developing countries and for differentiated strategies. It does not clearly establish any type of assistance that would be limited to LDCs. There is no reference to LDC status in SIDA's recent descriptions of bilateral cooperation with Cambodia or in the respective strategy documents. Several areas of support are being phased out in Cambodia, but this is not related to LDC graduation.

Figure 6

Cambodia: sources of ODA, 2011-2020, gross disbursements (millions of dollars)



Source: OECD Creditor Reporting System

- Other major partners do not take the LDC category into account when determining resource allocation. This also applies to China, not included in the OECD/DAC data, that is estimated to have provided at least 4.9 billion dollars in grants and 3.8 billion dollars in concessional loans to Cambodia in 2008-2017.[53]

53 AidData, China's Global Public Diplomacy database, http://china-dashboard.aiddata.org/.

- The EU has alerted that while LDC graduation will not affect cooperation, as Cambodia progresses as a middle income country (which is independent of graduation), there could be a gradual shift towards other cooperation mechanisms such as concessional loans, guarantees or other risk-sharing mechanisms.

As for LDC-specific instruments, rules and priorities, if current rules apply once Cambodia graduates:

- In the allocation of UNDP's core resources, the primary factors would still be GNP per capita and population size. If, by applying these primary allocation factors, the worldwide allocation to LDCs came under the 50 per cent floor established by the Executive Board of UNDP, there may need to be adjustments to the allocation to Cambodia and to all other non-LDC beneficiaries, starting in the first programming period for which the budget is formulated after graduation. Cambodia received 4.8 million dollars in UNDP core resources in 2020.[54]
- Climate and environment:
  - Cambodia would no longer be able to receive new funding under the LDCF after graduation, though projects approved until graduation would be financed to their completion. As a reference, Cambodia has received, as of 2022, 32 million dollars in financing under the LDCF for national projects, and 15 million under regional and global projects. The LDCF secretariat plans to engage with graduating LDCs to ensure that they can address their adaptation priorities through the LDCF before they graduate.
  - In the allocation of GEF Trust Fund resources, the primary allocation factors are indicators of global benefits and GDP. Lower minimum allocation floors would apply in each of the areas of biodiversity, climate change and land degradation. Among these, for the 8th replenishment period (GEF-8), Cambodia's allocation was equal to the LDC floor in climate change, which suggests that all else equal, graduation may entail fewer funds in this area in the future, compared to an LDC in the same situation. The total initial allocations for Cambodia in GEF-8 is of 9.8 million dollars.
  - Cambodia would no longer automatically be considered a "vulnerable country" for the purposes of allocation of ad-

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aptation and readiness support from the GCF. Graduation would not necessarily mean any changes in allocation, as this would depend on the application of other allocation factors and how far above the required floors for vulnerable countries the fund is after graduation. Cambodia has received a total of 104 million dollars from the GCF as of 2022.

- Cambodia would not be eligible for new projects or new phases of ongoing projects under the CREWS initiative. It currently participates in one project with Lao PDR.

- Technology Bank: Cambodia would have access to the services and resources of the Technology Bank for five years after graduation. Cambodia's Technology Needs Assessment has been concluded.

- UNCDF: After graduation, UNCDF programmes in Cambodia would continue to be funded under the same conditions for three years. Assuming continued development progress, funding for another two years can be provided on a minimum 50/50 cost-sharing basis with either the Government or a third party. Once Cambodia is recommended for graduation, UNCDF expects to prioritize support that helps establish sustainable financing mechanisms and solutions to diversify sources of SDG financing. In Cambodia, UNCDF is currently helping to develop a financing framework to improve fiscal space and mobilize non-traditional sources of development finance. As part of this effort, UNCDF undertook several assessments including a capital markets assessment to inform the future issuance of Cambodian sovereign debt and an assessment of unsolicited sovereign ratings for the Government. UNCDF is supporting the government to approve the policy framework establishing the Credit Guarantee Corporation of Cambodia, which seeks to help diversify the economy from an over-reliance on the garment and tourism sectors towards light manufacturing, electronics, and robotics. Through the Local Climate Adaptive Living Facility initiative (LoCAL), UNCDF has supported the successful accreditation of the National Committee for Sub-National Democratic Development Secretariat (NCDD-S) to become a national implementing entity of the GCF.

- Cambodia would continue to have access to the Investment Support Programme for LDCs (ISP/LDCs) for five years after the date of graduation.22

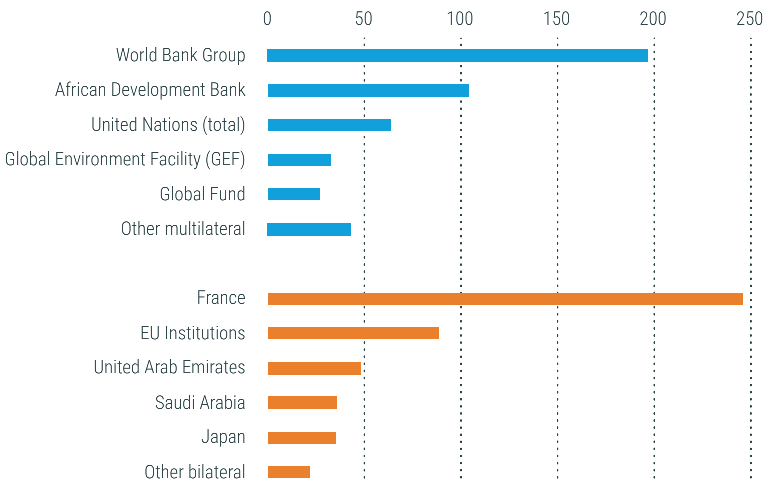
Comoros

Among Comoros's main development partners (Figure 7):

- The most significant change in terms of development cooperation is that France, Comoros' largest single development partner, which has accounted for over a quarter of ODA to Comoros in the last decade, would likely remove Comoros from its list of priority countries, which would mean a significant scaling down of financial and technical support. Support would be delivered mostly as loans.
- Additionally, the Saudi Fund would review the terms on new loans requested after graduation on a case-by-case basis. Graduation could also affect how Saudi Arabia supports debt relief in future.

Figure 7

Comoros: sources of ODA, 2011-2020, gross disbursements (millions of dollars)



Source: OECD Creditor Reporting System

Other major partners either do not take the LDC category into consideration when determining resource allocation, or extend to SIDS the same treatment as to LDCs (namely in the case of the GEF – see above). This also applies to China, not included in the OECD/DAC data, that is estimated to have provided at least 57 million dollars in grants and 38 million dollars in concessional loans to Comoros during 2008-2017.[55]

55 AidData, China's Global Public Diplomacy database, http://china-dashboard.aiddata.org/.

- The European Union had not, at the time of writing, responded to a request for information on prospects for development cooperation after graduation specifically with Comoros, but responses in relation to Cambodia and responses in previous assessments suggest graduation itself will not be the trigger of significant changes in development cooperation from the EU (though progress in general as a middle-income country might lead to changes in the nature of cooperation mechanisms).
- The UAE had not, at the time of writing, responded to a request for information on prospects for development cooperation with Comoros after graduation. In the UAE's Policy for Foreign Assistance 2017-2019, the country states that the main focus of its assistance is within the Middle East and the Arab World. In addition to that it provides assistance, outside that scope, to LDCs, countries that are neglected by other donors and countries with which the UAE has diplomatic or economic ties, prioritized based on poverty level, human development needs, effectiveness, relevance to the UAE and potential for economic cooperation.[56]

As for LDC-specific instruments, rules and priorities, if current rules apply once Comoros graduates:

- In the allocation of UNDP's core resources, the primary factors would still be GNP per capita and population size. If, by applying these primary allocation factors, the worldwide allocation to LDCs came under the 50 per cent floor established by the Executive Board of UNDP, there may need to be adjustments to the allocation to Comoros and to all other non-LDC beneficiaries, starting in the first programming period for which the budget is formulated after graduation. Comoros received 4.5 million dollars in UNDP core resources in 2020.[57]
- Climate and environment:
    - Comoros would no longer be able to receive new funding under the LDCF after graduation, though projects approved until graduation would be financed to their completion. As a reference, Comoros has received, as of 2022, 36 million dollars under the LDCF for national projects, and 0.2 million under regional and global projects. The LDCF secretariat plans to engage with graduating LDCs

56 UAE Ministry of Foreign Affairs and International Cooperation. UAE Policy for Foreign Assistance 2017-2021. Available: https://www.mofaic.gov.ae/en/The-Ministry/UAE-International-Development-Cooperation/UAE-Foreign-Aid-Policy.

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to ensure that they can address their adaptation priorities through the LDCF before they graduate.

- Comoros's priority status in the GCF would not change, and, as a SIDS, under current rules it would benefit from the same treatment as other LDCs in terms of GEF minimum allocation rules and in the CREWS Initiative.

- Comoros has not yet benefitted substantially from other LDC-specific instruments, such as the Technology Bank, UNCDF and the ISP/LDCs. Countries have access to the Technology Bank and the ISP/LDCs for five years after graduation. UNCDF programmes can continue to be funded for up to three years after graduation under the same terms as for LDCs and for another two years on a minimum 50/50 cost-sharing basis with either the Government or a third party.

Djibouti

Among Djibouti's main development partners (Figure 8):

- The most significant change in terms of development cooperation is that France, Djibouti's largest single development partner, which has accounted for approximately 22 per cent of ODA to the country in the last decade, would likely remove it from the list of priority countries, which would mean a significant scaling down of financial and technical support. Moreover, the state of Djibouti's indebtedness may exclude it from eligibility for financing through concessional loans. About 10 per cent of France's ODA to Djibouti from 2011 to 2020 was in the form of loans.

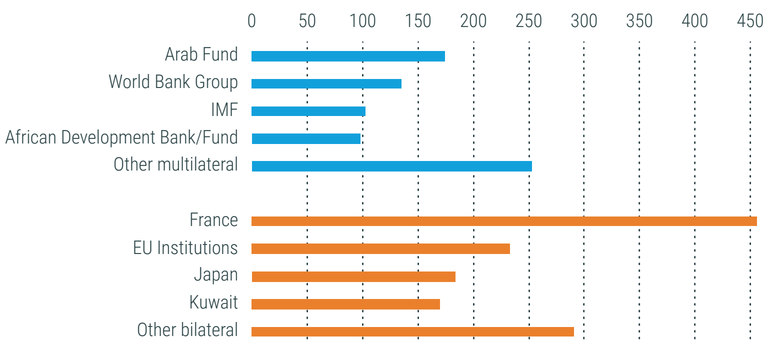
- Kuwait had not, at the time of writing, responded to a request for information on prospects for development cooperation after graduation. There is no indication, in publicly available documents and legislation, that belonging to the LDC category is a condition in Kuwait's development cooperation. Kuwait has cooperated with Djibouti since the latter's independence and currently extends both grants and loans. The Kuwait Fund for Arab Economic Development assists Arab and other developing states, many of which are not LDCs.[58] Likewise, based on the Arab Fund's policies and practice, it is unlikely that graduation would lead to significant changes in its cooperation.

58 Kuwait Fund for Arab Economic Development, Partners in Development. Available: https://www.kuwait-fund.org/en/web/kfund/home.

- The European Union had also not, at the time of writing, responded to a request for information on prospects for development cooperation after graduation specifically with Djibouti, but responses in relation to Cambodia based on current policy and responses in previous assessments suggest graduation itself will not be the trigger of significant changes in development cooperation from the EU (though progress in general as a middle-income country might lead to changes in the nature of cooperation mechanisms).
- Other major partners do not take the LDC category into consideration when determining resource allocation. This also applies to China, not included in the OECD/DAC data, that is estimated to have provided at least 625 million dollars in grants and 1 billion dollars in concessional loans to Djibouti during 2008-2017.[59]

Figure 8

Djibouti: sources of ODA, 2011-2020, gross disbursements (millions of dollars)



Source: OECD Creditor Reporting System

As for LDC-specific instruments, rules and priorities, if current rules apply once Djibouti graduates:

- In the allocation of UNDP's core resources, the primary factors would still be GNP per capita and population size. If, by applying these primary allocation factors, the worldwide allocation to LDCs came under the 50 per cent floor established by the Executive Board of UNDP, there may need to be adjustments to the allocation to Djibouti and to all other non-LDC beneficiaries, starting in the first programming period for which the

59 AidData, China's Global Public Diplomacy database, http://china-dashboard.aiddata.org/.

budget is formulated after graduation. Djibouti received 1.8 million dollars in UNDP core resources in 2020.[60]

- Climate and environment:
    - Djibouti would no longer be able to receive new funding under the LDCF after graduation, though projects approved until graduation would be financed to their completion. As a reference, Djibouti has received, as of 2022, 29 million dollars under the LDCF for national projects and 9 million under regional and global projects. The LDCF secretariat plans to engage with graduating LDCs to ensure that they can address their adaptation priorities through the LDCF before they graduate.
    - As an African State, Djibouti's priority status in the GCF would not change.
    - Based on current rules and allocations, it is possible that graduation could lead to Djibouti receiving fewer funds from the GEF Trust Fund in future replenishment periods than if it remained an LDC. Djibouti's total initial allocation for GEF-8 is of 9.87 million dollars.
    - Djibouti would not be eligible for projects under the CREWS Initiative.
- Technology Bank: Djibouti would have access to the services and resources of the Technology Bank for five years after graduation. Djibouti's Technology Needs Assessment has been concluded.
- Djibouti would have access to the Investment Support Programme for LDCs (ISP/LDCs) for five years after the date of graduation.22

Senegal

Among Senegal's main development partners (Figure 9):

- The most significant changes in terms of development cooperation are expected to be in France. France is Senegal's most important bilateral partner. France had not, at the time of writing, responded, specifically for Senegal, to a request for information for prospects of assistance after LDC graduation. For other countries it has stated that graduation would lead to removal from the list of priority countries and a scaling down of financial and technical support.

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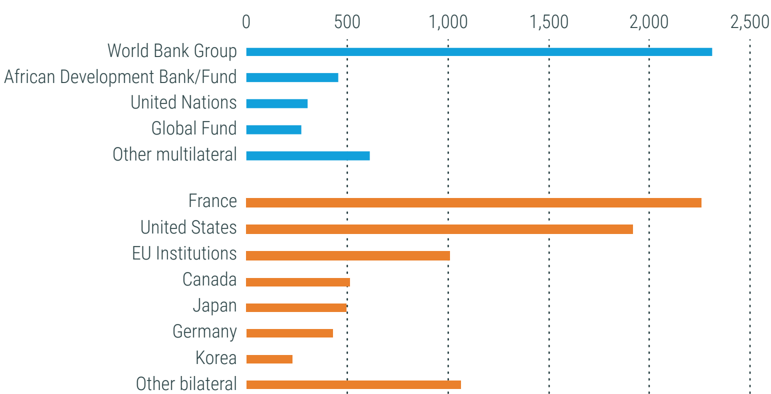
- Canada has not responded on prospects for development co-operation with Senegal after graduation.
- The European Union had not, at the time of writing, responded to a request for information on prospects for development cooperation after graduation specifically with Senegal, but responses in relation to Cambodia and responses in previous assessments suggest graduation itself will not be the trigger of significant changes in development cooperation from the EU (though progress in general as a middle-income country might lead to changes in the nature of cooperation mechanisms).
- Grants from the Republic of Korea and Japan are not expected to be affected by graduation. Loans will be granted under slightly less favourable terms than if Senegal remained an LDC.
- Cooperation from Germany would not immediately be affected but based on regular assessments and dialogue, there could be a gradual shift from grants to loans, with grants maintained in certain areas.

Other major partners do not take LDC status into account in determining the type and volume of assistance. This includes China, not included in the OECD/DAC data, and estimated to have provided at least 121 million dollars in grants and 1.5 billion dollars in loans to Senegal between 2008 and 2017.

Figure 9
Senegal: sources of ODA to Senegal, 2011-2020, gross disbursements
(millions of dollars)



Source: OECD Creditor Reporting System

As for LDC-specific instruments, rules and priorities, if current rules apply once Senegal graduates:

- In the allocation of UNDP's core resources, the primary factors would still be GNP per capita and population size. If, by applying these primary allocation factors, the worldwide allocation to LDCs came under the 50 per cent floor established by the Executive Board of UNDP, there may need to be adjustments to the allocation to Senegal and to all other non-LDC beneficiaries, starting in the first programming period for which the budget is formulated after graduation. Senegal received 6.3 million dollars in UNDP core resources in 2020.[61]
- Climate and environment:
    - Senegal would no longer be able to receive new funding under the LDCF after graduation, though projects approved until graduation would be financed to their completion. As a reference, Senegal has received, as of 2022, 33 million dollars in financing under the LDCF for national projects, and 10 million under regional and global projects. The LDCF secretariat plans to engage with graduating LDCs to ensure that they can address their adaptation priorities through the LDCF before they graduate.
    - In the allocation of GEF Trust Fund resources, the primary allocation factors are indicators of global benefits and GDP. Lower minimum allocation floors would apply in each of the areas of biodiversity, climate change and land degradation. Among these, for the 8th replenishment period (GEF-8), Senegal's allocation was equal to the LDC floor in climate change, which suggests that all else equal, graduation may entail fewer funds in this area in the future, compared to an LDC in the same situation. The total initial allocations for Senegal in GEF-8 is 14.17 million dollars.
    - As an African State, Senegal's priority status in the GCF would not change.
    - Senegal would not be eligible for new projects or new phases of ongoing projects under the CREWS initiative. It currently participates in one regional project.
- Technology Bank: Senegal would have access to the services and resources of the Technology Bank for five years after graduation. Cambodia's Technology Needs Assessment was ongoing at the time of writing.

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- UNCDF: After graduation, UNCDF programmes in Senegal would continue to be funded under the same conditions for three years. Assuming continued development progress, funding for another two years can be provided on a minimum 50/50 cost-sharing basis with either the Government or a third party. Once Senegal is recommended for graduation, UNCDF expects to prioritize support that helps establish sustainable financing mechanisms and solutions to diversify sources of SDG financing. In Senegal, UNCDF has a longstanding presence. Among other activities, it assists the Fonds Souverain d'Investissements Stratégiques (FONSIS) in managing a fund that provides equity and loans to SMEs and public-private partnerships (PPPs), with a focus on women's economic empowerment. The Fund made its first investment in 2021 and currently has a pipeline of projects for a total investment need of $15 million. UNCDF also has an active portfolio of initiatives dedicated to support inclusive digital economies and digital finance, including digital financial solutions for migrants and remittances, providing digital financial services and financial education for youth, and developing digital platforms to increase access to finance and support services for farmer cooperatives and agribusinesses. Work of the UNCDF-hosted Better Than Cash Alliance informed the Government of Senegal in making commitments to move towards digitization of wage payments. UNCDF also supports the Government to prepare the policy and regulatory environment for municipalities to access a wider range of financial resources, including attracting investors through municipal PPPs and help non-sovereign entities to access capital markets.
- Senegal would have access to the Investment Support Programme for LDCs (ISP/LDCs) for five years after the date of graduation.22

Zambia

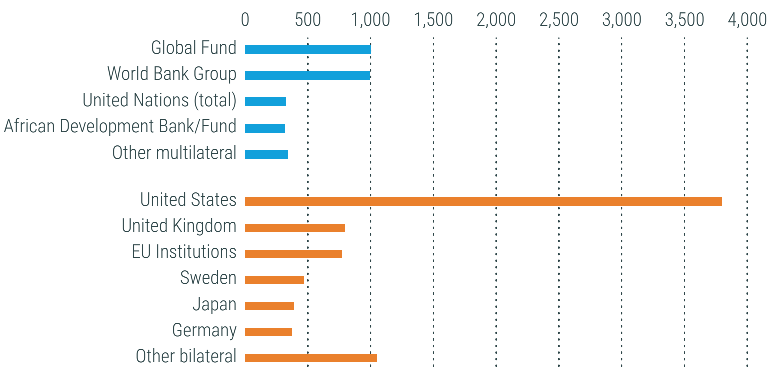
None of Zambia's largest multilateral partners take the LDC category into consideration when allocating resources, and neither does the United States, by far the largest bilateral provider of ODA as recorded by the OECD/DAC in recent years (Figure 10). This is also the case for China, not included in the OECD/DAC data, but estimated to have provided at least 121 million in grants and 4 billion in concessional loans to Zambia in 2008-2017. Among the other largest development partners as recorded by the OECD/DAC:

- No automatic changes are expected in cooperation from Germany, though in time there may be a gradual shift from grants to loans, with grants maintained in some areas.

- Graduation is also not expected to affect grant aid or technical assistance from Japan. After graduation, new ODA loans from Japan would be under slightly less favourable terms, while still concessional. Most of Japan's ODA to Zambia has been in the form of grants.
- The United Kindgom, the European Union and Sweden had not, at the time of writing, responded to a request for information on prospects for development cooperation after graduation specifically with Zambia, but responses for other countries and policy documents suggest LDC graduation will not trigger significant changes in assistance.

Figure 10

Zambia: sources of ODA, 2011-2020, gross disbursements (millions of dollars)



Source: OECD Creditor Reporting System

As for LDC-specific instruments, rules and priorities, if current rules apply once Senegal graduates:

- In the allocation of UNDP's core resources, the primary factors would still be GNP per capita and population size. If, by applying these primary allocation factors, the worldwide allocation to LDCs came under the 50 per cent floor established by the Executive Board of UNDP, there may need to be adjustments to the allocation to Zambia and to all other non-LDC beneficiaries, starting in the first programming period for which the budget is formulated after graduation. Zambia received 4 million dollars in UNDP core resources in 2020.[62]
- Climate and environment:

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- Zambia would no longer be able to receive new funding under the LDCF after graduation, though projects approved until graduation would be financed to their completion. As a reference, Zambia has received, as of 2022, 33 million dollars in financing under the LDCF for national projects, and 1.5 million under regional and global projects. The LDCF secretariat plans to engage with graduating LDCs to ensure that they can address their adaptation priorities through the LDCF before they graduate.
- In the allocation of GEF Trust Fund resources, the primary allocation factors are indicators of global benefits and GDP. Lower minimum allocation floors would apply in each of the areas of biodiversity, climate change and land degradation. Among these, for the 8th replenishment period (GEF-8), Zambia's allocation was close to the LDC floor in climate change, which suggests that all else equal, graduation may entail fewer funds in this area in future, compared to an LDC in the same situation. The total initial allocation for Zambia in GEF-8 is of 17.49 million dollars.
- As an African State, Zambia's priority status in the GCF would not change.
- Zambia would not be eligible for new projects or new phases of ongoing projects under the CREWS initiative.

▪ Technology Bank: Zambia would have access to the services and resources of the Technology Bank for five years after graduation. Zambia has not yet undertaken its TNA.

▪ UNCDF: After graduation, UNCDF programmes in Zambia would continue to be funded under the same conditions for three years. Assuming continued development progress, funding for another two years can be provided on a minimum 50/50 cost-sharing basis with either the Government or a third party. Once Zambia is recommended for graduation, UNCDF expects to prioritize support that helps establish sustainable financing mechanisms and solutions to diversify sources of SDG financing. In Zambia UNCDF has a growing portfolio of initiatives to support the development of inclusive digital economies, access to finance and business development services for SMEs and MSMEs and financial inclusion.

- Zambia would have access to the Investment Support Programme for LDCs (ISP/LDCs) for five years after the date of graduation.22

Chapter IV

SUPPORT TO THE PARTICIPATION OF LDCS IN INTERNATIONAL ORGANIZATIONS AND PROCESSES

LDCs benefit from support to participate in international organizations and processes through caps and discounts on contributions to budgets, support for travel to international meetings and others.

Caps and discounts on the contribution of LDCs to the United Nations system budgets

There are two main methods for determining each Member States' mandatory contributions to the budgets of the United Nations system and LDC contributions[63, 64]:

- Most of the United Nations system budgets are based on the "scale of assessments" used for the United Nations regular budget, through which the share of the budget that each country is required to pay for, is determined based on capacity to pay, translated into indicators of gross national income, debt-burden, and per capita income, among others. The maximum rate of contribution for LDCs is, currently, 0.01 per cent. Some budgets are based on the scale, with adjustments:
  - The peace-keeping budget is based on the same scale, with discounts applying to countries at different levels of income. LDCs are entitled to the greatest discount.
  - UNIDO adjusts the UN scale to a smaller membership.
  - The International Maritime Organization (IMO) allocates classes of contribution based on the UN scale of assessments.
- A small number of agencies (ITU, WIPO, UPU) use a system based on classes of contributions. Each class of contribution corresponds to a certain share (or multiple) of a pre-determined unit of contribution. Countries decide which class they will belong to (and therefore how much they will contribute), but only LDCs can opt to contribute at the lowest levels.

63 For details, see the LDC Portal: https://www.un.org/ldcportal/content/caps-and-discounts-contribution-ldcs-united-nations-system-budgets.

64 Contributions to funds and programmes, such as UNICEF and UNDP, are voluntary. Contributions to the WTO are determined based on members' share of international trade with no concessions specifically for LDCs.

After graduation, the LDC cap and the ability to contribute at the lowest classes of contribution no longer apply. In the case of the scale of assessments, in many cases this is irrelevant because the application of the criteria on capacity to pay will yield a rate that is beneath the LDC cap. When this rate exceeds 0.01 per cent, the impact depends on the size of the budget for each year. For entities using class-based contribution scales, the impact can be substantial unless countries already contribute, voluntary, at the higher classes.

The impact of graduation cannot be fully anticipated because budgets are not determined several years in advance. As a reference, Table 13 shows estimates of how much more countries would be required to contribute if they were not LDCs in 2022. In summary: contributions to the regular budget would not be different, contributions to peacekeeping operations and international tribunals would be slightly higher (sometimes marginally) and the largest changes would occur in the organizations that adopt class-based systems, notably the ITU.

Table 13

How much more in mandatory contributions to UN budgets would the five countries pay in 2022 if they were not LDCs? (estimates, USD)

Entity/operation	Cambodia	Comoros	Djibouti	Senegal	Zambia
Regular budget	0	0	0	0	0
Peacekeeping operations	44,651	6,379	6,379	44,651	51,030
International tribunals	136	19	19	136	155
UN Agencies using the UN scale of assessments	0	0	0	0	0
UNIDO (adjusted scale)	1,245	0	0	1,245	2,590
International Telecommunications Union (ITU)	54,378	54,378	54,378	0a	36,252[a]
World Intellectual Property Organization (WIPO)	3,897	1,299	1,299	3,897	3,897
Universal Postal Union (UPU)	0[a]	20,976	20,976	0[a]	20,976
Estimated total	104,307	83,051	83,051	49,929	127,421

Sources: Calculated by the CDP Secretariat based on information from each organization's website and official documents or communications with the respective organizations. Exchange rates for the first working day of January 2022. NB: These are unofficial estimates and should not be used for any purpose other than an indication of the order of magnitude of potential impacts of LDC graduation on the mandatory contributions. Numbers for ITU, WIPO and UPU assume that as non-LDCs, countries would contribute at the lowest possible category for non-LDCs with their characteristics.

a Country already contributes at a higher class. At the time of writing, at the ITU, Senegal already contributes a full unit of contribution as opposed to the LDC rates of 1/16 or 1/8; Zambia contributes at 1/8; Cambodia, Comoros and Djibouti contribute at 1/16; at UPU, Cambodia and Senegal already contribute a full unit as opposed to the LDC-specific 0.5 rate.

There are no smooth transition periods other than the administrative deadlines between programming periods, which vary between institutions. The ITU Council can authorize a graduated country to continue to contribute at a lower class. The UPU's Council of Administration can, under exceptional circumstances and only temporarily, authorize a graduated country to continue to contribute at a lower class.

In addition to the terms of mandatory contributions, some organizations have lower co-financing requirements for LDCs. United Nations Volunteers (UNV)'s government cost-sharing general management support fee (GMS) is set at a 3 per cent minimum for LDCs and at an 8 per cent minimum for others for third-party cost-sharing, but a number of factors influence the actual rate, which is negotiated with the country.

The International Atomic Energy Agency (IAEA) waives LDCs from the requirement to finance 5 per cent of biannual project budgets under its Technical Cooperation Fund.

Support for travel to attend intergovernmental meetings and conferences

Representatives of LDC governments receive travel support to participate in certain official meetings, such as to attend sessions of the General Assembly, sessions of the subsidiary bodies of the UNFCCC and of the COP, the Human Rights Council, the World Health Assembly and Executive Board, the WTO's Ministerial Conferences; among others.[65] In some cases this funding is also available to SIDS or other developing countries.

Financing of the travel costs of representatives attending regular and special or emergency sessions of the General Assembly can be extended for up to three years after graduation. As a reference, in the past few years, Cambodia has not used the funds available for the General Assembly meetings and the other five countries received between 14,000 and 53,000 dollars' worth of support for travel to these meetings.

65 More details are available on the LDC Portal: https://www.un.org/ldcportal/content/support-travel-attend-international-conferences.

Capacity-building and technical assistance in negotiations

Several organizations have funds or special terms for LDCs in capacity-building or technical assistance programmes related to international negotiations and processes. For example, (see also ACWL in section 2.5):

- UNITAR has fellowships for nationals of LDCs to participate in its Multilateral Diplomacy Programme and core diplomatic training courses.
- The WTO secretariat conducts dedicated courses for LDC participants in Geneva. The "China Programme" at the WTO supports an internship programme; annual roundtables on accession-related themes; the participation of LDC coordinators in selected meetings; and a South-South dialogue on LDCs and development.
- The Voluntary Technical Assistance Trust Fund to Support the Participation of Least Developed Countries and Small Island Developing States in the Work of the Human Rights Council, provides training on human rights and engagement with the Council, fellowship programmes and practical induction trainings for delegates, annual briefings to delegates in New York on the engagement with the General Assembly, and regional workshops.

Other forms of support

Other forms of support to the participation of LDCs in international forums include flexibility in reporting (for example, under the UNFCCC and certain WTO agreements, as mentioned above) and financial support for the operational costs of diplomatic representations in Geneva, Switzerland (up to CHF 3,000 per month).

Chapter V
CONCLUSIONS

This assessment provides an overview of the main potential areas of impact of LDC graduation for each of the five countries. Each country's experience is unique, based on their partners and respective policies, their capacities and needs, and their development strategies. Once countries are recommended for graduation, or even before, it is important to engage with the relevant development partners to ensure adequate preparation for any significant impacts, either through the implementation or extension of transition periods or through the mobilization of alternative resources or schemes. It is also important for countries to use the LDC-specific support measures to the fullest while they remain LDCs. Some of these support measures, such as the Technology Bank, UNCDF and EIF, can be instrumental in preparing for graduation.

For more information

https://cdp.un.org/

United Nations