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A GUIDE TO LEAST DEVELOPED COUNTRY GRADUATION



**United
Nations**

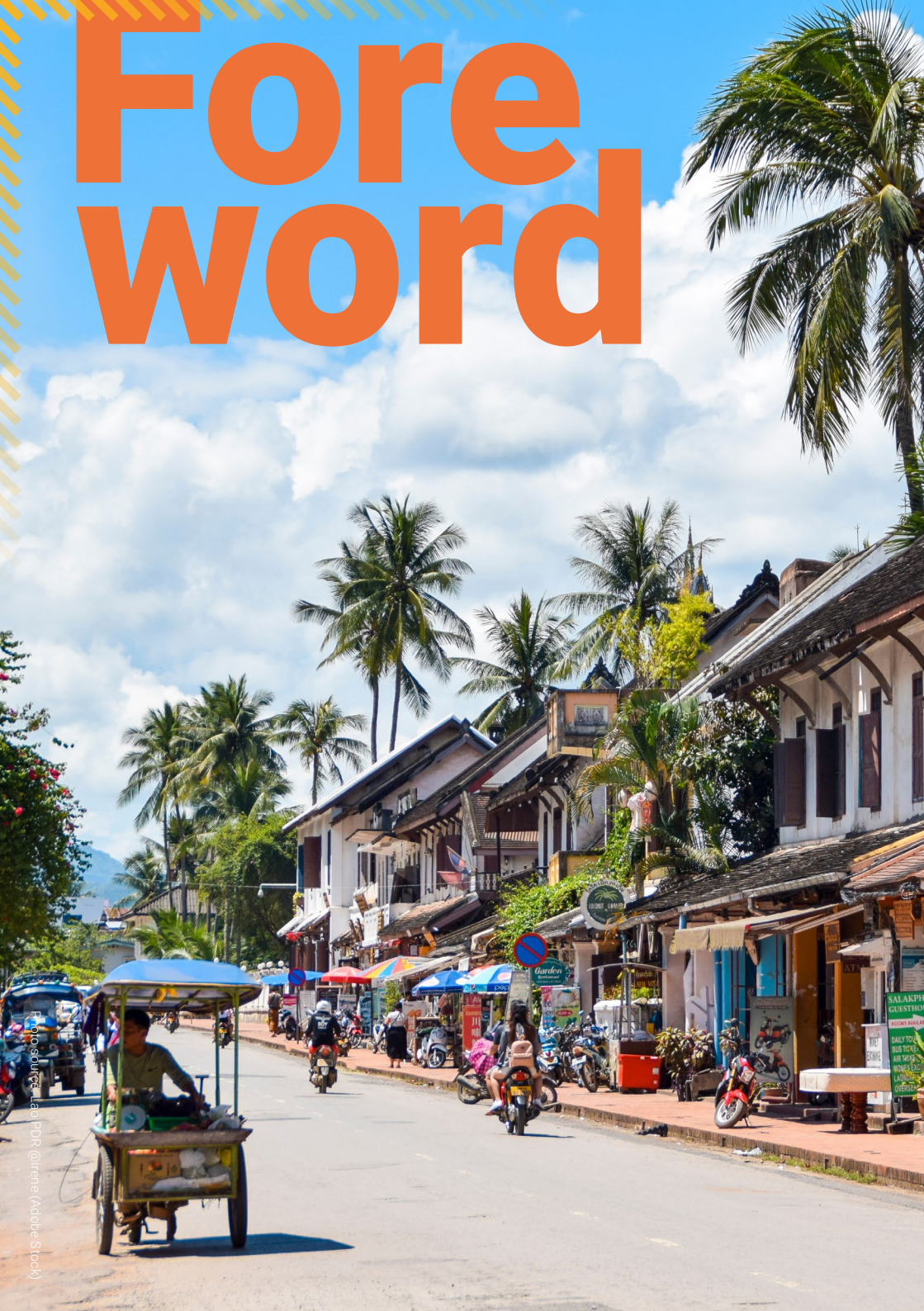
Office of the High Representative for the Least Developed Countries,
Landlocked Developing Countries and Small Island Developing States
(UN-OHRLLS)



Table of Contents

Foreword	5
Introduction	6
The Least Developed Country Category	7
The Legal Framework	8
The Committee for Development Policy (CDP)	
A Graduation History Overview	10
The LDC Criteria and Process For Graduation	11
The Graduation Process Basic Timeline	
Before Graduation	14
Formulating a Smooth Transition Strategy	
Case Study	16
Preparations for a Smooth Graduation in Nepal	
The UN Inter-Agency Task Force on LDC Graduation and the Sustainable Graduation Support Facility	18
After Graduation	20
Smooth Transition Measures	
Trade Support Measures	
Development and Climate Finance	
To Conclude	26

Fore word



The Doha Programme of Action (DPoA) for the Least Developed Countries (LDCs) for the Decade 2022-2031 outlines an ambitious and comprehensive framework to address the multidimensional vulnerabilities of the LDCs. The Programme is structured around six focus areas and encompasses 116 targets. The *Roadmap for implementing the DPoA for the LDCs*, prepared by my Office, identifies 35 priority targets specific to these countries across the six key action areas, aiming to accelerate progress on the Sustainable Development Goals (SDGs).

Effective mainstreaming and monitoring are crucial for the timely, full, and successful implementation of the DPoA. A critical lesson learned from the previous Programmes of Action for the LDCs was the lack of a robust framework for effective mainstreaming and monitoring.

Two years after the adoption of the DPoA, LDCs are in varying stages of mainstreaming and implementing its targets and commitments. In the context of economic and social disruptions caused by the COVID-19 pandemic, coupled with complex geopolitical and geoeconomics challenges, LDCs are facing significant capacity and fiscal constraints in executing the DPoA.

In response to the urgent needs of these countries and following extensive consultations with the Inter-Agency Consultative Group for the LDCs, and the UN Resident Coordinator Offices in LDCs, my Office has developed the *Guidelines for Mainstreaming and Monitoring the Implementation of the DPoA*.

These Guidelines present a range of approaches and tools for policymakers in LDCs to effectively align their national development plans with the DPoA and put in place robust monitoring mechanisms. The country-level experiences and lessons provided in the Guidelines will help LDCs in prioritizing the commitments and targets of the DPA and identifying interventions with multiplier effects. In addition, the Guidelines serve as a resource for the United Nations country teams in LDCs to offer tailored support.

The Guidelines are part of my Office's broader efforts to enhance the capacity of the LDCs in the implementation, follow-up and monitoring of the Programme of Action. I strongly encourage LDCs and all other stakeholders to utilize these guidelines effectively in their efforts to accelerate progress toward the transformative vision set forth by the DPoA.



A handwritten signature in black ink, reading 'Rabab Fatima'.

Rabab Fatima

United Nations High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

Introduction

Meeting the criteria for graduation out of the category of Least Developed Countries (LDCs) represents a pivotal moment in the sustainable development continuum of these countries. Enabling countries to meet the criteria for graduation and ensuring that they receive adequate support to leverage graduation into a positive force for sustainable development is one of the priorities of the Doha Programme of Action for the least developed countries for the decade 2022-2031.

Graduation from the LDC category is different from graduation processes outside the United Nations, such as from the International Development Association (IDA) at the World Bank, or the graduation from the list of Official Development Assistance (ODA) recipient countries of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). In the UN context, countries can influence the process, and several refinements have been introduced over time to the LDC criteria and the graduation procedures.

Transitioning out of the LDC category can be a complex path with important implications that need to be thoroughly analyzed on a country-to-country basis. Challenges arise as the country stands to lose LDC-specific benefits and favorable arrangements.

However, the impact of the loss of such benefits depends on how effectively the country has been using those benefits before graduation. Furthermore, most graduated countries remain vulnerable, especially to the impacts of climate change, natural disasters, and other shocks and crises. Therefore, the Doha Programme of Action urges all development partners to strengthen their support for graduation and smooth transition so as to minimize disruption in the sustainable development trajectory of graduating and recently graduated countries.

This guide provides a succinct but comprehensive overview of the graduation process for LDCs, including graduation criteria and preparatory steps. It also provides information on sources of support.



The Least Developed Country Category

The category of least developed countries was established in 1971 by the UN General Assembly. It was created to attract special international support for the most vulnerable and disadvantaged members of the United Nations. Initially made up of 25 countries, the category grew to 49 countries by 2003. Currently, 44 countries form the category of least developed countries, with 14 at some stage of the graduation process.

The Istanbul Programme of Action for the LDCs for the decade 2011-2020 was the first global framework to contain a fully-fledged chapter on graduation and smooth transition. It recognized that more concerted efforts and support were needed if the overall objective to overcome the structural challenges faced by the LDCs and enable graduation from the LDC category was to be achieved.

The COVID-19 pandemic laid bare the LDCs' longstanding vulnerabilities and jeopardized their sustainable development gains; negatively impacting the graduation prospects for LDCs and necessitating extended preparatory periods of not three, but five years prior to graduation to prepare for graduation, plan for a post-pandemic recovery, and implement policies and strategies to reverse the economic and social damages caused by the COVID-19 shock.

The Doha Programme of Action for the LDCs for the decade 2022-2031 (DPOA) contains a key target for 15 additional LDCs to meet the criteria for graduation by 2031. Particular attention is given to ensuring a smooth transition of graduating countries that is consistent with their national development strategy and takes into account their development situation. "Smooth transition" refers to the period after the effective graduation from the LDC category has already taken place.



As of the end of 2024, 14 of the 44 LDCs have met the graduation criteria. Since the adoption of the DPOA, progress has been mixed. One country graduated, and three met the criteria for the first time. The General Assembly will decide on graduation dates for two countries in its next session. However, three countries no longer meet the criteria and are out of the process. While the total number of graduating countries remains at fifteen, there is a positive trend with more African countries joining, previously dominated by the Asia-Pacific region.



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The Legal Framework

The Doha Programme of Action set enabling graduation from the LDC category among its overarching goals in Paragraph 14 and it is one of the six key focus areas. Enabling sustainable and irreversible graduation constitutes a key priority of the international community and, thus, it is reflected accordingly across the DPoA. Paragraph 183 calls for avoiding an abrupt reduction of the trade preferences accorded to a country as a result of the loss of its LDC status. It invites development and trading partners to reduce trade preferences in a phased manner.

8 The DPoA set the target of enabling 15 additional countries to meet the criteria for graduation by 2031. It asks for providing specific support measures to recently graduated countries and it explicitly calls for better planning and coordination of transition finance by ODA providers during the preparatory period and the post-graduation phase.

The DPoA welcomes the work of the IATF on LDC graduation, led by OHRLLS, to provide strengthened and coordinated United Nations system-wide support to the countries graduating from the category. The DPoA invites the Office to advocate for appropriate predictable and additional incentives and support measures for graduating and recently graduated countries, and to mobilize additional international support for the implementation of the smooth transition strategies.

The DPoA also invites all relevant United Nations entities to collaborate under the inter-agency task force and develop operational guidelines for their support to

LDCs, including assistance to graduating countries.

Furthermore, a Sustainable Graduation Support Facility was launched during the Fifth United Nations Conference for LDCs in Doha and has been piloted by OHRLLS as Chair of the IATF, and the Department of Economic and Social Affairs (DESA), as Secretariat for the Committee for Development Policy. The Facility is a country-led global platform that responds to the increasing demand from graduating and recent graduated LDCs for dedicated capacity development in the form of policy and technical advisory services in preparing and managing graduation and a smooth transition towards sustainable development.

In addition, several GA resolutions define different aspects related to the graduation process and the support that trade and development partners should extend to these countries to avoid falling back into the LDC category. Some of the key provisions are highlighted [on page 4](#).

GA resolution 59/209

Governs the graduation process and the roles of the decision-making actors in this process (the CDP, the Economic and Social Council (ECOSOC) and the GA).

GA resolutions 59/209, 65/286, 67/221

Emphasize that graduation should not disrupt the development progress of the country.

The resolutions further indicate that LDC-specific support should only be phased out in a gradual and predictable manner, and that LDC preferential market access is to be extended to graduated countries for a number of years.

GA resolutions 68/224, 69/231 & 73/242

Request all relevant organizations of the UN system, led by the Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS), to extend necessary support to LDCs that aspire to graduate in the elaboration of their graduation and transition strategy.

GA resolution 67/221

Calls on development partners to make efforts so that their bilateral and multilateral assistance support the national transition strategy of the country for some time after graduation.

Invites development partners to consider LDC indicators (GNI per capita, HAI and EVI) as part of their criteria for allocating ODA.

This would constitute a built-in smooth transition measure and make the allocation of ODA more stable and predictable.

GA resolutions 59/209 & 73/242

Recommend that graduating countries establish, in cooperation with bilateral and multilateral development and trading partners, a consultative mechanism to facilitate the preparation of the transition strategy and the identification of the associated actions.

Reiterate the invitation for the members of the World Trade Organization (WTO) to extend existing special and differential treatment available to LDCs in accordance with the development situation of those countries.

GA resolution 73/242

Invites LDCs and development partners to integrate graduation and smooth transition strategies into their respective national development and aid strategies, as appropriate, including capacity-building and technical assistance to diversify sources of financing.

Invites all development partners to strengthen their support for graduation and smooth transition so as to minimize disruption in the development trajectory of graduating and recently graduated "countries."

THE COMMITTEE FOR DEVELOPMENT POLICY (CDP)

The CDP is a subsidiary advisory body of ECOSOC. It advises ECOSOC on a wide range of emerging economic, social and environmental issues. Every three years, the CDP is mandated to undertake a review of the list of LDCs, on the basis of which it advises ECOSOC which countries should be added to or graduated from the LDC list. Although the CDP may recommend a country for graduation from the LDC category, the process of graduation is not automatic. The CDP recommendation must undergo approval by ECOSOC and then by the General Assembly, with the latter deciding on the length of the preparatory period before effective graduation.

The CDP also develops the criteria for identifying LDCs and is mandated to keep the criteria under review. Additionally, the CDP monitors the development progress of countries that have graduated or are graduating from the LDC list.

The CDP is composed of 24 members who are nominated in their personal capacity by the Secretary-General and are appointed by ECOSOC for a period of three years. Membership is geared to reflect a wide range of development experience as well as geographical and gender balance. The CDP is served by a Secretariat within the United Nations Department of Economic and Social Affairs.

A Graduation History Overview

Until the adoption of the IPoA in 2011, only three countries had graduated out of the LDC category: Botswana (1994), Cabo Verde (2007) and the Maldives (2011). Progress towards graduation accelerated since then. Samoa graduated in January 2014, Equatorial Guinea in June 2017 and Vanuatu in December 2020. Bhutan graduated in 2023 and Sao Tome and Principe graduated in 2024, the first two countries to graduate after the adoption of the DPoA.

Currently, there are a total of 14 countries that are at some stage in the graduation process:

- [1] Bangladesh, [2] Lao People's Democratic Republic, and [3] Nepal will graduate in 2026,
- [4] Solomon Islands will graduate in 2027, and
- [5] Cambodia and [6] Senegal will graduate in 2029.

While [7] Kiribati, [8] Tuvalu and [9] Djibouti were recommended for graduation by the CDP, ECOSOC will reconsider its recommendation at a later date.

A decision on [10] Myanmar and [11] Comoros was deferred by the CDP to 2027.

In addition, three countries, namely [12] Rwanda, [13] Uganda, and [14] United Republic of Tanzania met the graduation criteria for the first time in 2024.



The LDC Criteria and Process for Graduation

Countries in this category are identified as low-income countries confronting severe structural impediments to sustainable development. The LDC criteria therefore relate to levels of per capita income, human assets and economic and environmental vulnerability to external shocks.



The CDP is mandated by the General Assembly and ECOSOC to review the LDC category every three years and make recommendations on inclusion and graduation of eligible countries. The CDP determines threshold levels on each of the three criteria to identify the countries to be added to or graduated from the category. The thresholds for graduation are higher than those for inclusion. The latest refinements of the criteria for identifying least developed countries and the application procedures, including thresholds, were adopted by the Committee in 2023.

To reach eligibility for graduation, a country must reach threshold levels for graduation in two consecutive triennial reviews for at least two of the aforementioned three criteria.

A country may also be found eligible for graduation, based on the “income-only criterion,” when it records a sufficiently high level of GNI per capita that is three times the graduation threshold, while continuing to have low human assets and being highly vulnerable, if that income level is deemed to be sustainable.

In 2024 the graduation threshold was set at \$1,306 and the income-only graduation threshold at \$ 3,912.

The standard process determined by General Assembly Resolution 59/209 in 2004 prescribes a three-year period between meeting the graduation criteria for the second time and the date of effective graduation. Due to various difficulties confronted by these countries, the General Assembly has granted exceptional extensions of the preparatory period for several graduating countries.

After a country has become eligible for graduation for the first time, a Graduation Assessment is produced. This is based on an analysis of how a change in status and subsequent loss of LDC-specific benefits will impact the country, carried out by DESA, and a vulnerability profile compiled by the United Nations Conference on Trade and Development (UNCTAD). The Graduation Assessment also includes inputs by other UN entities, in particular the UN Country Teams, as well as forward-looking elements that could be considered for a smooth transition strategy.

A CDP member is appointed as country rapporteur to ensure dedicated attention within the Committee. At the following triennial review, if the country is found eligible for the second time, the CDP deliberation is based not just on the Graduation Assessment, but also on country presentation and statement, including a supplementary set of graduation indicators. The latter were introduced into the graduation framework in order to provide the Committee and the countries with an additional screening tool for identifying sustainable development challenges and describing vulnerabilities not fully captured by the LDC criteria. The Committee also committed to including in any graduation recommendation a statement regarding whether the standard three-year preparatory period is sufficient or whether a longer period, not exceeding five years, is necessary for a smooth transition.

12 The process is therefore not automatic but rather evaluated on a case-by-case basis. For example, in 2018, the CDP “found that Nepal and Timor-Leste fulfilled the criteria for graduation for the second consecutive time. However, owing to concerns about the sustainability of their development progress, the [CDP] deferred its decision on recommendations for the graduation of these countries to the 2021 triennial review.”

The CDP’s recommendation of graduation is then submitted for ECOSOC’s endorsement, and finally submitted for final decision by the GA. Generally, a country graduates from the LDC category three years after the adoption of the GA resolution taking note of ECOSOC’s endorsement of the CDP’s recommendation. However, under exceptional circumstances the GA can grant the country a longer preparatory period. For example, in 2018, the GA “[decided] to provide Sao Tome e Principe, on an exceptional basis, with an additional

preparatory period of three years before the start of the three-year preparatory period leading to graduation, [...] so as to enable it to enact necessary internal reforms and align its transition strategy with its national development plan.”

In a more recent example, the CDP found that a five-year preparatory period was necessary for all countries recommended for graduation at the 2021 triennial review to effectively prepare for a smooth transition, as those countries will need to prepare for graduation while planning for a post-COVID-19 recovery and implementing policies and strategies to reverse the economic and social damage incurred by the COVID-19 shock. That same year, the General Assembly decided that Bangladesh, the Lao People’s Democratic Republic and Nepal be graduated after a five-year preparatory period leading to graduation (GA Res 76/8).

During the entire preparatory period, the country remains on the list of LDCs and continues to benefit from the special support measures associated with LDC status. The country is expected to establish a consultative mechanism and formulate a smooth transition strategy in cooperation with its development and trading partners and the support of the UN IATF. A country-level graduation focal point should be appointed, preferably the senior government official who is the existing national focal point for DPoA implementation. The smooth transition strategy is to be implemented once the country has graduated and is no longer an LDC.

The next section describes the steps in the graduation process starting when a country meets the criteria for graduation for the first time.¹

1. Actual length of the stages of the graduation process can take longer based on country-specific circumstances.

THE GRADUATION PROCESS BASIC TIMELINE

YEAR 0

CDP establishes at triennial review that country has met the graduation criteria for the first time

YEAR 0-3

Country initiates preparations for the potential graduation with international community support

YEAR 3

CDP recommends country for graduation, ECOSOC endorses and GA takes note of the recommendation

YEAR 3-6

Country prepares for graduation and smooth transition with international community support

YEAR 6

EFFECTIVE GRADUATION

YEAR 6+

Country implements smooth transition strategy; phasing out of LDC-specific measures

Before Graduation

FORMULATING A SMOOTH TRANSITION STRATEGY

After a country has been recommended for graduation by the UN GA, it enters a preparatory period which takes three years at a minimum. During this preparatory period, the country is still an LDC and, as such, is fully entitled to all benefits associated with the category. At any time in the graduation process, each graduating LDC can request specific graduation support to UN-OHRLLS, which will coordinate the services of Inter-Agency Task Force and the Sustainable Graduation Support Facility.

It is recommended for the graduating country to establish a consultative mechanism and formulate a smooth transition strategy. The main purpose of the consultative mechanism is to bring together the key development and trading partners to facilitate the preparation of the transition strategy and to identify the necessary actions. If requested by the graduating country, the UN Resident Coordinator and the UN Country Team should provide support to the consultative mechanism (as per GA Res. 59/209). It is further recommended that other relevant consultative mechanisms operating in the country (for instance, under the auspices of the International Monetary Fund (IMF) and the World Bank) incorporate the implications of graduation and smooth transition decisions in their activities in the country (GA Res. 67/221).

The smooth transition strategy to be prepared during the preparatory period should include a set of specific and predictable measures to address the possible impacts of withdrawal of LDC-specific support measures. A Guidance Note on Smooth Transition Strategy is available for download in English and Portuguese. The smooth transition strategy





Photo source: Nepal @Ingo Bartussek (Adobe Stock)

plays a key role in ensuring that countries will be able to fully adapt to the changing circumstances that arise due to the phase-out or withdrawal of LDC-specific support and to maintain their development trajectory with a view to achieving the Sustainable Development Goals (SDGs) by 2030. Therefore, the potential impacts of graduation and the steps to be taken need to be analyzed carefully in cooperation with the development and trading partners.

Bhutan effectively graduated on December 18, 2023. The Government approved the 13th Five Year Plan (2024-2029) as STS, following the recommendation by the national task force on graduation that the STS be integrated into the national development plan to ensure that required interventions were mainstreamed and integrated into the overall development plan rather than maintained as a separate standalone strategy document. Bhutan integrated the SDGs as well as the six priorities of the Doha Programme of Action in its 13th Five Year Plan to ensure the country's graduation is sustainable and irreversible. The plan places strategic importance to economic growth and is geared towards addressing challenges related to economic diversification, productivity enhancement through adoption of technology and innovation and quality health and education outcomes. 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. Bhutan emphasized that country-specific graduation support from the international community is needed for implementation of its plan. Private sector development and investment promotion for building resilience is a key area of support needed.



Case Study

PREPARATIONS FOR A SMOOTH GRADUATION IN NEPAL

In its 2021 triennial review, the CDP recommended that Nepal be graduated from the LDC category after a five-year transition period, with the graduation taking effect in 2026. This recommendation was made because Nepal had met the graduation criteria for three consecutive reviews, specifically meeting the thresholds for the first two of the three criteria, the Human Assets Index (HAI), the Economic, Environmental Vulnerability Index (EVI), and Gross National Income.

Recognizing the extraordinary challenges posed by the COVID-19 pandemic, and at the request of the Government of Nepal, the CDP increased Nepal's preparation period from three to five years to ensure a smooth transition. Nepal had prioritized achieving a smooth, high-quality, and sustainable exit from the category of least developed countries. The 14th Plan (2016-19) and 15th Plans (2019-24) had prepared the foundation

for meeting the graduation target. The STS issued in February 2024 has detailed the transition strategies to make sure optimizing the opportunities and minimizing the negative effects of graduation. The current 16th Plan (2024-29) has further provided a policy framework for the transition. The smooth transition strategy (STS) is consistent with the SDGs, industrial and trade policies, development cooperation policies, and other sectoral policies.

Given the broad implications of graduation, which affect multiple ministries, a whole-of-government approach is critical. As a result, Nepal has established a *High-level Steering Committee*, chaired by the Prime Minister, to provide policy direction for the implementation of the STS, and an *Implementation and Coordination Committee*, chaired by the Vice-Chair of the National Planning Commission, to coordinate different stakeholders to



ensure a smooth transition following graduation. The STS was developed through an inclusive consultation process under the leadership of the National Planning Commission and participation of various government bodies, development partners, the private sector, civil society organizations, and international agencies. Peer learning and exchanges with other graduating countries were also crucial to the process. An extensive review of internal and external literature on LDC graduation, particularly in Nepal, was conducted. The STS was based on UN-DESA's Smooth Transition Strategy Guidance Note (2021). The strategy's benchmarks and targets are based on the existing development plan and sectoral policies, which were developed in consultation with the relevant ministries and agencies.

Nepal's STS focuses on key areas such as increasing GNI per capita, developing

productive human capital, and tackling economic and environmental vulnerability with specific focus to maintaining and improving past achievements and minimizing the adverse consequences of graduation on trade and development finance. The STS outlines Nepal's path to prosperity, with an emphasis on macroeconomic stability, trade and investment, economic transformation, productive capacity, climate change, and social inclusion. This strategy not only makes the transition easier, but also enables plans for post-graduation pathways. The STS aims to bring Nepal's federal, provincial, and local governments together with multilateral and bilateral development partners, the private sector, civil society, cooperatives, and South-South partners to address the challenges of LDC graduation.

The UN Inter-Agency Task Force on LDC Graduation and the Sustainable Graduation Support Facility

The Inter-Agency Task Force (IATF) on LDC Graduation Support led by UN-OHRLLS since 2017, has been instrumental in better coordinating United Nations graduation support. The IATF, chaired by OHRLLS, works to continuously improve coordinated UN system-wide support to graduating countries, in close collaboration with the UN Resident Coordinators and Country Teams, as well as the CDP secretariat of DESA, shortly after a least developed country meets the graduation criteria for the first time.

The IATF, responding to country requests, has organized joint country-level workshops with international and regional partners to ensure broad multi-stakeholder participation, including development partners, civil society, and private sector representatives. The Task Force continues to support São Tomé and Príncipe and Solomon Islands in their graduation preparations following joint workshops held in 2019. In collaboration with the UN Resident Coordinator and DESA, and with Portugal's support, the Task Force has developed support plans for São Tomé and Príncipe, focusing on broadening the donor base, strengthening business regulations, and its investment promotion agency, leading to a potential private sector investment forum in 2025. In the Solomon Islands, the Task Force co-leads, ESCAP and the Resident Coordinator's Office in Fiji, have provided capacity-building assistance to the Ministry for National Planning and Development Cooperation to develop a smooth transition.

The Task Force, in collaboration with UN Resident Coordinators, has been supporting the 2026 graduating cohort of Bangladesh, Lao PDR, and Nepal. In 2022, a South-South

Exchange workshop was held where representatives from these countries, along with peers from the Republic of Korea and Viet Nam, discussed opportunities, challenges, and common concerns for their smooth transition strategies. Meanwhile, by mid-2024, Nepal and Lao PDR adopted their strategies.

Furthermore, a Sustainable Graduation Support Facility (iGRAD) was launched during the LDC5 Conference in Doha and has been piloted by OHRLLS and DESA/CDP Secretariat to respond to the increasing demands from graduating and recently graduated LDCs. The Facility entails dedicated capacity development and technical advisory support in preparing and managing graduation and a smooth transition toward sustainable development. In addition to exploring new and innovative ways to support graduating LDCs through North-South cooperation, iGRAD will leverage South-South and Triangular Cooperation and dialogue to foster peer learning and knowledge sharing in preparing LDCs' smooth transition strategies.

Once fully established, the Facility will offer dedicated capacity-building support and technical advisory services across six main areas:

- addressing the loss of existing LDC-specific international support measures (ISMs);
- improving the ability of graduating and graduated LDCs to access non-LDC-specific support;
- preparing and implementing national smooth transition strategies (STS);
- assistance in accessing financing transition and beyond;
- facilitating South-South Cooperation, dialogue and sharing country as well as region-specific knowledge and experience; and
- ensuring effective participation in the monitoring process of the CDP.



After Graduation

Member States have repeatedly recognized the need to couple the graduation of a country from the category of Least Developed Countries with measures to prevent jeopardizing the development path of the graduating country. International support measures should be phased out in a manner consistent with the smooth transition strategy and in accordance with the country's particular development situation.

SMOOTH TRANSITION MEASURES

The importance of extending international support to graduating LDCs for a smooth transition out of the category is well recognized by the international community. General Assembly Resolution 67/221 of 2012 set out specific measures that the international community must take in support of these countries. The DPoA recognized the need for enhanced support to countries before and after graduation, through appropriate, predictable, additional, and demand-driven incentives and support measures, including in the following areas:

- Technical assistance in preparing and implementing a smooth transition strategy, including capacity development and technical assistance in the analysis and identification of support needs;
- Legal assistance to negotiate market access after trade preferences that are granted on the basis of LDC status end;
- Availability of credit ratings and risk management measures, including through the Multilateral Investment Guarantee Agency;
- Technical assistance to negotiate market access after trade preferences that are granted based on LDC status end;
- Technical assistance to build and strengthen intellectual property rights systems of Least Developed Countries to enable them to comply with obligations related to intellectual property after graduation;

- Consider extending access to dedicated funds for addressing adverse impacts of climate change and vertical funds such as the Gavi Alliance, Aid for Trade and Technology Bank for the Least Developed Countries for graduated countries for a fixed period and in a predictable manner.

Indeed, the need for specific and targeted support for the graduating LDCs has become even more important with the increasingly diversified characteristics in terms of the size and economic structure of the countries slated for graduation. Many of the graduating LDCs and potential graduates during this decade will be economically larger and more dependent on global trade, which could make the trade costs of graduation more severe than for most graduates to date. In addition, decades of progress achieved by the graduating LDCs are challenged by the large and even prolonged socio-economic costs of the COVID-19 pandemic, compounded by climate change, food and energy crises, conflict and rising indebtedness. So far only a limited number of development partners, including the United Nations system, provide such smooth transition measures to all graduating countries in the areas of access to funds, trade preferences and travel benefits. Examples of existing smooth transition measures include:

- LDC travel support to attend the General Assembly sessions at UN HQ in New York can be extended for a period appropriate



to the development situation of the country and for a maximum of three years (GA Res 65/286).

- Technology Bank for LDCs support to countries is extended for five years after graduation.
- UN Capital Development Fund's existing support to graduating LDCs is extended for three years after graduation, with the potential to extend a further two years with a 50/50 funding approach.
- IDLO/OHRLLS Investment Support Programme for LDCs, as highlighted in paragraph 260 of the Doha Programme of Action, provides on-demand legal and professional assistance to LDC governments and eligible state-owned or private sector entities for

investment-related negotiations and dispute settlement for up to five years after graduation.

Other support measures to LDCs include caps on UN budget contributions. Most graduated LDCs are also entitled to an 80 per cent discount rate on contributions to the UN peacekeeping operations.

However, in many cases, smooth transition measures do not exist and there is a clear need to enhance or extend existing mechanisms in order to better support the graduating countries, as the support provided while in the LDC category may change.

TRADE SUPPORT MEASURES

After a country graduates from the least developed country category – and in many cases after a smooth transition period – it generally retains access to standard Generalized System of tariff Preferences programmes in developed countries, in addition to other preferential terms resulting from bilateral or regional agreements. Furthermore, some key LDC exports (such as oil and minerals) face zero most-favored-nation tariffs in major markets and will, therefore, not be affected by graduation. For instance, the EU, China, Türkiye, and the United Kingdom extend eligibility for 3 years after graduation. In other markets, some graduated countries have retained preferential treatment for a period after the date of graduation either because there are no automatic procedures for their removal from the list of beneficiaries, or because there is an administrative lag, or a combination of reasons.

World Trade Organization (WTO) rules have several in-built mechanisms that can support WTO members graduated from the LDC status, to address their trade-related challenges resulting from graduation. They include: submitting a request for a waiver from WTO obligations; extending transition periods; addressing specific problems through Committee work; and better monitoring of graduation-related implications through the Trade Policy Review Mechanism. In March 2024, the WTO Ministerial Conference adopted a decision establishing two new smooth transition measures in favour of countries graduated from the LDC category. The decision relates to the application of the special procedures involving LDCs set out in Article 24 of the Dispute Settlement Understanding as well as to the LDC-specific technical assistance and capacity building provided by the WTO Technical Assistance and Training Plan: countries that have graduated from the



category will now benefit from those special procedures and the LDC-specific technical assistance and capacity building for three years after the date of graduation. The phase-out timelines from all other provisions in WTO decisions and agreements were not established, but work will be continued, with a tentative deadline for recommendations by December 2024.

The European Union, the United Kingdom and Norway have non-reciprocal preferential market access schemes that lie, in terms of coverage, in between the LDC-specific ones and the standard GSP. With respect to access to the European Union market, following the transitional period of three years after graduation, the countries would no longer benefit from the Everything but Arms (EBA) arrangement. They are then considered under the standard Generalized System of Preferences arrangement. Graduated LDCs that have ratified and effectively implement 27 conventions spanning issues of human and labour rights, environmental protection and good governance, are eligible for the GSP Plus, which provides more generous tariff preferences than under the standard system. Graduated countries that are part of the African, Caribbean and Pacific Group of States and have signed economic partnership agreements with the European Union can maintain duty-free, quota-free market access. In the United Kingdom, low-income and lower-middle income countries meeting certain vulnerability criteria are eligible for Enhanced Preferences under the Developing Country Trading Scheme, which grants duty-free market access for 85 per cent of tariff lines.

PACER Plus, a reciprocal arrangement amongst Pacific countries including Australia, New Zealand and eight of the Pacific Island countries, allows for duty free quota free market access, but obliges Pacific Island members to reduce import tariffs over time and to liberalize incoming

services trade and investment. The tariff reduction schedule is slower for the three LDC signatories – Solomon Islands, Tuvalu and Kiribati – with reductions beginning in 2028 unless the country graduates from LDC status. 'Year 1 LDC' for tariff reductions will be the calendar year following that of the date of its LDC graduation. For example, with Solomon Islands scheduled to graduate in 2027, tariff reductions could begin in 2028. Most tariffs would be at zero by 2032 and tariffs on all goods would be removed by 2047.



DEVELOPMENT AND CLIMATE FINANCE

After LDC graduation, countries continue to have access to external support, but its forms and modalities vary. Most development partners indicate that LDC status is not a main criterion for official development assistance allocation. Therefore, such assistance to graduated countries is not subject to change just because of LDC graduation. However, some donors might switch from grants to concessional loans or increase interest rates for concessional loans. Implications should be carefully assessed on a case-to-case basis.

The World Bank Group's International Development Association (IDA) provides zero to low-interest loans to the poorest and most vulnerable countries. Eligibility for IDA allocations depend on a country's

relative poverty, defined as GNI per capita below an established threshold and updated annually (\$1,315 in 2024), and the absence of creditworthiness. The Association has its own graduation process: IDA graduation becomes effective only every 3 years, in line with Association cycles, after an examination of the country-specific situation. IDA also supports several small island economies that are above the operational cut-off, owing to its small state exception. As of June 2024, all least developed countries, except for Angola, were eligible to receive IDA resources (including blend countries)¹. Of the seven LDCs that have graduated thus far, only two (Botswana and Equatorial Guinea) are also Association graduates.



1. See the list, available from: <http://ida.worldbank.org/about/borrowing-countries>.

In addition to policy advice and capacity development support which are available to all countries, the International Monetary Fund provides temporary balance of payments financing to eligible Low-Income Countries (LICs) through the Poverty Reduction and Growth Trust (PRGT) and the Resilience and Sustainability Trust (RST). Eligibility for concessional PRGT lending is based on income per capita, vulnerability, and market access. Special eligibility rules apply to small states recognizing their unique vulnerabilities. The only LDC that is currently not PRGT-eligible is Angola. Countries that have graduated from the LDC category, except for Botswana and Equatorial Guinea all currently remain PRGT-eligible, while all low and middle-income countries are RST eligible, and it is expected that other LDCs will remain eligible even as they graduate from the UN LDC category.

Access to climate change finance is especially important for graduated countries, as they often remain highly vulnerable to the effects of climate change. Access to the Least Developed Countries Fund under the Global Environment Facility will be discontinued with graduation, but countries already in a funding cycle when they graduate will continue to receive those funds until their cycle is complete. The Green Climate Fund Board (GCF) uses minimum allocation floors for least developed countries, small island developing States and African States. The Board continues to aim for a floor of 50 per cent of the adaptation allocation for these vulnerable countries. Thus, after graduation, small island developing states and African states will retain their access to the GCF.



Photo source: Togo @Britta (Adobe Stock)

To Conclude

Graduation brings new opportunities and potential, as well as challenges. Graduation, however, should not be viewed as an endpoint, but rather as a milestone in the achievement of structural change, poverty eradication, and economic diversification in LDCs, thereby contributing to the achievement of a country's specific development goals as well as the overall goals of the DPoA and the 2030 Agenda for Sustainable Development.

Graduation efforts must be driven by the goals and leadership of LDCs themselves. To ensure that LDCs achieve sustainable and transformational graduation, their efforts need to be supported by development and trading partners in a spirit of shared responsibility and mutual accountability. In order to enable more LDCs to meet the criteria for graduation, strengthened and more focused support will be needed in the next decade.

As more LDCs reach the graduation thresholds, including several on the verge of leaving the category, the necessary conditions must be in place to ensure that graduation leads to sustained economic growth and prosperity. There is a need for enhanced smooth transition measures and coordinated support programmes by trade and development partners addressing the specific vulnerabilities of the graduating countries.

Furthermore, LDCs eligible for graduation should begin preparing a smooth transition strategy early, led by the government, with active participation from stakeholders such as civil society, the private sector, and the broader population. Raising awareness about the opportunities and challenges of graduation is essential to ensure informed participation in the strategy's design and implementation. Additionally, the monitoring of these strategies should be integrated into existing frameworks, including those tracking progress towards the SDGs.

LDCs should leverage regional mechanisms and South-South solutions to address common needs, utilizing expertise from the Global South for sustainable graduation and smooth transition.

In addition, LDCs should collaborate with development partners to develop holistic and dynamic financing strategies that address transition finance challenges, support Integrated National Finance Frameworks (INFF), and align their cooperation with national financing priorities articulated through country-led INFFs. Because INFFs are country-led initiatives, interested LDC governments should contact UN country offices and UNDP to discuss establishing one in their country.

FURTHER INFORMATION

UN-OHRLLS:

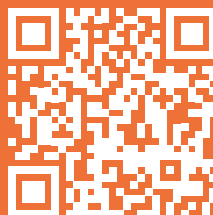
www.un.org/ohrls/graduation-ldcs

Committee for Development Policy:

<https://www.un.org/development/desa/dpad/our-work/committee-for-development-policy.html>

International Support Measures:

<https://www.un.org/ldcportal/>





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