



## Monitoring of countries that are graduating or have graduated from the list of least developed countries\*

### Summary

In its enhanced monitoring of countries that are graduating or have graduated from the least developed country category, the Committee reviewed the development progress of one recently graduated country and seven graduating countries. The Committee expressed its concern at the limited national capacity of those countries to address diverse challenges, originating from multiple crises, including the socioeconomic impacts of the COVID-19 pandemic, global crises in food, fuel and finance, disasters and the war in Ukraine. It urged countries to continue reporting to the Committee on their progress on preparing and implementing smooth transition strategies. The Committee also reviewed the urgent situation in Solomon Islands and agreed that the country required an additional three years to prepare for a smooth and sustainable transition out of the least developed country category. The Committee welcomed the positive feedback and recognition by Member States of the enhanced monitoring mechanism. Consistent with paragraph 284 of the Doha Programme of Action for the Least Developed Countries (General Assembly resolution 76/258, annex) and subject to the availability of resources, it will continue to customize and improve the mechanism.

### Recommendations

The Committee recommends that the Council urge the international community to provide targeted and innovative support to graduating and recently graduated countries. It advises the Council to call for increased financing for development, particularly in response to the global crises in food, fuel and finance, to expand productive capacities and build resilience to possible future pandemics, while ensuring the sustainability of external debt. The Committee also recommends that the Council urge trading partners to extend, for an appropriate time beyond graduation, trade-related international support measures, including all least developed country-specific trade preferences, and special and differential treatment in the World Trade Organization agreements, especially in trade-related intellectual property rights.

The Committee recommends that the Council encourage Member States and relevant United Nations entities to support the enhanced monitoring mechanism developed by the Committee for countries graduating and graduated from the list of least developed countries. The Committee also recommends that the Council reiterate its call upon graduating and recently graduated countries to participate actively in the enhanced monitoring mechanism and to effectively link it to the implementation of their smooth transition strategies.

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\* Excerpt from Committee for Development Policy, Report on the twenty-fifth session, See Official Records of the Economic and Social Council, 2023, Supplement No. 13 (E/2023/33)

The Committee monitored the development progress of eight countries that have recently graduated or are graduating from the list of least developed countries. It observed that there had been an overall deterioration of their circumstances since they had been recommended for graduation. Angola, Bangladesh, Bhutan, the Lao People's Democratic Republic, Nepal, Sao Tome and Principe and Vanuatu have been further affected by the socioeconomic impacts of the COVID-19 pandemic, the war in Ukraine, global crises in food, fuel and finance, and disasters and climate change, to varying degrees. All of the countries have limited albeit varying policy space to address short-term challenges originating from external shocks and to achieve long-term development objectives at the same time. Policy interventions in each country need to be carefully designed and implemented to manage trade-offs. Continued support by trading and development partners, including the United Nations system, is required to assist these countries in making progress towards sustainable graduation.

The Committee found that Solomon Islands was facing serious development challenges originating from external shocks, namely, the COVID-19 pandemic, the war in Ukraine, disasters from natural hazards such as the recent earthquake, and domestic civil unrest. The country is therefore unable to effectively prepare for the graduation currently scheduled in 2024 in a sustainable manner. Based on consultations, including with the Government and the United Nations country office, and its interim crisis assessment, the Committee finds that Solomon Islands requires an additional three years to prepare for graduation. It strongly urges Solomon Islands to make a firm commitment to utilizing the additional preparatory period, if granted, to prepare a smooth transition strategy by the end of 2024 and to start implementing appropriate policies to minimize the negative impacts of the external shocks and promote productive capacity.

The Committee will continue to improve and customize the enhanced monitoring mechanism for each country in order to reflect the changing nature of the country context and ensure flexibility to address country-specific challenges. It will consider current and possible future roles of United Nations entities in further strengthening support that needs to be clearly linked with the monitoring and report the findings to the Council in its report in 2024.

The Committee highlights the importance and necessity of clear guidance from the Council and the General Assembly on the process of extending the preparatory period preceding graduation. Such guidance is required to establish a monitoring mechanism that is responsive to emerging crises and that better links monitoring to specific support, including possible extensions of the preparatory period, as called for by the Member States (General Assembly resolution 76/258, annex, para. 284).

In that context, the Committee recalls that General Assembly resolution 67/221 on a smooth transition for countries graduating from the list of least developed countries includes, among other things, provisions on the monitoring of graduating and graduated countries and on the support provided by development and trading partners, including the United Nations system. The Committee is of the view that an updated resolution would be beneficial in providing guidance on implementing the relevant commitments of the Doha Programme of Action and overall strengthening of the international support measures, in line with the Committee's recommendations on monitoring.

## **A. Monitoring**

As mandated in Council resolution 2022/8 and General Assembly resolution 67/221, the Committee monitored the development progress of one recently graduated country, namely, Vanuatu, and seven graduating countries, namely, Angola, Bangladesh, Bhutan, the Lao People's Democratic Republic, Nepal, Sao Tome and Principe and Solomon Islands. The Committee also consulted with Kiribati and Tuvalu, as mandated in Council resolution 2022/8 and General Assembly resolution 76/258. The detailed monitoring reports, with recommendations on policy priorities and support needs and full reports submitted by countries, are available on the Committee's website. The table below shows the least developed country criteria scores, to highlight longer-term socioeconomic development progress vis-à-vis the graduation thresholds established at the 2021 triennial review of least developed countries.

## Least developed country criteria for the countries monitored, 2023

|                                    | Least developed country criteria                         |                    |  |
|------------------------------------|--|--------------------|--|
|                                    | Gross national income per capita (United States dollars) | Human assets index | Economic and environmental vulnerability index |
| <b>Graduation threshold (2021)</b> | <b>≥1,222</b>  | <b>≥66.0</b>       | <b>≤32.0</b>                                   |
| <b>Graduated country</b>           |  |                    |  |
| Vanuatu                            | 3,241  | 77.3               | 47.2   |
| <b>Graduating countries</b>        |  |                    |  |
| Angola                             | 2,322  | 54.0               | 44.5   |
| Bangladesh                         | 2,477  | 77.3               | 26.7   |
| Bhutan                             | 2,914  | 82.6               | 25.2   |
| Lao People's Democratic Republic   | 2,539  | 74.2               | 26.9   |
| Nepal                              | 1,229  | 77.4               | 24.6   |
| Sao Tome and Principe              | 2,135  | 91.0               | 37.6   |
| Solomon Islands                    | 2,349  | 73.3               | 47.6   |
| <b>Averages</b>                    |  |                    |  |
| Least developed countries          | 1,339  | 60.1               | 40.0   |
| Other developing countries         | 9,402  | 88.5               | 32.0   |

Source: Committee for Development Policy secretariat.

Note: Details on the least developed country criteria are available on the Committee's website.

## B. Graduated country

### Vanuatu

Vanuatu graduated in December 2020. The country was heavily affected by Cyclone Harold in 2020 and the COVID-19 pandemic and its gross domestic product recovered slowly in 2021 and 2022. The Government of Vanuatu has been implementing the smooth transition strategy and has submitted its annual report to the Committee. The Committee suggests a continued focus on promoting productive capacity, given that building resilience in the long run is critical, and expanding statistical capacity with assistance from development partners.

## C. Graduating countries

### Angola

Angola is scheduled to graduate in February 2024. The Committee takes note that the COVID-19 pandemic aggravated the overall macroeconomic situation. The high oil prices and the partial recovery of the currency depreciation led to a slow recovery, and macroeconomic and structural challenges continue to hamper economic and social development. GNI per capita has fallen below the graduation threshold of the income-only exception, while passing the regular income threshold. The country has not sufficiently improved in the other two least developed country criteria (human assets index and economic and environmental vulnerability index) and would thus no longer be eligible to be recommended for graduation.

The Committee considers the situation in Angola fragile and highlights the need to continue to monitor the country closely through the enhanced monitoring mechanism.

The Committee welcomes the timely submission of the country report, the participation of government officials in the consultation meeting and their efforts towards preparing a smooth transition strategy. It recommends that Angola finalize its strategy at the earliest and evaluate strategic options for a sustainable development path aligned with the priorities in the

national development plan. As an oil-dependent country, structural transformation is crucial for Angola, which requires addressing trade-offs between long-term objectives and short-term macroeconomic stability.

## Bangladesh

Bangladesh is scheduled to graduate in November 2026. The country recovered rapidly from the economic impacts of the COVID-19 pandemic, returning to pre-COVID levels of growth. The fiscal deficit and debt level have increased in response to the pandemic and the global crises in food, fuel and finance, but remain manageable, especially in view of the recent support from IMF.

The Committee found that Bangladesh was making substantial progress on preparing a smooth transition strategy, setting a good example for other graduating countries. It points out that there are unfinished items on the structural reform agenda to be pursued during the preparatory period for the smooth transition. Given that Bangladesh has sufficient national capacity to adequately address possible sudden adverse situations, the Committee will appropriately customize the enhanced monitoring mechanism for Bangladesh, strengthening the annual monitoring process.

## Bhutan

Bhutan is scheduled to graduate in December 2023. Bhutan slowly started to recover in 2022 from the significant decline in economic activity caused by the COVID-19 pandemic. The country meets all graduation criteria and continues to make steady progress on GNI and the human assets index.

Bhutan has submitted its annual report on the preparation of a smooth transition strategy and has been highly responsive to Committee communications. The Committee recommends that in order to reduce import dependency and the reliance on hydropower exports, tourism and agriculture, the Government continue its efforts to foster economic diversification by supporting the development of small and medium-sized enterprises and cottage industries.

## Lao People's Democratic Republic

The Lao People's Democratic Republic is scheduled to graduate in November 2026. Maintaining macroeconomic stability and national debt sustainability has been challenging for the country given that the national currency devalued massively and inflation soared in 2022, and the pandemic has continued to have negative impacts. The situation has been exacerbated by the large infrastructure loans, large fiscal deficit owing to low tax revenue and high social expenditure during the COVID-19 pandemic.

The Government participated actively in the annual monitoring by submitting the national draft report on the smooth transition strategy and attending the consultation meeting, demonstrating that the preparation of the strategy is well on track. The Committee suggests a careful review of the data gap for the country, in particular data on the national debt, and requests the Secretariat to assist the country on the enhanced monitoring mechanism, particularly crisis monitoring indicators.

## Nepal

Nepal is scheduled to graduate in November 2026. The Committee found that Nepal had recovered quickly from the impacts of the COVID-19 pandemic and that the country was on the path to meeting all graduation criteria.

The Government has taken steps to prepare a smooth transition strategy, submitted its annual report to the Committee and participated in the consultation meeting. The country has sought technical assistance on the smooth transition strategy under the Sustainable Graduation Support Facility and is pursuing more South-South exchanges with other graduating and graduated least developed countries on specific issues. The Committee recommends that Nepal continue taking concrete measures to promote productive capacity, including promoting the cottage industry and diversifying the economy.

## Sao Tome and Principe

Sao Tome and Principe is scheduled to graduate in December 2024. The Committee takes note that Sao Tome and Principe has been able to effectively mitigate the socioeconomic impacts of the pandemic with external support. However, it acknowledges that the country continues to be highly dependent on such external assistance. Public spending has been supported by a notable level of grants and loans. The country is in debt distress owing to the prolonged unsettled external arrears in respect of bilateral partners, while the debt sustainability assessment varies across sources. The significant macroeconomic and structural challenges make it difficult to assess the stability of the country's developmental trajectory.

Overall, Sao Tome and Principe continues to show improvement in all least developed country criteria indicators and its graduation is not at risk. Given the currently extremely low participation rate in the monitoring, the Committee strongly

recommends that the country actively participate in the enhanced monitoring mechanism and provide more information to the Committee so that appropriate actions can be taken and adequate support delivered in a timely manner.

## Solomon Islands

Solomon Islands is currently scheduled to graduate in December 2024. The economy is undiversified and has a narrow export base as well as a highly concentrated export market. The country is heavily reliant on the logging industry, but the resource has been overexploited and is facing depletion.

Solomon Islands experienced significant socioeconomic impacts from the COVID-19 pandemic, particularly as a result of the border closure in 2020 and local outbreaks in 2022. Riots in Honiara in November 2021 resulted in significant economic costs, especially to public infrastructure, owing to the widespread looting and burning. The war in Ukraine also affected the economy owing to the country's high dependence on oil and food imports. Two earthquakes in November 2022 affected key functions of the government ministries responsible for preparing for graduation.

As a result of multiple shocks and crises, Solomon Islands has triggered the crisis response process under the enhanced monitoring mechanism. The country reported that global crises and political turmoil had posed significant challenges in preparing a smooth transition on time. Hence, the Solomon Islands formally requested an extension of the preparatory period of an additional three years. The Committee prepared an interim crisis assessment and consulted with the Government, the inter-agency task force on least developed country graduation and the United Nations country team. It found that the country did in fact require an additional three years given that external shocks had prevented the conduct of wide and inclusive consultations that are essential to prepare a sustainable graduation of the country. The Committee urges the country to make a firm commitment to preparing a draft smooth transition strategy by December 2024 and implementing appropriate policy measures to respond to multiple crises and promote productive capacity, with support from development and trading partners.

## D. Deferred countries

As mandated in Council resolution 2022/8, the Committee consulted with countries whose graduation had been deferred, namely, Kiribati and Tuvalu, to discuss the development challenges they were facing. The Committee welcomed the enhanced engagement with those countries.

Kiribati reported during the virtual consultation that the impacts of the COVID-19 pandemic and global crises in food, fuel and finance had been significant. The Government has been responding to the shocks with assistance from its development partners.

The Committee held a hybrid consultation meeting with Tuvalu, during which it was noted that the pandemic had had significant economic and social impacts and that the country remained very vulnerable to further external shocks. The Government is strongly committed to participating in the enhanced monitoring mechanism and to acquiring information on international support measures, including the support that could be provided by the United Nations Technology Bank for Least Developed Countries.

## E. Enhanced monitoring mechanism

The Committee welcomes the affirmative recognition in the Doha Programme of Action (General Assembly resolution 76/258, annex, para. 284) and the call by the Council on Member States and relevant United Nations entities to support the Committee's enhanced monitoring mechanism for countries that are graduating or have recently graduated from the least developed country category (Council resolution 2022/8, para. 5).

The enhanced monitoring mechanism will complement existing national and international monitoring processes by factoring in disruptive events that may affect the smooth transition out of the least developed country category and the short-term and long-term implications of socioeconomic and environmental trends. The successful implementation of the enhanced monitoring mechanism requires close cooperation among relevant entities of the United Nations, especially the inter-agency task force and the United Nations resident coordinator. The mechanism must be closely linked to a country's own monitoring of its preparation and implementation of the smooth transition strategy.

The Committee will continuously review and improve the enhanced monitoring mechanism while implementing it, reflecting country-specific challenges and context.