



United Nations

**CDP**

Committee for  
Development Policy

# Process of Graduation

Session 1 - Process and implications for Sao Tome and  
Principe

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# Structure of Presentation

1. São Tomé and Príncipe's graduation eligibility
2. Impact of graduation
3. Lessons learned & Next steps



# São Tomé and Príncipe's graduation eligibility

# LDC criteria

LDCs are low-income countries suffering from the most severe structural impediments to sustainable development.



GNI  
per capita

Measure of income



Human  
assets index  
(HAI)

Measure of human  
development



Economic  
vulnerability  
index (EVI)

Measure of  
structural  
vulnerability to  
shocks

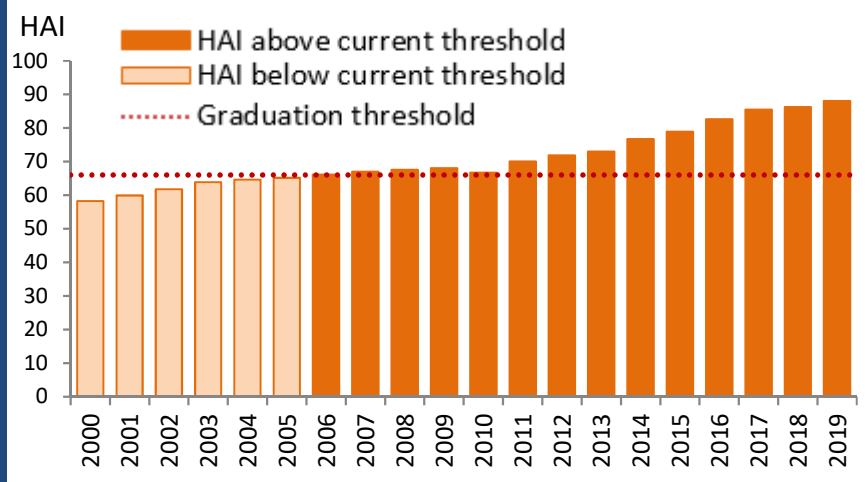
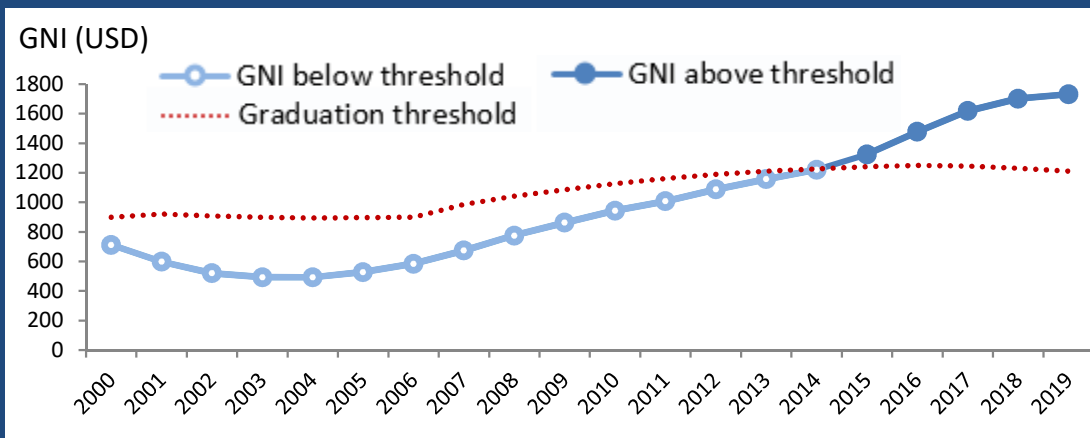
Measures of structural impediments to sustainable  
development

Underscoring the relevance of the three aspects (social,  
economic and environmental) of development

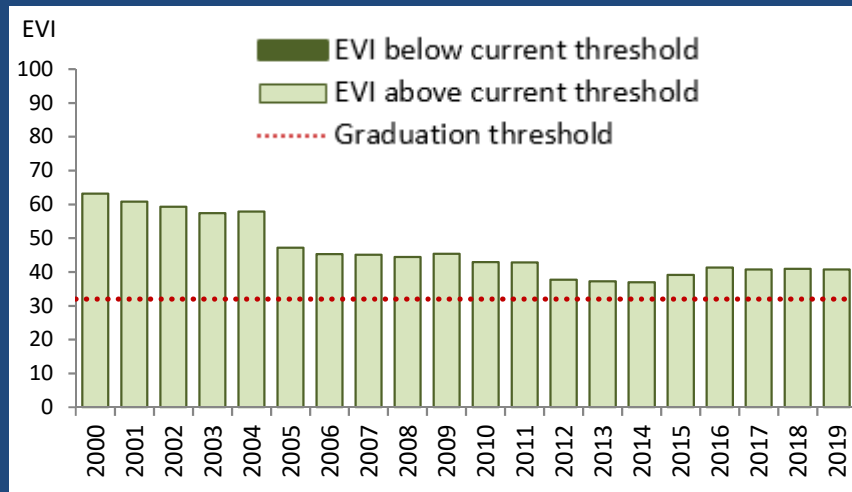
# São Tomé and Príncipe – progress towards graduation criteria

## GNI

Since 2015 São Tomé and Príncipe's GNI is above the corresponding graduation threshold for GNI



**HAI** Since 2006 São Tomé and Príncipe's HAI is above the graduation threshold of 66



**EVI** São Tomé and Príncipe's EVI was never below the graduation threshold of 32

# STP graduation eligibility

- São Tomé and Príncipe was added to the list of LDCs in 1982
- Met graduation thresholds at triennial reviews in 2015 and 2018 for GNI and HAI
- Recommended by CDP for graduation in 2018
- ECOSOC endorsed and General Assembly took note
- STP graduates with extended graduation period



# Impact of graduation

# Three main areas of support

=> Support LDCs to overcome structural impediments to sustainable development

## **1. ODA**

## **2. Preferential trade measures & special WTO treatment**

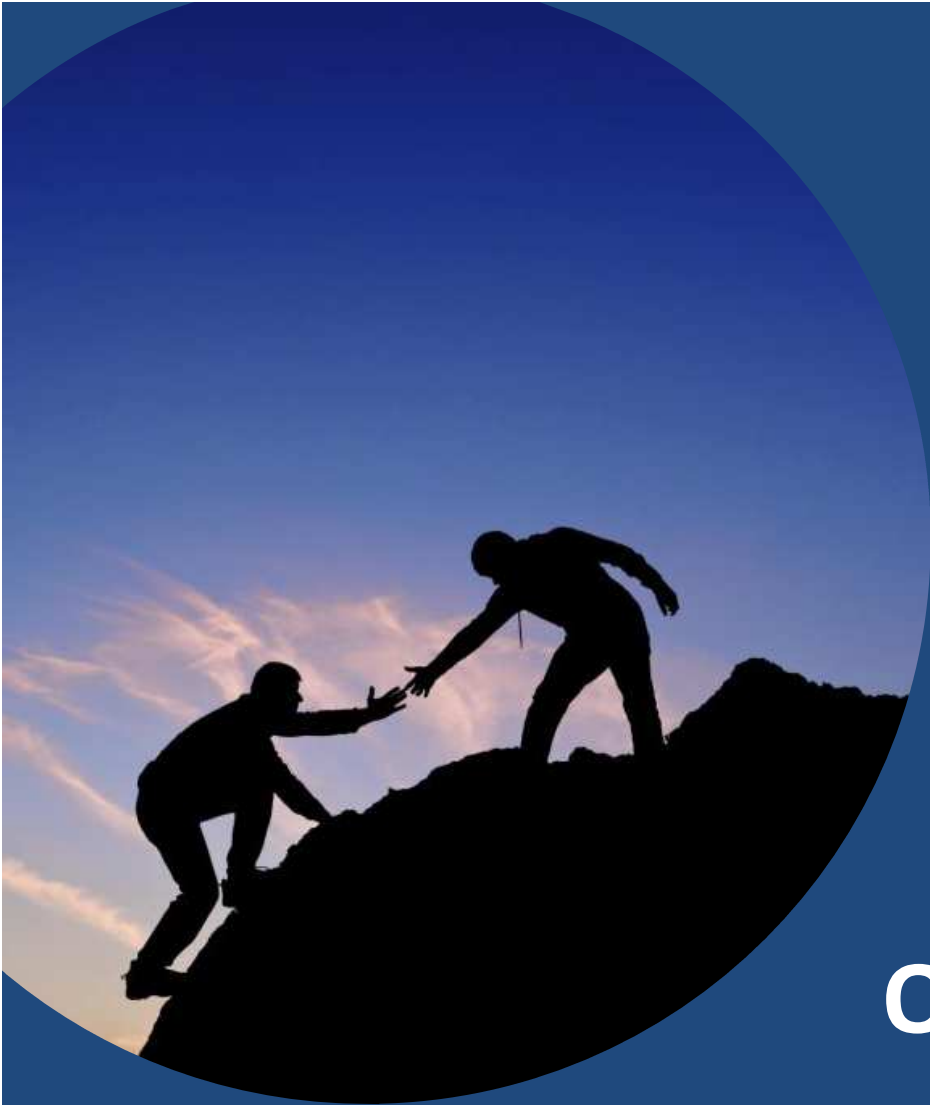
## **3. Other support**

**a) Budget caps**

**b) Special travel funds**

**c) Other**





# Official development assistance (ODA)

# Most of bilateral and multilateral ODA is not related to LDC category

Partner	Impact of graduation on ODA
Portugal	No changes anticipated in national assistance to STP due to graduation.
EU Institutions	Graduation not expected to automatically affect grants.
African Development Bank	LDC status not a determinant.
Global Fund	LDC status not a determinant.
Japan	STP currently receives only grants (not loans) from Japan. These are not expected to be directly affected by graduation.
OPEC Fund for International Development	LDC status not a determinant.
GEF	LDC status not a criterion for allocation of funds from the GEF. STP would no longer have access to LDCF, but projects approved until graduation would be funded.
World Bank Group (IDA)	LDC status not a determinant.
IMF (Concessional Trust Fund)	LDC status not a determinant.
IFAD	LDC status not a determinant.
GAVI	LDC status not a determinant.
UNICEF	LDC status not a determinant.

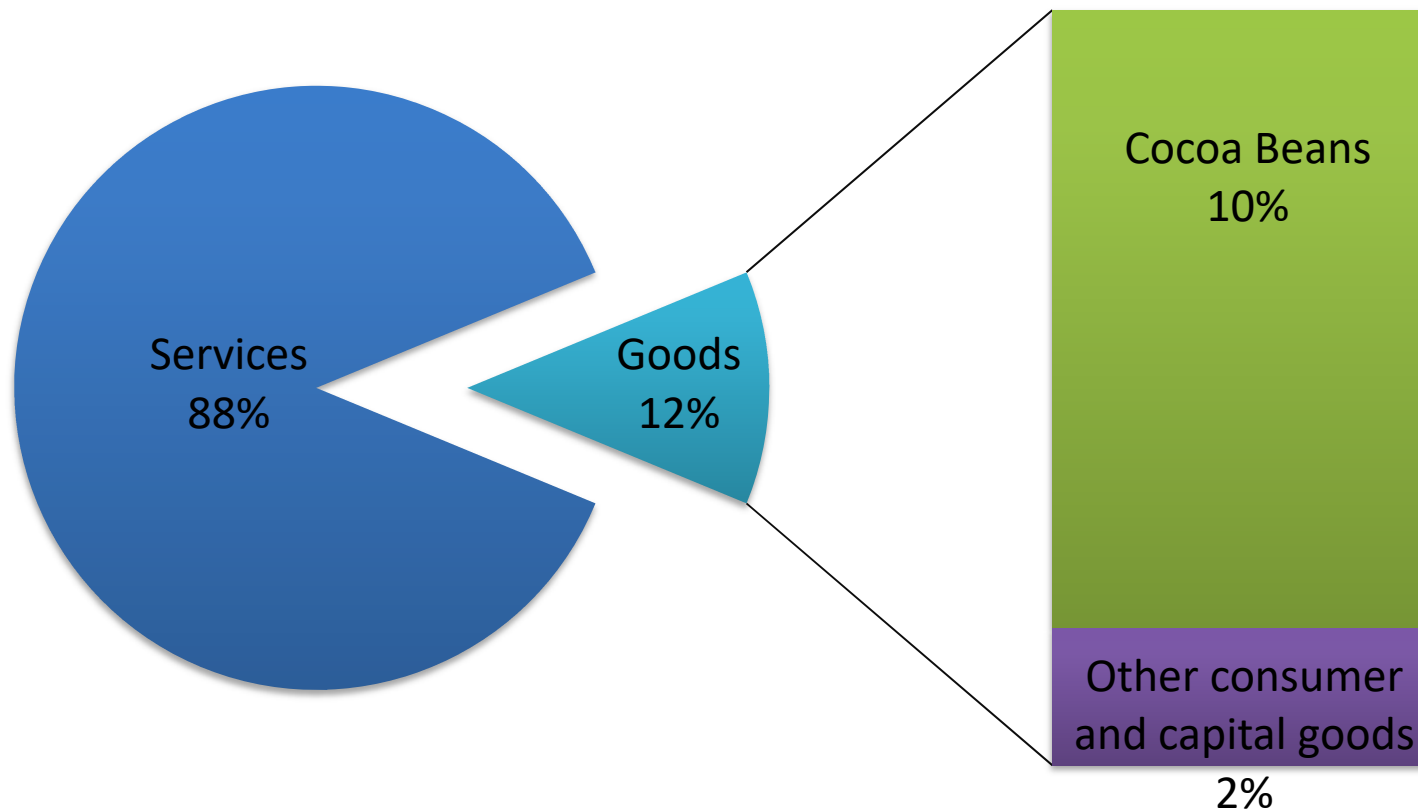
## Some portions of multilateral ODA are LDC specific

- **Funding from GEF:** STP will not be eligible for new funding under LDCF; however STP continues eligible for funds from SCCF and GCF
- **UNDP core funds** allocated to STP will be affected with graduation (but UNDP accounts for only 2% of total multilateral ODA)
- **Technology Bank for LDCs** will continue for five years after graduation
- **EIF (Enhanced Integrated Framework):** LDC-specific Aid for Trade, will continue five years after graduation (small share of total AfT)



**Preferential trade &  
special WTO  
treatment**

# Exports of STP: services dominate



# Preferential treatment for services & service supplies

- No major impacts given the nature of the preferences being given and of the services provided by São Tomé and Príncipe
- Tourism is the main component of exports of services, and is not expected to be affected by graduation

# Among exports of goods: raw materials dominate

- Exports of cocoa beans and other raw materials not affected by withdrawal of LDC preferences offered by current partners (MFN tariff is zero)

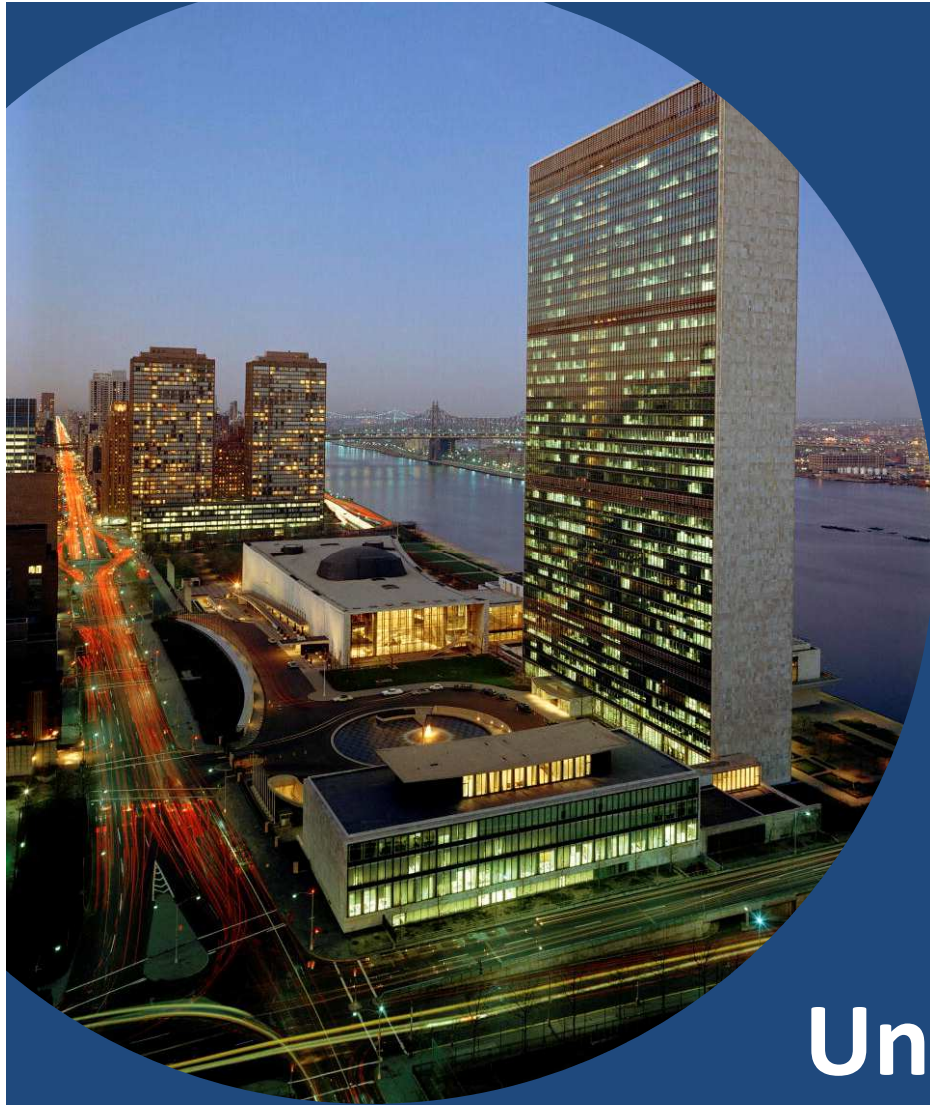
# Transformed products face higher tariffs

- Chocolate and other food preparations containing cocoa would face higher tariffs in EU (range 2.8% to 10.7%, depending on product), but not in the US
  - ↳ However such exports now account for less than 3% of exports
- Other exports products (potential exports) such as fish and seafood face higher tariffs in the EU (up to 13.5%), but not in the US
  - ↳ But can be mitigated or duty free by joining EU GSP+



# WTO membership

- São Tomé and Príncipe is not member of WTO
- WTO Guidelines on Accession of LDCs encourage members to exercise restraint in seeking market access concessions and commitments on trade in goods and services from acceding LDCs
  - ⚠ Guidelines do not apply after a country has graduated
- **After graduation:** no longer eligible for LDC-specific technical assistance and capacity-building for accession and post-accession
  - Should STP plan to engage in the accession process, it could consider doing so during the period in which it is still an LDC



# United Nations system budget funding & travel support

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- UN regular budget

**No impact** on STP's contribution after graduation

- Peacekeeping budget and other entities

**Small impact** on STP's contribution after graduation

- Travel support

General Assembly meetings: **possible extension for up to 3 years** after STP's graduation

**No provisions** for gradual phasing out other travel support after STP's graduation

# Conclusion

## ● Development finance

STP's graduation may have only a marginal impact on support

- Funding from IFIs is not related to LDC status -> Graduation has no impacts on loans or grants from these institutions
- Major partners are likely to continue to support STP
- After graduation STP would not have access to LDC-specific mechanisms

## ● Trade

- Loss of LDC-specific preferential market access not significant
- WTO guidelines for LDCs do not apply after STP graduates
- LDC specific Aid for Trade will be phased out

## ● Other

- No impact on contributions to most UN entities budget contributions
- Travel support to UN meetings will be phased out

## ● Key message

Design a **development strategy** and integrate loss of LDC specific support



**Lessons learned  
and next steps**

# Lessons learned from other 'graduates'

- Have clarity on what is LDC graduation
- Consider transition strategy that includes both addressing loss of LDC-specific benefits/impacts of graduation + renew support for challenges
- Work with partners to explore options to delay or compensate for impacts identified
- Coordination within government and with partners
- Strategy must transcend political cycles
- Raise stakeholder awareness on graduation
- Use Gradjet resources

# Next steps for STP

- Setup graduation focal point
- Start smooth transition strategy
  - identify actions to be taken by STP
  - identify actions to be taken by partners
- Establish a consultative mechanism
- Integrate smooth transition strategy with other relevant processes
- Provide feedback to CDP monitoring reports
- Participate in new initiatives
- Request for coordinated assistance through RC and IATF



- Gradjet graduation platform

- [www.gradjet.org](http://www.gradjet.org)



# Thank You

## CDP

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