

LDC graduation: experiences with smooth transition strategies

Committee for Development Policy secretariat

Graduation from the least developed country (LDC) category is an important milestone. It can also create certain challenges related to the withdrawal of international support measures that are exclusive to LDCs. Hence, when in 1991 the United Nations General Assembly introduced the concept of graduation, it also stressed the need for a “smooth transition”, which it took up in several resolutions over time.¹ This series of briefs summarizes the smooth transition strategy experiences of some of the countries that have graduated from the LDC category since 2020 or are in the process of graduating.²

What is a smooth transition strategy? While the focus and format may vary, a smooth transition strategy essentially aims to ensure that graduation (and the resulting withdrawal of LDC-specific international support measures) does not lead to disruption of the country’s development progress. Some countries have also approached the formulation of the smooth transition strategy as an opportunity to catalyze policies that will help them achieve their long-term development goals, leveraging the benefits of no longer being considered an LDC by the international community. [General Assembly Resolution 67/221](#) (2013) states that the smooth transition strategy should “include a comprehensive and coherent set of specific and predictable measures that are in accordance with the priorities of the graduating country while taking into account its own specific structural challenges and vulnerabilities as well as its strengths”. The Doha Programme of Action (DPOA) urges development and trading partners and the UN system to support the implementation of smooth transition strategies, and encourages the LDCs and development partners to integrate graduation and smooth transition strategies into their national development and aid strategies.

Is a standalone smooth transition strategy necessary? Countries have taken different approaches. For example, in Bhutan, the 13th Five-Year Plan serves as the smooth transition strategy; Lao PDR and Bangladesh have standalone smooth transition strategies, framed by national and international plans and agendas; Vanuatu embedded its smooth transition strategy in its efforts to fully implement the *National Sustainable Development Plan (NSDP), Vanuatu 2030, The People’s Plan*, and additionally consolidated a separate smooth transition strategy document with a set of 24 specific measures.

What kinds of issues are addressed in the smooth transition strategies? It depends on each country’s situation. In addition to addressing the specific impacts of graduation (for example, on trade and development cooperation) countries have addressed macroeconomic stability, financial sustainability, productive capacities, trade, investment, private sector development, infrastructure and structural transformation; human capital development, social inclusion and integration; climate change and disaster risk reduction (see box), development cooperation, and the strengthening of institutional capacity. The actions contained in the strategies should be feasible within the available context and resources, otherwise implementation of the strategy will remain elusive.

What are the steps to arrive at the smooth transition strategy? The smooth transition strategy process should be country-led and follow context-appropriate processes. The [Handbook on the Least Developed Country Category](#) contains guidance on the process, and the country briefs in this series contain examples of the institutional structures adopted to manage the process and ensure government-wide coordination and stakeholder involvement, as well as the timelines for each country. The General Assembly currently recommends that countries develop the smooth transition strategy during the period between the date in which the recommendation for graduation is taken note of and the effective graduation date (known as the preparatory period). Some of the smooth transition measures may be adopted even before the smooth transition strategy. For example, Bangladesh finalized its smooth transition strategy

Disaster risk reduction in smooth transition strategies

The DPOA encourages the integration of disaster risk reduction into the smooth transition strategies. How has this been done so far?

[Bhutan’s 13th five-year plan \(2024-2029\)](#), which serves also as its transition strategy, considers disaster risk as one of the key areas to address and includes deliverables to secure disaster-resilient institutions, communities and infrastructure. It contains a strategy to institute response and preparedness plans for disasters and emergencies.

In [Lao PDR](#), “climate change and disaster management” is one of four pillars of the smooth transition strategy, with “accelerating disaster risk management and reduction” identified as one of 22 priority action areas.

In [Nepal](#), “climate change and disaster risk management” is one of six strategic pillars of the smooth transition strategy.

Samoa integrated the issue of graduation into its efforts related to the Sendai Framework for Disaster Risk Reduction, the SAMOA Pathway and the Paris Agreement, as well as the national development plan.

¹ The concept of a smooth transition was addressed in General Assembly Resolutions 46/206 (1991), 59/209 (2005), 65/286 (2011), and 67/221 (2013). Organizations and trade and development partners were also encouraged to provide “smooth transition” measures or mechanisms, for example extending eligibility for LDC-specific support measures for a period beyond graduation (referred to as a “smooth transition period”). The Committee for Development Policy (CDP) has advised that the existing General Assembly resolutions on smooth transition require updating.

² This note was prepared by the secretariat of the Committee for Development Policy. The authors gratefully acknowledge the valuable input and feedback provided by reviewers.

in November 2024, but has been engaging with development and trade partners and reviewing its legislation and policies in areas that will be affected by graduation since 2018.

Who needs to be involved in the formulation of a smooth transition strategy?

Graduation can affect different areas of government (planning, trade, investment, intellectual property rights, finance, foreign affairs) and different stakeholders (for example, firms that benefit from LDC-specific market preferences and their employees). It is important to secure institutional mechanisms and consultation mechanisms that ensure different perspectives are heard, effective solutions are developed and that implementation is coordinated and coherent. There is no one-size-fits all institutional solution for *intragovernmental coordination and stakeholder involvement*, but the experience of peers can be useful references. For example, Bangladesh created a National Committee on Graduation, with seven thematic subcommittees, one of which was tasked with coordinating the smooth transition process and designing a consultative mechanism; Lao PDR created a special task force for the smooth transition strategy under the LDC National Steering Committee, and held consultations with the private sector, NGOs and development partners. *Engagement with trade and development partners* is also critical for a smooth transition. Countries have done this in different ways. [Cabo Verde, the second country to graduate, organized a transition support group](#) with its development partners, supported by the UN starting two years before graduation. Cabo Verde was also able to secure an extended transition period under the European Union's Everything But Arms initiative. Samoa, which graduated in 2014, agreed on a Joint Policy matrix with its development partners, which became the basis for the delivery of aid once graduation became effective. The Maldives, which graduated in 2011, participated actively in efforts on behalf of the LDC group, including the extension, for three years, of support to attend the meetings of the General Assembly. Other countries have engaged with partners on the issue of graduation either bilaterally or in the context of regular development partner roundtable meetings.

What kind of support is available from the UN system for elaborating a smooth transition strategy?

The United Nations system is engaged in helping countries with their smooth transition strategies through the Resident Coordinator's Offices, UNDESA, UNCTAD, OHRLLS, UNESCAP, UNDP and other entities. One of the service offering lines of the [Sustainable Graduation Support Facility \(iGRAD\)](#), which is one of the outcomes of the Doha Programme of Action, is precisely preparing and implementing the smooth transition strategy. Countries have received support for workshops, consultations, dialogues and multi-stakeholder engagement, peer learning and capacity-development, and analysis of issues relevant for the preparation of smooth transition strategies.

Is the experience of other countries relevant? The smooth transition strategy should be conceived based on each country's priorities and needs. However, the experience of peers, whether those that have graduated before or are in similar stages of the process, is invaluable. The UN system has supported peer learning among graduating countries, for example, in 2022, through the [South-South Exchange on Preparing Smooth Transition Strategies \(STS\) for the Graduating Cohort of 2021](#) (Bangladesh, Lao PDR and Nepal). It was an opportunity to discuss issues of concern for the graduation and smooth transition processes, share experiences and draw from the knowledge of government officials, private sector, academia and think tanks, civil society, other UN entities and development partners.

The following pages summarize some of the recent country experiences with the formulation of smooth transition strategies, including timelines, institutional structures and issues addressed.

Does the graduating country need to report on its smooth transition strategy? The Committee for Development Policy (CDP) monitors the development progress of graduating and graduated countries. As an input to the CDP's [monitoring](#) process, countries are invited to submit reports on the development and implementation of their smooth transition strategies to the CDP during the preparatory period, for three years after graduation and at two subsequent [CDP triennial reviews](#). Monitoring reports on graduating and graduated countries can be found [here](#). The CDP has improved its monitoring mechanism over the years, among other reasons to make it responsive to crises (see box).

Country experiences:

1. [Bangladesh](#)
2. [Bhutan](#)
3. [Lao PDR](#)
4. [Nepal](#)
5. [Sao Tome and Principe \(forthcoming\)](#)
6. [Solomon Islands](#)
7. [Vanuatu](#)

Solomon Islands' experience with the crisis response mechanism

One of the elements of the [CDP's Enhanced Monitoring Mechanism](#) is a crisis response process, whereby, in times of crisis, at the request of the government of a graduating LDC, the CDP conducts an assessment of the situation and its implications for the graduation process and suggests a course of action. The first, and so far the only, case addressed under this process was that of Solomon Islands. Initially scheduled for graduation in 2024, in 2022 Solomon Islands triggered the crisis response process because of concerns about its readiness to graduate as scheduled amidst setbacks leading to negative economic growth. These were attributed to the effects of the COVID-19 pandemic, riots in the capital, Honiara, in November 2021, and the food and fuel crisis driven by the war in Ukraine. The CDP prepared [an assessment](#), building on information collected by the UN Resident Coordinator's Office, UNDESA, and UNESCAP, and consultations were held with the government. The CDP found that the country required an additional three years to prepare for graduation. It urged Solomon Islands to make a firm commitment to use the additional period to prepare a smooth transition strategy by the end of 2024, among other recommendations. ECOSOC and the General Assembly endorsed the CDP's recommendation of an extended preparatory period. Solomon Islands is now scheduled for graduation in 2027.

Bangladesh

- Scheduled to graduate on 24 November 2026
- Smooth transition strategy validated in November 2024
- Strong focus on mitigating impacts
- Graduation as an opportunity for transformation



Photo UNDP Bangladesh/Mohammad Assad

KEY ELEMENTS

- [Bangladesh's smooth transition strategy](#) was based on extensive consultations combined with in-depth studies.
- The **vision** guiding the smooth transition strategy is that of Bangladesh as a structurally transformed, inclusive, resilient and competitive economy. Graduation is seen as an opportunity for transformation.
- There are **five strategic pillars**: ensuring macroeconomic stability; securing trade preferences and favorable transition measures; promoting export diversification and competitiveness; building productive capacity; and fostering

partnerships and international cooperation. Studies were undertaken and strategic actions identified in each of these areas.

Bangladesh stands out as one of the countries that has made the most use of LDC-specific international support measures.

Graduation is therefore expected to have substantial impacts, especially in the areas of trade and intellectual property rights. The smooth transition strategy is based on strong analysis of these **impacts and contains actions to mitigate them**.

PROCESS, INSTITUTIONAL SETUP AND STAKEHOLDER INVOLVEMENT

With the aim of developing the smooth transition strategy based on a whole-of-society approach, the government formed a National Committee on LDC Graduation (NCG), composed by representatives of different areas of government and the private sector. Formal and informal consultations were held with multiple government agencies, civil society organizations, think tanks, and trade and development partners.

Seven subcommittees were created under the NCG: six thematic subcommittees to address the most important impacts of graduation (preferential market access and trade agreements; intellectual property rights; WTO issues other than market access and TRIPS; investment, domestic market development and export diversification; internal resource mobilization and tariff rationalization; and branding Bangladesh abroad) and one subcommittee to manage the smooth transition.

The latter was tasked with designing a consultative mechanism to engage with stakeholders and preparing a roadmap. It was led by the Secretary of the Economic Relations Division (ERD) of the Ministry of Finance and co-led by the secretary of the Prime Minister's Office. The other members were the Ministry of Foreign Affairs, the Ministry of Commerce, the Finance Division of the Ministry of Finance, the General Economics Division (GED) of the Planning Commission, the Statistics and Informatics Division (SID) of the Ministry of Planning, the Ministry of Environment, and the Bangladesh Investment Development Authority (BIDA). With the smooth transition strategy having been adopted, ERD coordinates its implementation.

Several bilateral and multilateral development partners have supported Bangladesh in this process coordinated by the UN Resident Coordinator's Office. Bangladesh elaborated a project on "[Support to Sustainable Graduation \(SSGP\)](#)" under which multiple activities were conducted (summary [here](#)). UNDESA (through iGRAD) and the OECD supported Bangladesh's [Production Transformation Policy Review \(PTPR\) process](#), in addition to other analytic support by UNDESA, UNCTAD, ESCAP, and other partners. Bilateral development partners have also been engaged through workgroups in the Local Consultative Group (LCG).

Timeline

2018	Bangladesh met the graduation criteria for the first time
2018-2020	Awareness-raising, studies Engagement with developing and trading partners
2021	Bangladesh met the graduation criteria for the second time and was recommended for graduation by the Committee for Development Policy (CDP) ECOSOC endorsed the recommendation The General Assembly issued its resolution, setting the preparatory period at 5 years (November) First report to the CDP on preparation for graduation (November, reports have been submitted annually since) Dialogues, events, awareness campaign, studies
2022	Workshops, training, discussions, studies organized under the Support to Sustainable Graduation Project (SSGP) NCG subcommittees submitted studies, strategies, discussed at a national seminar Technical support from iGRAD began: support for the Production Transformation Policy Review (PTPR) South-South Exchange on Preparing Smooth Transition Strategies, for Bangladesh, Lao PDR and Nepal
2023	Workshops, training, discussions and studies continued Revised patent law (to mitigate challenges to intellectual property rights related to graduation) ³ Conclusion of PTPR process and launch of PTPR report National Tariff Policy developed to rationalize the tariff structure in line with WTO rules and facilitate future free trade agreements Collaboration with WIPO, facilitated by the RCO, on issues related to intellectual property rights
2024	Smooth transition strategy formulation, with the analysis of findings and recommendations in studies, reports, relevant policies, plans and strategies Technical workshop on smooth transition measures and high-level dialogue on prioritization of smooth transition measures Installation of new interim government in August Smooth transition strategy validation workshop in November
2025	Smooth transition strategy published Start of implementation
2026	Graduation scheduled for 24 November

³ See [Nirmalya Syam, "Bangladesh adopts new patent law to make use of TRIPS flexibilities for public health", South Centre, February 2024](#)).

Strategic pillars and smooth transition measures

1. Ensuring macroeconomic stability

Tackle inflation to restore macroeconomic stability and improve external competitiveness
Boost foreign reserves and improve balance of payments situation
Finance budget through sustainable debt and fiscal management
Improve domestic resource mobilization to broaden fiscal space
Strengthen the financial sector and capital market to expand the opportunities for borrowing and investment

2. Exploring and securing trade preferences and favorable transition measures beyond LDC graduation

Secure GSP+ and the removal of safeguard measures on textiles in the EU market
Engage with major trading partners that provide duty-free market access to secure extended transition periods
Undertake bilateral economic partnership/free trade agreements with key trading partners to retain/broaden market access
Increase the number of skilled personnel in trade policymaking and negotiations
Engage with the WTO to secure various policy spaces
Undertake contingency measures to mitigate any potential adverse impact of LDC graduation on employment

3. Improving export diversification and competitiveness

Implement sector-specific action plans identified in the [DTIS Update \(Enhanced Integrated Framework - EIF\)](#) to address immediate trade-related graduation challenges in priority sectors
Address anti-export bias in the current trade policy regime with a view to striking a balance between protecting domestic industries and promoting export sector competitiveness
Strengthen product quality and standards by introducing and enforcing standards in the domestic market aligning with international requirements
Negotiate for mutual recognition agreements with major export destinations
Improve trade logistics and trade facilitation measures by implementing the National Logistics Policy 2024
Amend/enact relevant laws to strengthen the legal framework for labour standards and ESG compliance
Strengthen the capacity of priority sectors for export diversification
Enable the environment for businesses and trade
Enforce intellectual property rights (IPR)
Develop WTO-compatible support measures to help exporters improve competitiveness

4. Building productive capacity

Improve productivity through technological upgrading and innovation
Enhance productivity through expanded and deepened use of information and communication technology (ICT)
Build supply-side capacity by strengthening backward and forward linkages
Support SMEs for private sector development
Skill, re-skill, up-skill the workforce
Support human capital development through quality education, affordable healthcare, improved access to social protection
Revitalize domestic investment and attract foreign direct investment by improving the business climate and making the most of SEZs and EPZs
Provide incentives and undertake investment promotion measures to attract more private investment
Strengthen inter-agency coordination for investment promotion and facilitation
Advance green transformation for improved competitiveness and future-readiness by increasing funds for green financing, reducing carbon emissions, improving climate resilience
Strengthen research and development capacities
Strengthen institutional capacity by undertaking capacity development activities, enhancing accountability and transparency of public institutions and agencies

5. Fostering partnerships and international cooperation to enhance sustainable development and bolster resilience amidst global uncertainty

Map international support for the implementation of the smooth transition strategy
Support the implementation of international conventions, negotiations for additional transition periods, and productive capacity development
Support SDG implementation to boost LDC graduation-related preparedness and build resilience against climate change-related adversities
Foster South-South partnership and triangular cooperation
Support the strengthening of the multilateral global trading system to promote a fair and development-friendly trade regime
Mitigate the consequences of unfolding geopolitical competition

Knowledge Building

Bangladesh invested heavily in understanding the challenges and opportunities of graduation through a number of studies and seminars, often in partnership with international organizations or other countries. For example:

- [Market access, comparative advantage and export diversification \(2024\)](#)
- [Expanding private investment in the context of graduation \(2024\)](#)
- [Enhancing industrial production in the context of LDC graduation \(2024\)](#)
- [Production Transformation Policy Review \(PTPR\) \(2023\)](#)
- [Upscaling the RMG \(ready-made-garments\) sector seminar \(2023\) and report](#)
- [Preparedness for Graduation with Momentum: Strategies for Coping With Challenges And Tapping New Opportunities \(2023\)](#)
- Seminar on “Impacts of LDC Graduation on the Agriculture Sector” (2023)
- [Review of the export incentive and subsidy schemes of graduated LDCs and developing countries and way forward for Bangladesh \(2022\)](#)

- [Assessing the obligations of Bangladesh in the WTO regarding subsidies and compatibility of current subsidy programmes with the WTO \(2022\)](#)
- The end of the LDC transition period for pharmaceutical products under the TRIPs Agreement upon LDC graduation (South Centre, 2020)

Summaries of events and some publications can be found [on the ERD's website](#) and [this report](#).

References:

- [Bangladesh Smooth Transition Strategy – Graduation from the Group of Least Developed Countries](#). Available at <https://ssgp.erd.gov.bd/>.
- [CDP monitoring reports \(including reports by the government to the CDP\)](#)

Bhutan

- Graduated on 13 December 2023 (General Assembly resolution issued in 2018)
- National development plan serves as smooth transition strategy
- Emphasis on ensuring irreversibility of progress



KEY ELEMENTS

- The General Assembly granted Bhutan an extended preparatory period so that graduation would coincide with the beginning of the [13th Five-Year Plan](#) (2024-2029). The Royal Government of Bhutan (RGoB) saw this as necessary to address last mile challenges, helping to ensure a sustainable graduation
- The 13th Five-Year Plan serves as Bhutan's smooth transition strategy. The plan places strategic importance on economic growth and is geared towards addressing challenges related to economic diversification, productivity enhancement through the adoption of technology and innovation and quality health and education outcomes. The plan also involved a comprehensive restructuring of government agencies and a commitment to inclusive, consultative and participatory planning.

"The 13th FYP will drive Bhutan's socio-economic and institutional transformation agenda, and will serve as the transition strategy that ensures its recent graduation from Least Developed Country (LDC) status is irreversible and sustained."

Royal Government of Bhutan, Thirteenth Five Year Plan, 2024-2029

Engagement with development partners and the UN

Graduation was discussed in the context of Bhutan's Round Table Meetings with its development partners, as well as in bilateral meetings. Partners showed commitment to support Bhutan beyond graduation.

The United Nations supported Bhutan in connection with LDC graduation by facilitating consultations, providing analysis, strategic recommendations and capacity-building, coordinated through the Resident Coordinator's Office. Bhutan engaged with partners individually, securing commitments for continued collaboration beyond graduation. The country has participated regularly in the Committee for Development Policy (CDP)'s monitoring mechanism for graduating countries, supported by the UN Department of Economic and Social Affairs (UNDESA).

When Bhutan was formulating its approach for the smooth transition strategy, UNCTAD provided a white paper with recommendations, that was discussed among the relevant stakeholders, and adapted to reflect the effects of the COVID-19 pandemic. Priority elements recommended included: ensuring macroeconomic stability, expanding trade, building productive capacities and ensuring economic diversification, promoting technological advancement, mitigating vulnerability and building resilience, enhancing finances and aid, and sustaining global level support measures and commitment.

The impacts of LDC graduation are limited in Bhutan. Notably, bilateral support from India is not contingent on Bhutan's LDC status. In the process of working towards a smooth transition, the government confirmed that support from the LDC Fund (climate change) for ongoing projects would continue beyond graduation, and worked to approve an additional project on advancing climate resilience of the water sector before graduation. The government anticipated a slight decrease in support from the Green Climate Fund (GCF) given the fund's commitment to allocate a certain share or resilience funds to LDCs, but ascertained that a certain amount of funds was available for all National Designated Authorities, regardless of LDC-status. Regarding trade, the European Union encouraged the government to ratify the international conventions necessary to apply for accession to the GSP+ programme, which would help mitigate the impacts of graduation on access to the EU market, though they are expected to be limited.

INTRAGOVERNMENTAL COORDINATION AND STAKEHOLDER INVOLVEMENT

- Bhutan's smooth transition out of the LDC category has been addressed in the context of its development planning. The planning process in Bhutan involves consultations with various stakeholders, including government agencies, local governments, non-governmental and civil society organizations, the private sector, political parties, development partners, and local governments. Cross-cluster workshops, bilateral workshops, and high-level strategic workshops help identify conflicting strategies, build consensus and align sectoral priorities.
- In April 2021 Bhutan created an LDC task force composed of representatives of the Ministries of Finance, Economic Affairs and Foreign Affairs, as well as the National Statistics Bureau and the National Environment Commission. The task force was initially led by the Gross National Happiness Commission (GNHC), and its functions were later taken over by the Office of Cabinet Affairs and Strategic Coordination, under the Office of the Prime Minister.
- The Committee of Four Coordinating Secretaries (C4CS) under the Office of the Prime Minister and Cabinet took charge of steering the formulation of the 13th Plan.
- Implementation of the plan is through a "whole of government" approach that is anticipatory, citizen-centered and lean governance systems to deliver transformative development outcomes.

Timeline

2015	Bhutan met the graduation criteria for the first time
2016-2018	Consultations on the 12 th Five Year Plan, with all levels of government, ministries, parliamentarians, communities at the grassroots level, civil-society organizations, other stakeholders through participatory planning approaches, processes and engagement
2018	February: Bhutan met the graduation criteria for the second time and was recommended for graduation by the Committee for Development Policy (CDP) August: ECOSOC endorsed the recommendation November: beginning of 12 th Five Year Plan December: General Assembly resolution; set the graduation date to December 2023
2019	14 th Round Table Meeting with development partners Adoption of the UN Sustainable Development Partnership Framework 2019-2023: UN Resident Coordinators Office (RCO) facilitated consultations and coordinate UN support for the preparation of a transition strategy, assisting Bhutan in “better integrating the international trading system with targeted and sequenced policy recommendations on debt management, trade development and foreign investment”
2020	Consultations with UN Resident Coordinator and UNCTAD on support for a smooth transition UNCTAD white paper outlining key elements for consideration by the RGoB, development and trading partners and other stakeholders (later updated to reflect COVID-19) December: Bhutan submitted its first report on the preparation of its smooth transition strategy for the CDP’s 2021 monitoring (reports have been submitted annually since)
2021	Consultations on the UNCTAD white paper Creation of LDC task force for the development of a smooth transition strategy. 15 th Roundtable Meeting, took stock of progress on the 12 th Five Year Plan
2022-2023	Nation-wide stakeholder consultations for the formulation of the 13 th Five Year Plan Training/capacity-building of government officials on mainstreaming resilience-building and smooth transition strategies into national policy-making, innovative finance, promoting exports and the CDP’s enhanced monitoring mechanism Engagement with development partners
2023	November: beginning of 13 th Five Year Plan 13 December: graduation; 21 December: General Assembly resolution commending graduation, inviting development partners to provide support
2024-2025	Annual participation in CDP monitoring, highlighting progress and concerns

References to smooth transition in the national development plans

Health and education, structural transformation and other issue areas that are critical to ensuring the irreversibility of Bhutan’s graduation are at the essence of the development plans, framing the specific references to graduation and a smooth transition:

11th Plan (2013-2018)	Acknowledges that Bhutan requires improvement in the Human Assets Index (HAI) and Economic and Environmental Vulnerability Index (EVI) to reach the graduation threshold. Refers to export promotion and market access strategies and to the use of LDC-specific support. LDC graduation was established as one of three development milestones to be achieved.
12th Plan (2019-2023)	The foreword by chairperson of the Gross National Happiness Commission states that meeting the criteria is a testament of the hard work of the people of Bhutan and support of development partners; acknowledges that not meeting the EVI is still a source of concern; calls on development partners to support Bhutan to implement its last Five Year Plan (FYP) as an LDC. Being recommended for graduation was seen as one of the achievements of the 11 th FYP <i>“As the 12th FYP is the last plan as a LDC, the Ministry will take an active role in strengthening and enhancing development cooperation and economic relations with existing and potential development and trade partners”</i> <i>“As the 12th FYP will be Bhutan’s last FYP as an LDC, accelerated support of all development partners for the implementation of the 12th FYP will be crucial to ensure that graduation is sustainable and irreversible”</i>
13th Plan (2024-2029)	<i>“The 13th FYP will drive Bhutan’s socio-economic and institutional transformation agenda, and will serve as the transition strategy that ensures its recent graduation from Least Developed Country (LDC) status is irreversible and sustained”</i> <i>As the 13th FYP is set against the backdrop of an institutional transformation agenda, recent graduation from LDC status, and efforts to ‘build back better’ from the pandemic, Bhutan must seize this opportunity of the 13th FYP to re-balance GNH by focusing on economic transformation”</i>

References:

- [“Bhutan’s approach to integrating and implementing its smooth transition strategy with the Five-Year Plan”](#), Presentation by Phurba, Sr. PO, Office of the Cabinet Affairs and Strategic Coordination, November 23, 2022
- Bhutan’s 11th, 12th and 13th Five-Year Development Plan documents
- CDP monitoring reports: [Monitoring Reports \(including reports by the government on the preparation of the smooth transition strategy\)](#)
- UNCTAD (2022), [“Towards a smooth transition strategy for Bhutan”](#)

Lao PDR

- Graduation scheduled for 24 November 2026
- Smooth transition strategy developed between 2021 and 2023, approved by the Prime Minister in December 2023
- Priority actions framed by national and international plans and agendas



Photo : UN in Lao PDR/Lou Sensouphone

KEY ELEMENTS

- **Lao PDR's smooth transition strategy has 3 objectives:**
 1. That graduation **does not disrupt progress**: mitigate impacts, seize opportunities (smooth graduation)
 2. That Lao PDR stays on a **high-quality development pathway**: ensure implementation of policies and actions in the development plan and policy frameworks (quality graduation)
 3. **Long-term sustainability**: identify policy directions, manage long-term risks, environmental management (sustainable graduation)
- **The strategy identifies 22 priority action areas clustered around nine policy objectives** in four thematic pillars, including measures to address the loss of LDC-specific support.
- It is framed by 9th and 10th National Social and Economic Development Plans (2021-2025 and 2026-2030, respectively) and their financing strategies, the Lao PDR Resilience Framework (2023-2025), National Agenda on Economic and Financial Difficulties (2021-2023), Doha Programme of Action.

Priority action areas

Pillar	Policy Area	Policy/Action areas
1. Macroeconomic stability and financial sustainability	Macroeconomic stability	1. Rapidly increase fiscal space 2. Alleviate the debt burden 3. Increase the resilience of the financial sector
	Safeguarding investments in human capital and climate action	4. Prioritise public investments in human capital and green and climate-resilient growth 5. Increase the volume and effectiveness of ODA support in priority sectors 6. Incentivise private sector investments in green growth 7. Plan the country's participation in global affairs
	Trade and FDI promotion	8. Reform investment promotion and management to attract quality FDI 9. Facilitate and develop quality trade relationships 10. Enhance and promote domestic production in line with international standards
		11. Make the business environment one of the most attractive in Southeast Asia
	Business environment for inclusive growth	12. Urgently address learning poverty 13. Ensure access to basic social protection services 14. Improve employment opportunities and conditions 15. Make the country an attractive ecological and cultural tourism destination
	Human capital development and decent jobs	16. Greater efforts for enhancing rural development through a community-based approach essential for poverty reduction 17. Accelerate the transition to sustainable/resilient food systems
	Rural development	18. Strategically plan urbanization
3. Human capital development and structural economic transformation	Urban development	19. Accelerate the energy transition
	Integrated and sustainable natural resources management for low-carbon development	20. Manage natural resources in an integrated and sustainable way
	Climate resilience and disaster risk reduction	21. Accelerate disaster risk management and reduction 22. Accelerate adaptation to climate change

Examples of actions contained in the strategy to address impacts of graduation

- ⇒ Research the current and expected use of trade preferences for LDCs to better understand the scale of graduation impacts.
- ⇒ Initiate/advance negotiations with partners to prolong access to LDC preferences and/or accede to alternative schemes (e.g. GSP+ in the European Union).
- ⇒ Engage with other WTO members to seek support for a transition period for LDC-specific special and differential treatment on obligations and flexibilities under WTO rules.
- ⇒ Evaluate the impact of the loss of the LDC TRIPS waiver for Lao exporters and implications for the regulatory framework in Lao PDR.
- ⇒ Engage with development partners to ensure continuation of capacity-building and technical assistance on matters related to trade once LDC-specific instruments are phased out.
- ⇒ Further study the implications of LDC graduation related to the Regional Comprehensive Economic Partnership (RCEP).
- ⇒ Mobilize LDC-specific instruments and funds such as the Technology Bank, Investment Support Programme and LDC Fund (climate change) for the remaining eligibility periods.
- ⇒ Build capacity to mobilize domestic resources, ODA, non-concessional public finance, blended finance, South-South cooperation and climate finance, compensating for loss of LDC-specific funds.
- ⇒ Address the loss of support for participation in international organizations and processes, pursuing continued or alternative support for budget contributions and travel and translating expected additional expenses into recurrent expenditures budgeting.

INTRAGOVERNMENTAL COORDINATION AND STAKEHOLDER INVOLVEMENT

- The formulation process was led by Ministry of Foreign Affairs, which also coordinates implementation;
- There was a consultative process involving different ministries, development partners (through the National Roundtable Process), the private sector and NGOs, with support from the United Nations.
- The **LDC National Steering Committee**, chaired by the Deputy Prime Minister/Minister of Foreign Affairs, manages the graduation process. It includes the ministries of Planning and Investment, Finance, Industry and Commerce, Agriculture and Forestry, Health, Education and Sport, Natural Resources and Environment, Public Works and Transport, and receives support from the Permanent Representatives to the UN in New York and Geneva.
- A special taskforce was created to support the monitoring of the smooth transition strategy, including, in addition to the above, the Ministry of Labour and Social Welfare, Lao Women's Union, Lao Statistic Bureau, Development Research Institute.
- Responsibilities were attributed to each entity, with definition of timelines, means of verification, and reporting.

Timeline

Lao PDR met the graduation criteria for the first time	February 2018
Lao PDR met the graduation criteria for the second time and was recommended for graduation by the Committee for Development Policy (CDP)	February 2021
ECOSOC endorsed the recommendation.	June 2021
General Assembly issued the resolution defining the graduation date as November 2026	November 2021
Stakeholder mapping, SDG/LDC focal points meeting, analysis and initial discussion within participating ministries. Process mapped out, existing analysis compiled, focal points identified within SDG/LDC focal point networks	30 June 2022
South-South exchange on preparing smooth transition strategies (peer exchange with Bangladesh and Nepal)	23-25 August 2022
Technical government workshop (discussion on scope, objectives, approach, thematic/focus areas)	8 September 2022
Prioritization workshop (priority themes and subthemes identified; government and UN)	18 October 2022
Drafting workshop (scope refined, connected to existing strategies and plans; definition of draft action matrix, priority actions, implementation arrangements)	3-4 November 2022
Report submitted to CDP on progress with STS formulation	13 November 2022
Round Table Meeting (technical discussion between government and development and trade partners over national priorities)	26 January 2023
CDP Plenary (CDP provided feedback on draft STS)	20-24 February 2023
5 th UN Conference on the LDCs (LDC5), Doha (draft STS presented to the international community)	5-9 March 2023
Government Cabinet Meeting (STS draft endorsed in principle)	28-29 March 2023
Detailed consultations with partners (in-depth discussion with development and trade partners to identify areas of support and seek feedback on draft STS)	26 May 2023
Validation workshop (validation and feedback on draft STS by key stakeholders)	29-30 June 2023
STS finalization (based on feedback from the validation exercise)	July-August 2023
STS endorsement by the Prime Minister's Office and adoption by the government	November-December 2023
Implementation phase. First annual report on implementation drafted in 2024; readiness assessment carried out in 2025 to identify areas for STS acceleration	2024-2030

References:

- [“The Lao PDR Smooth Transition Strategy for LDC Graduation in 2026 and beyond”](https://rtm.org.la/) (2025). The strategy is available at <https://rtm.org.la/>
- [CDP monitoring reports \(including reports by the government to the CDP\)](#)

Nepal

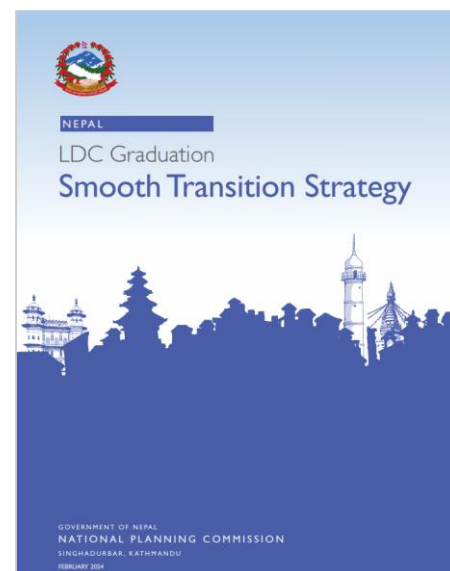
- Graduation scheduled for 24 November 2026
- Smooth transition strategy adopted in February 2024
- Standalone strategy, harmonized with national development plan



Photo UNDP Nepal

KEY ELEMENTS

- The smooth transition strategy aims to overcome challenges due to the loss of LDC-specific support measures on the development trajectory, seize the opportunities of graduation, set the conditions for a more resilient future and pursue strengthened international support to achieve long-term goals (**smooth, quality, and sustainable graduation**).
- It is structured around the analysis of **problems and opportunities**, based on consultations, literature review and analysis.
- Consultations included joint meetings with ministries, representatives of the private sector, provincial and local government officials and development partners; focused meetings with private sector organizations; and one-on-one meetings with ministries and planning bodies. Input was also invited through a survey and a multistakeholder meeting was organized to collect feedback on a draft strategy. The process benefited from exchanges with other graduating countries and from support from the UN system.
- The strategy identifies policy action under **six strategic pillars** to address major structural constraints and development challenges, with priority measures, timelines, and responsibilities.
- It is harmonized with the **Sixteenth Periodic Plan (2024-2029)**, provincial development plans for 2024/25-2028/29 and sectoral policies and strategies, including industrial policy, development cooperation policy, and the Nepal Trade Integration Strategy (NTIS).



INSTITUTIONAL SETUP

- The smooth transition strategy involves the three tiers of government (federal, provincial, municipal) and several ministries, as well as development partners (including South-South partners), private sector, civil society, and cooperatives. The institutional framework evolved over the course of the preparation of the strategy, with the creation of dedicated committees.
- The National Planning Commission (NPC) coordinates activities relating to LDC graduation, under the leadership of the **High Level LDC Graduation Steering Committee**, chaired by the Prime Minister, and composed by the ministers of Finance, Foreign Affairs and Industry, Commerce and Supply, as well as the Chief Ministers of the Provinces, and the Vice-Chairperson and the secretary of the NPC. The Committee ensures coherence across policy areas at the strategic level.
- The **Implementation and Coordination Committee** is mandated to create synergy between policies, coordinate within federal ministries and other stakeholders and development partners for effective implementation of the strategy. It includes the Vice-Chair, Secretary and Joint Secretary of the NPC, the governor or representative of the Nepal Rasta Bank, Vice-Chairpersons of the provincial Planning Commissions, and secretaries of federal ministries. The Chair of the Federation of Municipalities, the Chair of the National Rural Municipality Association, the Chairs of private sector organizations/chambers of commerce, the Chair of the NGO federation, and representatives of development partners participate as guests. The Committee meets every six months.
- The **Monitoring and Evaluation Committee** is charged with coordinating the relevant ministries and agencies in monitoring and evaluating the strategy's implementation. It meets quarterly, and is composed of government members and private sector, civil society and development partners as invitees.
- **Province Level Implementation Committees** are mandated to mainstream the Smooth Transition Strategy in policies and programmes at the province level. They include province leadership and planning authorities, heads of provincial chapters of private sector organizations and the Chair of the Municipality Federation for the province.

Timeline

2015	Nepal met the graduation criteria for the first time
2018	Nepal met the graduation criteria for the second time, but the Committee for Development Policy (CDP) deferred its recommendation
2019	Beginning of 15th National Development Plan
2021	CDP recommended graduation (February) ECOSOC endorsed the recommendation (June) General Assembly issued its resolution (November), set the graduation date Government submitted its first report to the CDP
2022	Beginning of CDP monitoring Draft transition strategy prepared
2023	Stakeholder consultations; revised draft; finalization of the smooth transition strategy
2024	Smooth transition strategy adopted Beginning of 16th National Development Plan
2024-2025	RCO-led UN team supported resource mobilization, Integrated National Financing Framework, engagement in FfD4, legal reforms
2025	National Scoping Workshop on Nepal's Smooth Transition Strategy
2026	Graduation scheduled for 24 November

Strategic pillars and working strategies

Nepal's [Smooth Transition Strategy](#) identifies six strategic pillars, each related to one of the LDC criteria (income, human assets, economic and environmental vulnerability). Working strategies were identified for each strategic pillar. The document contains actions, expected results, timeframes, degree of priority, and responsibilities for each of the working strategies.

Income: Increase GNI per capita

Strategic pillar 1: Macroeconomic stability and fiscal sustainability

- Maintain stable monetary policy
- Incline fiscal policy towards broad based and sustainable economic growth and employment generation
- Mobilize official development assistance (ODA) for development projects with special attention on LDC-specific funds available before graduation and for short transition periods
- Strengthen the technical capacity of government professionals for commercial analysis and preparation of competitive projects of high returns for submission to development partners for ODA
- Increase access to finance

Strategic pillar 2: Trade and investment

- Strengthen national capacity for international trade negotiation and facilitation
- Negotiate and sign non-reciprocal preferential trade agreements with selected trade partners to minimize the likely impacts of graduation on trade
- Examine market diversification opportunities with bilateral trade partners for expansion of exports
- Initiate a dialogue on trade agreement with regional organizations
- Establish and strengthen cooperation between LDCs and newly graduated LDCs for joint action and experience sharing
- Diversify export products and markets
- Improve the quality of goods likely to be affected after graduation
- Strengthen trade infrastructures, regulatory environment and governance
- Reorient the scope of work of the diplomatic missions of Nepal towards economic diplomacy
- Mobilize trade cooperation to strengthen the export capacity of Nepal
- Develop private sector capacity to compete in international markets

Addressing graduation impacts in the Nepal Trade Integration Strategy (NTIS) 2023-2028

The NTIS aims to increase Nepal's exports, building an enabling environment for trade, developing exportable products, diversifying products and markets, building trade infrastructure, and facilitating and improving the business climate through governance reform. It also contains specific measures to address the trade-related impacts of graduation:

- ⇒ Accessing the GSP and GSP Plus schemes in the European Union and Türkiye and the Enhanced Preferences scheme under the United Kingdom's Developing Country Trading Scheme
- ⇒ Continued partnership with other least developed countries (LDCs) in regional and multilateral forums
- ⇒ Examining possible scope for bilateral trade agreements with other major trading partner countries.

- Increase loan disbursement of financial institutions in the production sector to stimulate growth
- Utilize remittances in the production sector
- Attract more FDI to the production sector
- Motivate cooperative sector to invest its resources in production sector

Strategic pillar 3: Economic transformation

- Consolidate and strengthen the manufacturing sector of Nepal to produce manufactured goods for import substitution and export
- Modernization and commercialization of the agriculture sector for transformation from low to high labour productivity
- Harness hydropower and renewable energy potential for economic transformation of Nepal through increased internal use and export to neighbouring countries
- Promote Nepal as an attractive tourism destination
- Promote IT as one of the important export-oriented service industries
- Promote health, education, and banking sectors as potential service industries

Human Assets: Sustaining and Growing Productive Human Capital

Strategic pillar 4: Building productive capacity

- Continue education sector reform for developing productive human resources
- Strengthen and expand technical and vocational training to produce a skilled labour force
- Develop entrepreneurship among youths in the production and service sectors
- Strengthen and expand health and nutrition programs that can contribute to develop healthy citizens

Economic and Environmental Vulnerability: Sustaining past outcomes and prospering for the future

Strategic pillar 5: Climate change and disaster risk management

- Implement climate change adaptation practices in all production and development works
- Adopt the Green, Resilient and Inclusive Development (GRID) approach at all levels of government
- Develop shared responsibility for disaster risk reduction and management (DRRM) between federal, provincial and local governments
- Build seismic-sensitive and resilient infrastructures to reduce deaths and injuries during catastrophic events
- Strengthen backward and forward linkages of the economy by improving the value chains of goods and reduce economic vulnerability

Strategic pillar 6: Social inclusion and integration

- Revisit the social protection programmes and shift from a blanket approach to a needs-based intervention approach
- Consolidate the existing poverty alleviation programs and focus on targeted intervention at family and individual level
- Integrate gender and development in all spheres of socio-economic development programmes
- Strengthen governance to enhance accountability among personnel

References:

- [Nepal LDC Graduation - Smooth transition strategy \(February 2024\)](#)
- [CDP monitoring reports \(including reports by the government to the CDP\)](#)

Solomon Islands

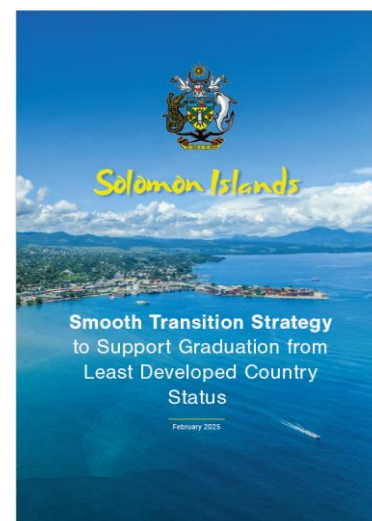
- Scheduled to graduate on 13 December 2027
- Smooth transition strategy finalized in February 2025, aligned with the National Development Strategy 2016-2035
- Two-pronged strategy: mitigate impacts and ensure sustained progress



Photo UNDP Climate

KEY ELEMENTS

- The Smooth Transition Strategy identifies the direct impacts of graduation and the measures to manage them, as well as policy measure, reforms and priority projects to overcome the challenges of economic and environmental vulnerability, ensuring sustained progress beyond graduation.
- It is framed within the National Development Strategy 2016-2035 and the national planning framework. Graduation-specific measures are to be integrated into the plans and budgets of the respective ministries or proposed to development partners for funding support through the established processes.
- Preparation of the smooth transition strategy was led by the Cabinet with the Ministry of National Planning and Development Coordination, with support from the UN System, including UNESCAP and UNDESA. It involved consultations across the government and with provincial representatives, private sector, and development partners. The draft strategy was validated at a workshop with various national and provincial stakeholders, then endorsed by the Cabinet.



Timeline	
2015	Solomon Islands met the graduation criteria for the first time
2016	Beginning of the 2016-2035 National Development Strategy
2018	Solomon Islands met the graduation criteria for the second time and was recommended for graduation by the Committee for Development Policy (CDP). ECOSOC endorsed the recommendation. The General Assembly issued its resolution, setting graduation date for December 2024
2019	Joint UN Workshop in support of the graduation of Solomon Islands kickstarted preparation for graduation Preliminary draft of the smooth transition strategy drafted
2020	Beginning of Committee for Development Policy (CDP) monitoring Solomon Islands acceded to the interim Economic Partnership Agreement between the European Union and the Pacific States Preparation of the smooth transition strategy stalled
2021	Solomon Islands acceded to the interim Economic Partnership Agreement between the United Kingdom and the Pacific States and the Pacific Agreement on Closer Economic Relations (PACER) Plus
2022	November: letter to the Secretary-General signaling multiple crises. Triggering the "crisis response process" under the CDP's Enhanced Monitoring Mechanism (see box in the introduction) due to severe impacts of COVID-19, domestic unrest, and the fuel and food crises driven by the war in Ukraine
2023	Formal request for extension of the preparatory period Crisis assessment under the CDP's Enhanced Monitoring Mechanism recommended an extension of the preparatory period, which was granted by the General Assembly in December Development of workplan, timeline and outline for the smooth transition strategy, with support from UNESCAP
2024	Smooth transition strategy formulated
2025	Smooth transition strategy validated and endorsed by the Cabinet Start of implementation, stakeholder engagement, resource mobilization
2027	Graduation scheduled for 13 December

Policy measures to sustain progress and ensure a smooth transition (in Part IV of the Smooth Transition Strategy)

Goal 1: Enhance the enabling environment to boost private sector development/productivity: Facilitate land reform; lower electricity prices; enhance and support access to finance; foster climate-resilient investments in infrastructure and transportation.

Goal 2: Invest in human capital and job creation: Establish and implement a long-term human capacity; development plan that focuses on supply and demand in the labour market; maximize opportunities to participate in regional labour mobility programs; invest in skill development for workers participating in the labour mobility programmes to reintegrate returning workers and maximize economic benefits.

Goal 3: Enhance domestic production and trade capacity, including in agriculture, fisheries and forestry: Invest in downstream processing and value addition to boost export diversification and volume; invest in cold storage to boost production and safety of seafood; support trade facilitation in standardization, simplification and harmonization of trade in goods procedures; support production and marketing of local goods and services; invest in e-commerce opportunities.

Goal 4: Strengthen governance capacity, peace and security: Deepen decentralization and empowerment of provincial governments; enhance, empower and support integrity institutions to carry out their roles effectively; empower and resource the Royal Solomon Islands Police Force; review and update natural resource sector legislation to boost the share of benefits resource owners receive.

Actions to mitigate the potential impacts of graduation (in Parts II and III of the Smooth Transition Strategy)

Although impacts of graduation in Solomon Islands are expected to be relatively limited*, the Smooth Transition Strategy identifies actions to address each of the potential impacts identified. For each action, it establishes a lead Ministry and key partners, a timeframe, key performance indicators (KPIs) and identifies the related objectives in the national development strategy. Here are the actions identified, and their respective timeframes (see Table 6 in the Smooth Transition Strategy for the full action matrix):

Expected area of impact	Actions	Timeframe
Trade	Explore the utilization and/or extension of preferential treatment currently available to LDCs, or alternative preferential opportunities by relevant trading partners for existing and potential exports	2025-2026
	Identify LDC-specific flexibilities in trade agreements, such as safeguard measures and environmental regulatory requirements, that are most significant to Solomon Islands and explore alternative sources of support and means to offset the impact	2025-2026
	Request WTO to retain Solomon Islands in the list of net food importing countries (NFIDCs) even after graduation	2028-2029
	Enable improved compliance to export standards, trade compliance and market requirements, including relevant sanitary and phytosanitary measures and technical barriers to trade requirements. Focus should include enhancing the capacity and expanding the scope of the National Biosecurity Division, Environmental Health Division National Health Laboratory (NPHL-MHMS) and agencies responsible for quality infrastructure to be an accredited agency	2025-2027
	Identify new potential markets for export market diversification for existing and new, niche products	2025-2027
Trade and private sector	Strengthen productive capacity, downstream processing and facilitate the export of niche products such as kava, coffee beans, taro, cassava, seaweed, ginger, noni and ngali nuts, breadfruit and pineapples	2025-2027
Trade - technical assistance, capacity-	Utilize WIPO's Graduation Support Package for LDCs to advance TRIPS reforms; enhance Intellectual Property institutions, legislative/regulatory reviews/updates and develop enforcement mechanisms	2025-2027
	Explore opportunity for transition periods for LDC-specific aid for trade capacity-building, supplementation and technical assistance	2025-2027
	Utilize transition periods available in LDC-specific mechanisms, such as the Technology Bank for LDCs and the Investment Support Programme for LDCs	2025-2027
Finance	Utilize SIDS status to access climate funds, such as GCF, Climate Risk and Early Warning Systems, GEF Trust Fund, and the Global Biodiversity Framework Fund.	2025 onwards
	Source financing and projects to target improved supply side constraints of the country, and productive capacities.	2025-2027
	Request resources from climate funds, such as GEF and LDCF while still eligible.	2025 onwards
	Use donor roundtables and related mechanisms to confirm with development partners what flows of development cooperation is expected over the medium-term, particularly against key national priorities, including the identified pipeline of investment projects.	
	Explore the possibility of extending reduced fees for LDCs offered by the International Telecommunication Union (ITU, Universal Postal Union (UPU) and WIPO	2025-2027
	Request extension of LDC travel benefits to attend the United Nations General Assembly meetings	2025-2026

The strategy also determines the development of a communication workplan for outreach on LDC graduation and the smooth transition strategy (2025-2027).

While the Smooth Transition Strategy sets out mitigating actions, some relevant actions had been taken before its adoption. For example, in 2020 and 2021, the government acceded to the interim Economic Partnership Agreement between the European Union and the Pacific States and a similar agreement with the United Kingdom, thus ensuring duty-free, quota-free market access to these markets.

* For all countries having met the graduation criteria, the UN Department of Economic and Social Affairs conducts an ex ante assessment of the potential impacts of graduation. This was done for Solomon Islands in 2018. With the extension of the country's preparatory period, the government requested an [update of the study](#), which among other elements reflects the entry of the Solomon Islands into the interim EPA and the agreement with the United Kingdom. The OECD carried out a [transition finance country diagnostic for Solomon Islands](#) in 2020.

References:

- [Solomon Islands Smooth Transition Strategy to Support Graduation from Least Developed Country Status \(February 2025\)](#)
- [CDP Monitoring Reports \(including reports by the government on the preparation of the smooth transition strategy\)](#)
- United Nations Department of Economic and Social Affairs (UNDESA), ["Update of the ex-ante assessment of potential impacts of the graduation of Solomon Islands from the least developed country category"](#), 24 April 20

Vanuatu

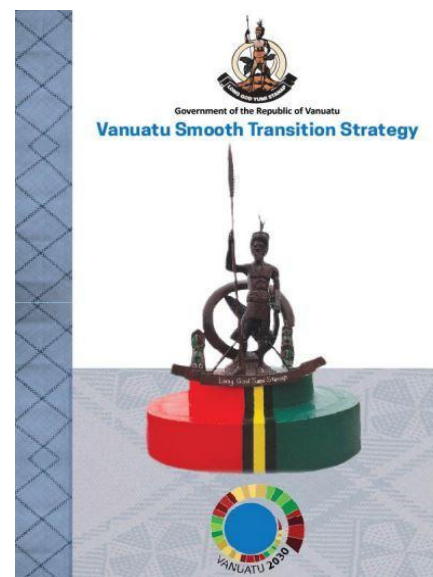
- Graduated on 4 December 2020
- Smooth transition embedded in implementation of national development plan + 24 priority actions (strategy document issued in 2019)
- First country to benefit from iGrad (Sustainable Graduation Support Facility)



Photo ADB

KEY ELEMENTS

- Following consultations and policy assessments and considering that the impacts of graduation were expected to be limited, Vanuatu decided that its smooth transition strategy would be embedded in its efforts to **fully implement the *National Sustainable Development Plan (NSDP) Vanuatu 2030, The People's Plan***.
- The National Coordinating Committee on LDC Graduation consolidated, in a **separate smooth transition strategy document, 24 specific measures, grouped in seven themes (see the next page)**, with the purpose of mitigating the limited impacts of graduation. The measures were aligned with the NSDP and reflected targeted macroeconomic and sectoral policies (Financing strategy, Trade Policy Framework, Overarching Productive Sector Policy, Labour Mobility Policy, Aid Management Policy and National Strategy for the Development of Statistics)
- Implementation started in 2020, 5 months before graduation, and is expected to be concluded by 2025.



Timeline

2006	Vanuatu met the graduation criteria for the first time
2012	CDP recommended Vanuatu for graduation; ECOSOC endorsed the recommendation
2013	General Assembly issued the resolution establishing the graduation date for 2017
2014	Beginning for participation in CDP monitoring
2015	General Assembly extended the transition period, expressing deep concern at the severe consequences of Cyclone Pam, establishing the graduation date at 4 December 2020
2016	Council of Ministers endorsed the establishment of a National Coordinating Committee (NCC)
2018-2019	Studies undertaken on impacts, challenges, opportunities Stakeholder consultations National validation workshop December: Smooth Transition Strategy document issued
2020	Beginning of implementation of the smooth transition strategy Annual work plans defined for the NCC Graduation: 4 December General Assembly <u>resolution on the graduation of Vanuatu from the LDC category</u> (December 14) welcomes the adoption of the smooth transition strategy and invites development and trading partners to support its implementation, including by extending support.
2021	Vanuatu presented a request for support under the Sustainable Graduation Support Facility (iGRAD), based on NCC workplans for 2020 and 2021. Vanuatu was the first graduated country to be supported by iGRAD, benefitting from advisory services for the smooth transition strategy and support for a policy leadership dialogue on graduation, among others.
2023	Mid-term review of implementation of the smooth transition strategy - most smooth transition measures had been implemented
2024-2025	Vanuatu continues to participate in CDP monitoring. 24 actions expected to be concluded by end 2025

INSTITUTIONAL SETUP AND STAKEHOLDER INVOLVEMENT

- In March 2016, the Council of Ministers endorsed the establishment of a National Coordinating Committee (NCC) comprised of various relevant stakeholders, including private sector and civil society, to coordinate the development of a smooth transition strategy. It also created a Secretariat to the NCC to support the process and facilitate consultations with national stakeholders. Institutional adaptations have been proposed as the country advances in the implementation of the strategy.
- Vanuatu's smooth transition strategy was informed by UNDESA's ex ante impact assessment, a [UNESCAP report on challenges and opportunities related to graduation](#) in Vanuatu, and studies on financing and trade, with support from the Enhanced Integrated Framework (EIF), UNESCAP and UNDESA.
- Stakeholder consultations were held in 2019 in each of the six provincial centers. A national validation workshop was held in October 2019.
- The [Department of Strategic Policy, Planning and Aid Coordination \(DSPPAC\)](#), at the Prime Minister's Office, leads implementation, monitoring and reporting. Monitoring and reporting use the mechanisms established for the NSDP.

Actions contained in the smooth transition strategy

Specific actions, complementary to those in the NSDP and other policy frameworks, were identified in Vanuatu's smooth transition strategy, under seven themes. The smooth transition strategy defines responsibilities and timelines for each:

Themes	Objective	Action
Trade	Improving access to export markets, in particular for commodities that were being exported with preferential access conditions, such as beef, fish and copra products.	1. Initiate formal discussions with Japan to seek zero duty transition period for beef. 2. Negotiate and establish bilateral trade and investment agreement with Japan for ongoing market access. 3. Initiate formal request with the European Union to provide a 3-year extension of the Everything But Arms (EBA) scheme. 4. Ratify the trade agreement with New Caledonia. 5. Ratify PACER Plus. 6. Initiate formal discussions with China to seek zero duty transition period for noni and kava. 7. Explore potential to establish a bilateral trade and investment agreement with China for ongoing market access. 8. Implement the Trade Policy Framework priorities. 9. Implement relevant recommendations identified in the 2018 WTO review report. 10. Confirm critical post-graduation obligations and initiate formal discussions in relevant WTO bodies, including jointly with the LDC group, to seek transition periods for and specific waivers from those obligations. 11. Implement the WTO trade facilitation agreement. 12. Implement the labour mobility policy. 13. Seek a 5-year transition period from the Enhanced Integrated Framework (EIF).
Private sector development and productive capacity	Improving ease of doing business and regulatory oversight, addressing supply-side constraints and strengthening the production of tradable goods and services.	14. Undertake policy reforms to improve the business environment. 15. Address productive capacity for primary produce and supply-side constraints to enable trade. 16. Reduce cost of doing business, including utility costs. 17. Improve and strengthen value adding in goods and services, including tourism, cocoa, coffee, kava, noni and coconut oil.
Macroeconomic stability and finance	Maintain macroeconomic stability, including through fiscal and state own enterprise reforms.	18. Assess all available climate funds to determine how these can be best integrated into the broader national development objectives and public finance management systems. 19. Develop an external resource mobilization strategy.
Strengthening of national systems including planning, budgeting, and monitoring	Translate the NSDP policy objectives into implementable actions linking to ministries' corporate plans, department business plans and the annual budget (and external assistance) provisions. Improve accountability of implementing agencies through regular and proactive monitoring and reporting.	20. Improve linkages between government ministry corporate plans and department business plans, with the budget to fund priorities identified in the NSDP and the LDC strategy. 21. Strengthen and improve regular monitoring and evaluation of the NSDP and LDC strategy to ensure policy and partner support for improved implementation.
Aid coordination and monitoring	Put into action the Aid Management Policy and the Implementation Strategy, to ensure development corporation is focused on supporting the implementation of NSDP priorities.	22. Fully implement the Aid Management Policy to enable effective coordination of donor funds linked to LDC graduation and NSDP priorities and actions.
Statistical systems and data	Strengthen the national statistical system, together with the Vanuatu National Statistical Office, for collection analysis and dissemination of relevant statistics.	23. Fully implement the Vanuatu National Strategy for the Development of Statistics.
Institutional and staff capacity development	Improve the effectiveness of the current institutional arrangements for national, provincial, sectoral, corporate planning, and budgeting. Based on the National Planning Framework (NPF), full implementation is necessary, and together with an evaluation of results further changes should be put in place. Link to various mandates of Ministries and Departments under the NPF, a mix of capacity building and supplementation is needed, together with improved allocation (and re-allocation) of current staff resources.	24. Develop a national communication strategy (conduct a national communication campaign; develop a theme or message; host a celebration event; compose short media clips on graduation; hold public forum; circulate FAQs; media coverage).

References:

- [Vanuatu's Smooth Transition Strategy \(2020\)](#)
- [CDP monitoring reports \(including reports by the government to the CDP\)](#)