

A GUIDE TO LEAST DEVELOPED COUNTRY GRADUATION



UN-OHRLLS

Office of the High Representative for the Least
Developed Countries, Landlocked Developing
Countries and Small Island Developing States



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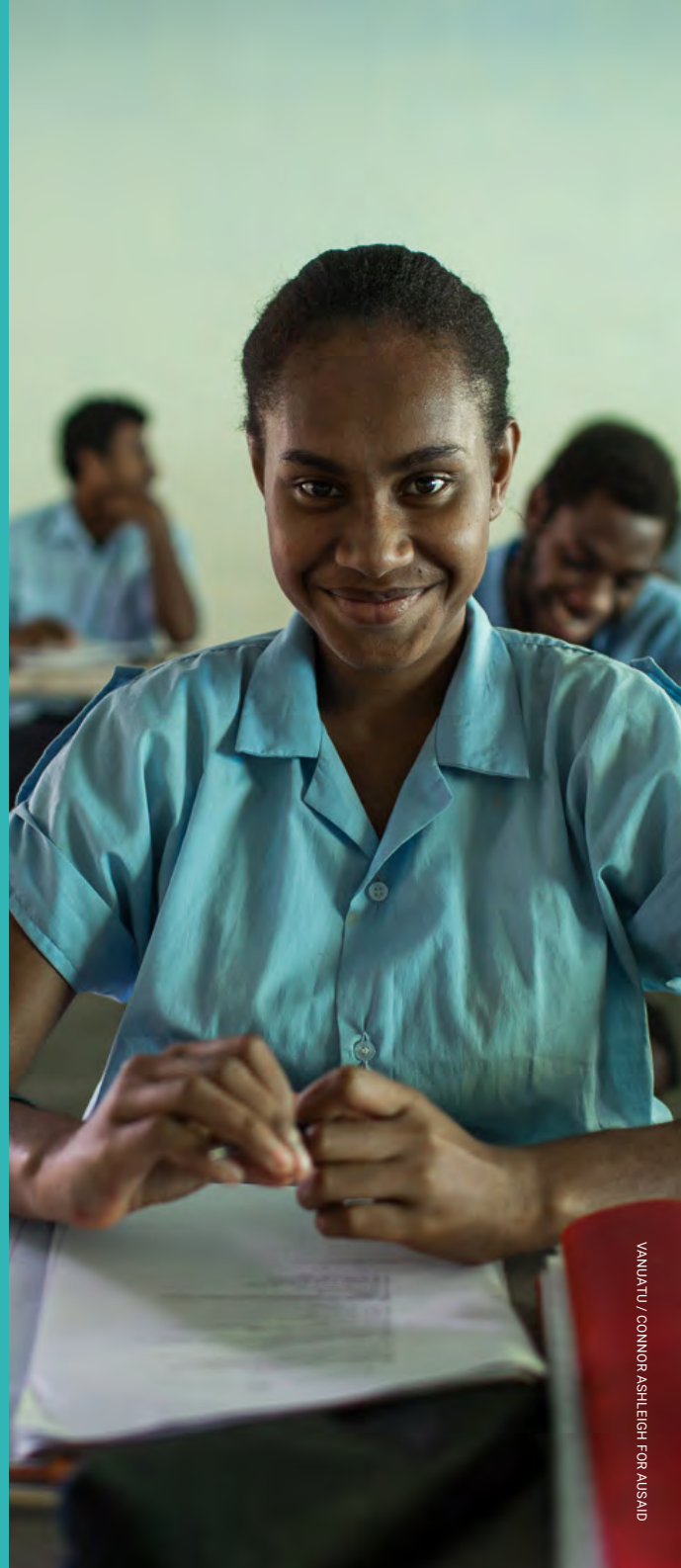
INTRODUCTION

Graduation from the Least Developed Country (LDC) category is a key milestone in the sustainable development progress of a country and requires support from all its stakeholders.

Each graduation constitutes an extraordinary achievement not only for the graduating country, but also for the United Nations (UN) and the international community in advancing development cooperation objectives. Meeting graduation eligibility is a major goal of the Istanbul Programme of Action for the LDCs for the decade 2011-2020.

LDC graduation is different from other graduation processes, such as IDA and OECD-DAC. Countries have the ability to 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 fully analysed. Therefore all development partners are requested to strengthen their support for graduation and smooth transition so as to minimize disruption in graduating and recently graduated countries' development trajectory.

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



THE LEAST DEVELOPED COUNTRY CATEGORY

The category of least developed countries was officially established in 1971 by the UN General Assembly with a view to attracting special international support for the most vulnerable and disadvantaged members of the United Nations family. There are currently 47 countries in the LDC category; 33 in Africa, 13 in Asia and the Pacific and 1 in Latin America. The identification of LDCs is based on three criteria:

- 1 **Gross national income (GNI) per capita**
- 2 **Human assets index (HAI)**
- 3 **Economic vulnerability index (EVI)**

The overarching goal of the Istanbul Programme of Action (IPoA) for the Least Developed Countries for the Decade 2011-2020 is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed-upon development goals and enable graduation from the LDC category. The IPoA was adopted at the Fourth United Nations Conference on the Least

Developed Countries, held in Istanbul, Turkey in 2011, and set an ambitious objective of enabling half of the LDCs to meet the criteria for graduation by 2020. The IPoA is also the first global programme of action for the LDCs to contain a full-fledged chapter on graduation and smooth transition, in recognition of the need to do more in this area, if the overarching goal is to be attained.

As the decade 2011-2020 draws to an end, the number of LDCs that have already met the criteria for graduation has increased significantly. Despite recent progress, the goal of enabling half of all LDCs to meet the criteria for graduation by 2020 will likely not be realized. Concerted and revitalized efforts will be required as a new programme of action is devised for the next decade. Particular attention should be given to ensuring a smooth transition of graduating countries that is consistent with their transition strategy and takes into account their respective development situation. 'Smooth transition' refers to the period after the effective graduation from the LDC category, which can vary in length.



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**Istanbul Programme of Action
for the Least Developed Countries
for the Decade 2011-2020**



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THE LEGAL FRAMEWORK

The IPoA sets an ambitious objective of enabling half of the LDCs to meet the criteria for graduation by 2020.

LDCs and their development partners were urged by the Political Declaration of the Midterm Review of the IPoA to undertake more concerted and ambitious efforts to achieve the criteria for graduation. The Political Declaration also encouraged development and trading partners and the UN system to continue supporting the implementation of smooth transition strategies and to avoid any abrupt reductions in either official development assistance (ODA) or

technical assistance provided to the graduated countries.

In addition, several GA resolutions highlight different aspects related to the graduation process and the support that trade and development partners should extend to these countries to avoid re-entering the LDC category. Some of the key provisions are highlighted on the page 7.



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 and still must undergo approval by ECOSOC and then by the General Assembly before a country embarks on the graduation process. Thus, in special circumstances graduation may be delayed. 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 (DESA).

GA resolution 59/209	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Emphasise 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 its 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	<ul style="list-style-type: none"> • 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 graduating and recently graduated countries' development trajectory.

A GRADUATION HISTORY OVERVIEW

After the creation of the LDC category in 1971, progress made by countries towards graduation was slow until the adoption of the IPoA in 2011. Only three countries graduated during this period: Botswana (1994), Cabo Verde (2007) and the Maldives (2011). However, progress towards graduation has accelerated since 2011. Samoa graduated in January 2014 and Equatorial Guinea, in June 2017.

Vanuatu and Angola are scheduled to graduate in 2020 and 2021 respectively. At the 2018 triennial review, 10 more countries were found eligible for graduation while 13 other LDCs passed the graduation threshold of a single criterion. Meanwhile, nearly half of the countries (22) had not yet met the graduation threshold of any of the LDC criteria.

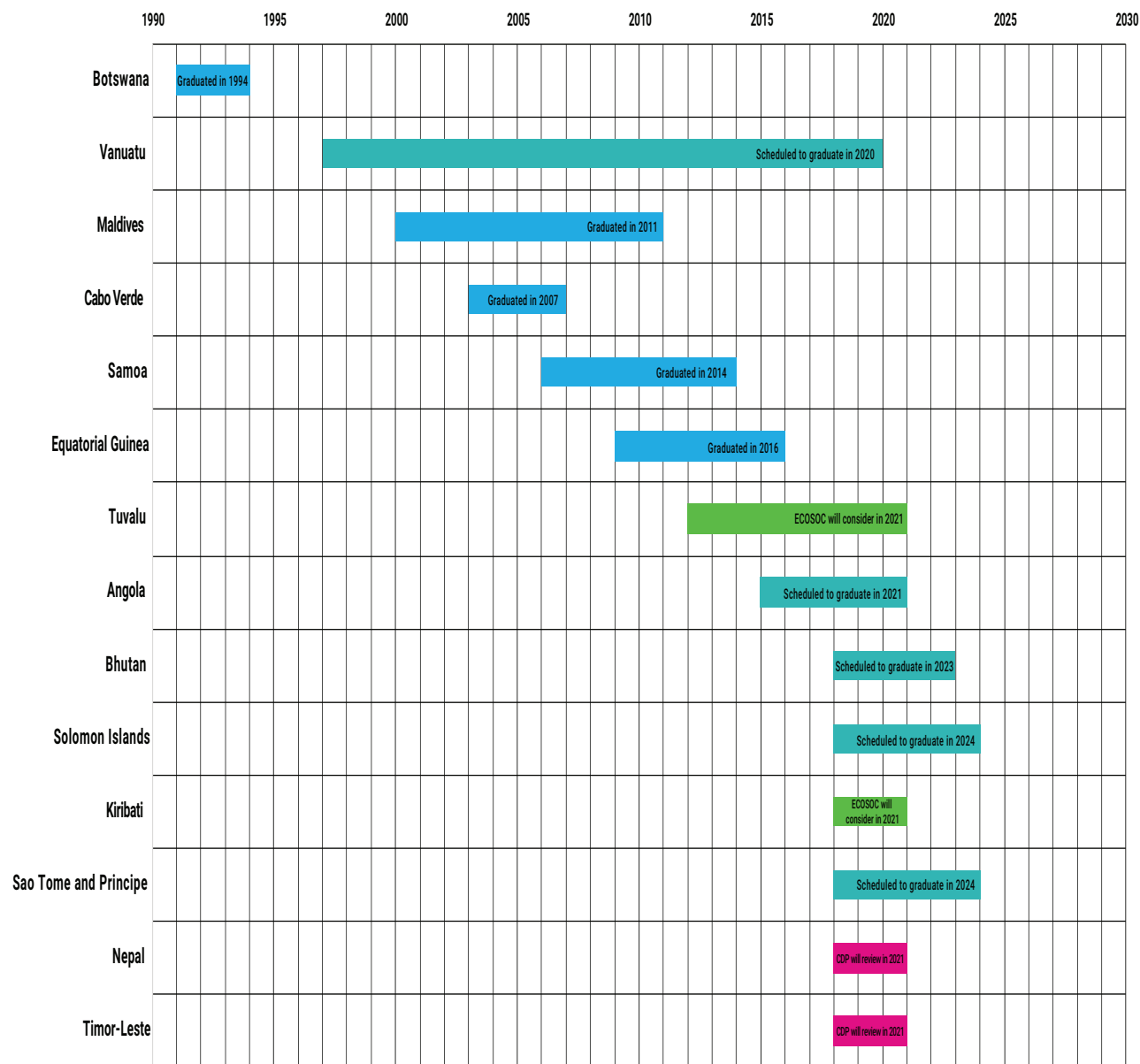
In 2018, ECOSOC endorsed recommendations of the CDP on the graduation of Bhutan, São Tomé and Príncipe and Solomon Islands, and decided to provide them, on an exceptional basis, with an additional preparatory period (of two years for Bhutan and of three years for São Tomé and Príncipe and Solomon Islands) before the start of the three-year preparatory period leading to graduation. Therefore, Bhutan will graduate in 2023, while São Tomé and Príncipe and Solomon Islands are scheduled to leave the category in 2024.

Although the CDP recommended in 2018 that Tuvalu and Kiribati be placed in the category of extremely vulnerable countries to be accorded specific support, ECOSOC decided not to endorse those recommendations and deferred decision on their graduation until no later than 2021. In 2018, the CDP also deferred a decision on the graduation of Nepal and Timor-Leste to the 2021 triennial review.

Bangladesh, Lao People's Democratic Republic and Myanmar were found eligible for graduation for the first time in 2018, and will be considered by the CDP at the 2021 triennial review.

The Figure 1. highlights the path of each country's graduation, showing the different stages and varying speeds at which countries have undergone the process.





Legend

The last (or next) step in the graduation process:

- Graduated
- Scheduled to graduate
- Endorsed by ECOSOC (to be noted by the GA)
- Considered by the CDP (to be reviewed by the CDP)

Figure 1. Graduation History Overview

Further Resources: www.gradjet.org

THE CRITERIA FOR GRADUATION

The identification of LDCs is based on three criteria related to levels of per capita income, human assets and economic vulnerability to external shocks. The latter two are measured by indices of structural impediments, namely the human assets index (HAI) and the economic vulnerability index (EVI).

1	2	3
Income Criterion (GNI per capita)	Human Assets Index (HAI)	Economic Vulnerability Index (EVI)
<p>Based on the latest available three-year average of GNI per capita</p> <p>At in the 2018 triennial review the thresholds of under \$1,025 for inclusion and above \$1,230 for graduation were used. The income-only graduation threshold is twice the graduation threshold. At the 2018 review it was \$ 2,460</p>	<p>Based on indicators of:</p> <p>Health</p> <ul style="list-style-type: none">• Percentage of population undernourished• Under-five mortality rate• Maternal mortality rate <p>Education</p> <ul style="list-style-type: none">• Gross secondary school enrollment ratio• Adult literacy rate	<p>Based on indicators of:</p> <ul style="list-style-type: none">• Population size• Remoteness• Merchandise export concentration• Share of agriculture, hunting, forestry and fishing in GDP• Share of population in low elevated coastal zones• Instability of exports of goods and services• Victims of natural disasters• Instability of agricultural production

For more detailed description on the LDC criteria and the indicators used: <https://www.un.org/development/desa/dpad/least-developed-country-category/ldc-criteria.html>

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. 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 is also considered eligible for graduation if its GNI per capita exceeds at least twice the threshold level and the likelihood that the level of GNI per capita is sustainable is deemed high (income-only graduation).¹

After a country has become eligible for graduation for the first time, an ex-ante impact assessment and a vulnerability profile are produced by DESA and the United Nations Conference on Trade and Development (UNCTAD), respectively, and are delivered to the CDP as inputs for its deliberations at the next triennial review. The CDP recommends that these two documents be merged into one consolidated document – a graduation assessment – to ensure a consolidated UN voice.² This is being piloted in three graduating countries: Laos PDR, Myanmar and Bangladesh.

When an LDC meets the graduation criteria at two successive triennial reviews, the CDP may recommend the country for graduation. The process is not automatic but rather evaluated on a case by case basis, taking into account the government's view as well as the UN's impact assessment and vulnerability profile. 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 and 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."³

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 prepare a smooth transition strategy in cooperation with its development and trading partners and the support of the UN. A country-level graduation focal point should be appointed, preferably the senior government official who is the existing national focal point for IPOA 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 For a detailed discussion of LDC graduation process, criteria and support measures, see the CDP's LDC Handbook (available at <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/2018CDPhandbook.pdf>)

² Please see the 2019 CDP Report, document E/2019/33

³ Please see A/RES/73/133 for a reference



1ST TRIENNIAL REVIEW

- The country meets the criteria for graduation for the first time and the CDP finds it eligible

YEAR 0



2ND TRIENNIAL REVIEW

- The country meets the criteria for graduation for the second time and the CDP confirms its eligibility
- The CDP may submit a recommendation for graduation to ECOSOC, taking into account graduation criteria and additional information (country statements, DESA assessment and UNCTAD profile)
- ECOSOC may endorse the CDP recommendation
- The GA may take a decision on the CDP recommendation. Graduation becomes effective three years after the GA resolution. On occasion, the GA may find that exceptional circumstances warrant the grant of a longer period

YEAR 3

YEAR 0–3

- A vulnerability profile of the country is prepared by UNCTAD
- An ex-ante impact assessment is prepared by UN-DESA
- The country may provide comments on drafts of the UNCTAD profile and the DESA assessment (optional). The country may present its views on graduation to the CDP before its second triennial review

- The graduation process remains continuous and specific
- The graduation process is expected to be a consultative process, prepared by the country, with the support of the UN System

THE GRADUATION PROCESS BASIC TIMELINE

endorse the
graduation
take note of
recommendation.
comes
years after
on is adopted.
the GA
exceptional
apply and
preparatory



YEAR 6 GRADUATION

- The country effectively graduates from the LDC category, unless the GA decided to postpone the graduation date by granting a longer preparatory period

YEAR 6

YEAR 3–6

graduating country
as an LDC and
ues to benefit from LDC-
c support measures
graduating country
ected to establish a
tative mechanism and
e a smooth transition
y in cooperation with its
pment partners. It may
o report to the CDP on
eparation of the strategy
assistance from the UN
n

- Development and trading partners participate in the consultative mechanism and provide targeted assistance, including gradual phasing-out of LDC-specific measures
- The CDP monitors the graduating country's development progress during the period and reports annually to ECOSOC

YEAR 6+

- The graduated country implements and monitors the transition strategy and voluntarily submits progress reports to the CDP on implementation
- The CDP monitors the graduated country's development progress and reports to ECOSOC
- Development and trading partners, along with the UN system support the implementation of the transition strategy, avoiding abrupt reduction of LDC-specific support

DURING GRADUATION

Preparing a Smooth Transition Strategy

After a country has been recommended for graduation, it enters a transition period to prepare for graduation which normally takes three years. During this transition period, the country is still an LDC and, as such, is fully entitled to all benefits associated with the category. Specific tools exist to support graduating LDCs in this regard and it is recommended for the country to establish a consultative mechanism and prepare 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 transition period should include a set of specific and predictable measures to address the possible impacts of withdrawal of LDC-specific support measures. The smooth transition strategy 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 analysed carefully in cooperation with the development partners. The comprehensive smooth transition strategy needs to take into account an LDC's own specific structural challenges and vulnerabilities as well as its strengths.

These measures have proven to be helpful in countries preparing for graduation. For example, Angola, scheduled to graduate in 2021, combined its National Consultative Committee for LDC Graduation with its Committee on the Sustainable Development Goals. The draft terms of reference, written with the support of the UN Development Programme country office, include several steps, aiming to prioritise human assets and reduce economic vulnerability. The Committee would mainstream and align its LDC graduation roadmap and SDGs into Angola's National Plan as well as into the national budget steering committee. The Committee would also ensure consultations with various national stakeholders. Finally, the roadmap details a monitoring and evaluation unit and working groups.

The Solomon Islands established a special taskforce to oversee the planning, development and eventual implementation of a smooth transition strategy as the country prepares for graduation in 2024.

THE UN INTER-AGENCY TASK FORCE (IATF) ON LDC GRADUATION

The IATF was established by OHRLLS in 2017 in order to improve coordinated support for countries preparing to graduate from LDC status. The IATF, chaired by OHRLLS Director, brings together many UN agencies and other international and regional organizations that support LDCs to work more collaboratively and in concert with graduating countries in order to ensure a smooth transition process.

The IATF plans to assist LDCs in the graduation pipeline by supporting their formulation of smooth transition strategies; this process calls for the IATF to clearly convey what graduation entails and to support a country's graduation preparation based on its unique development needs and goals. The first two Joint UN Workshops on Graduation Support will take place in fall 2019 in São Tomé and Príncipe and the Solomon Islands, both of which are scheduled to graduate in 2024. These workshops will contribute to each country's graduation process and are intended as one step in the continued support offered by the UN System to graduating countries.

Within the UN system, the IATF aims to generate awareness and political support for graduating LDCs so that other countries understand the challenges that graduating countries face even after they are no longer classified as an LDC. By doing so, development and trading partners will have a deeper understanding of how best to support a smooth and sustainable transition for graduating LDCs that will not disrupt the trajectory of their development.

Additionally, as the IPoA implementation period draws to a close, the IATF recognizes that the coordinated agency support for LDCs is crucial during the transition to a new programme of action. The IATF is designed to be responsive to the unique needs of LDCs in the graduation pipeline and to boost collaboration between agencies, donors and graduating LDCs. Thus, the IATF looks forward to supporting graduating LDCs in the new decade ahead.

POST GRADUATION

Smooth Transition Measures

The main international support measures for LDCs can be grouped under three categories: official development assistance (ODA), trade-related measures and other measures.⁴ The intensity and approach in phasing out of LDC-specific support depends on the category support.

Although ODA for LDCs has been increasing, in 2017, only 18 per cent of total ODA was allocated to LDCs—of the \$166.6 billion total, only \$30.2 billion went to LDCs. Despite the longstanding UN target of allocating 0.15 to 0.2 per cent of GNI to LDCs, there are no clear provisions for the allocation of ODA among LDCs. Donor countries do not consistently allocate aid according to the needs and capacities of recipient countries, but use other factors to determine country allocations. In general, bilateral assistance appears to be guided by humanitarian, economic or political considerations rather than country categories or LDC criteria. Therefore, graduation from the LDC category will not necessarily impact ODA flows.

Trade-related support measures are more directly impacted by graduation from the LDC category, as trading partners commit to trade preferences through duty-free, quota-free market access (DFQF) for LDCs. Therefore, it is critical for the graduating country to carry out a thorough analysis prior to graduation on the impacts of the erosion of LDC trade benefits. Some countries will indeed require greater adaptation to the loss of preferential trade measures because of their large export volumes. Consequently, existing trade-related smooth transition measures will need to be taken into account in this process.

Since 2012, the EU has applied a general smooth transition measure that extends the DFQF benefits under the Everything but Arms initiative for a transitional period of at

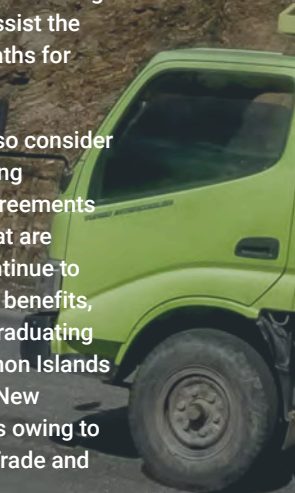
least three years for countries that graduate from the LDC category. After the transitional period, the EU can grant “GSP+” (Generalized Scheme of Preferences) status, which provides full removal of EU customs tariffs on over 66 per cent of product tariff lines, when the country ratifies and implements 27 conventions related to human and labour rights, environmental protection and good governance.


To provide further trade-related support to the graduating countries, the GA has invited trading partners that have not established procedures for extending or phasing out preferential market access and DFQF treatment, to clarify in a predictable manner, as a general measure or at the consultative mechanism, their position with regard to the extension of the LDC-specific preferences, the number of years of the extension or the details concerning the gradual phasing-out of the measures. It is hoped that an increasing number of partners will consider this and start assist the creation of sustainable graduation and growth paths for these countries.

The CDP recommended that “trading partners also consider alternative market access solutions [for graduating countries post-graduation], such as free trade agreements and preferential market access arrangements that are not specific to [LDCs].” Graduating LDCs may continue to benefit from various other trade agreements and benefits, including regional free-trade agreements, after graduating from LDC status. For example, Kiribati, the Solomon Islands and Tuvalu can access markets in Australia and New Zealand for most products on a preferential basis owing to their membership in the South Pacific Regional Trade and Economic Cooperation Agreement.

Other existing smooth transition measures come in various

⁴For a detailed catalogue of international support measures, see www.un.org/ldcportal.





different shapes and formats. The Enhanced Integrated Framework, for example, will automatically continue assisting LDCs that graduate for three years post-graduation in building trade capacity; depending on unique justification and approval by the Board, this term may continue for a total of five years. Additionally, the recently established Technology Bank for the Least Developed Countries will continue supporting countries after graduation to develop their science, innovation and technology sectors for at least five years after graduation. Similarly, the Global Environment Facility's Least Developed Countries Fund (LDCF) will continue supporting a limited number of projects after graduation if a national adaptation programme of action is prepared before the country graduates. The UN Capital Development Fund also extends its support to graduated countries and has recently prepared a 3+2 year strategy to support smooth transition for graduating LDCs.

Other support measures to LDCs include travel assistance and caps on UN budget contributions. Travel-related support to the LDCs for attending the GA, if requested, 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). This support was applied to Cabo Verde and the Maldives when they graduated. Most graduated LDCs are also entitled to an 80 per cent discount rate on contributions to the UN peacekeeping operations.

In early 2019, the United Nations Framework Convention on Climate Change (UNFCCC) adopted new smooth transition measures for graduating LDCs. The new measures include the provision of approved funding through the LDCF until the completion of projects approved by the LDCF Council prior to graduation as well as extended support to graduated countries in terms of capacity-building activities for a period of three years following graduation.

Furthermore, graduated countries may still be able to access development financing that is not determined by LDC status, such as multilateral loans from international financial

institutions (e.g., World Bank, regional development banks). However, the modalities of development finance extended by official bilateral donors could change after graduation.

For example, the Development Assistance Committee recommends member countries to offer an average grant element in ODA to LDCs at either 90 per cent of donor's annual commitments to all LDCs or at least 86 per cent of its commitment to individual countries over a period of three years. Some grants may thus become less common and loan concessionality less generous once a country graduates. Therefore, reduction of assistance funding needs to be addressed in a country's smooth transition strategy. Eligibility for the World Bank's International Development Association (IDA) allocations also depend on a country's relative poverty, not its LDC status. However, IDA graduation only becomes effective every three years, in line with the IDA cycles. IDA also supports several small island economies that are above the operational cut-off due to its small state exception. Out of the five LDCs that have graduated so far, only two (Botswana and Equatorial Guinea) are also IDA graduates.

Graduation from the LDC category results in varying levels of phasing-out of LDC-specific support measures, particularly in the areas of financial assistance, international trade and other general support measures. However, not all benefits and support measures are impacted negatively by graduation. In this regard, a nationally-owned comprehensive smooth transition strategy to adjust to the phasing-out of the benefits that a country enjoys as an LDC will play a crucial role in the success of its graduation process. Graduation also comes with other new opportunities and potential, including a perception of a more conducive business environment and better creditworthiness. LDCs and their development partners should seize the momentum that comes with graduation to propel these graduating countries towards achieving the goals and targets of the 2030 Agenda for Sustainable Development.

CASE STUDY–BHUTAN

Bhutan is scheduled to graduate from the UN's list of LDCs in 2023. Bhutan met the graduation criteria for the first time at the triannual review in 2015, and again in 2018, making it eligible to be recommended for graduation by the Committee for Development Policy (CDP). Bhutan fulfilled the threshold levels for GNI and HAI criterion but did not meet the threshold for the EVI during both the triennial reviews. In 2018, Bhutan's GNI was estimated at USD 2401 exceeding the threshold by 95.2% and HAI of 72.9 against the threshold of 66. Its EVI in 2018 stood at 36.3. This reflects the persistent economic vulnerabilities, structural impediments and emerging challenges such as climate change, which the country is confronted with. Bhutan continuous to work towards strengthening its economy to achieve meaningful structural transformation and address last mile challenges in areas such as poverty, education and health. Bhutan's progress towards graduation is briefly outlined below:

- In December 2018, the General Assembly decided to align the effective date of Bhutan's graduation with the conclusion of its ongoing National Development Plan in 2023.
- The current 12th Five Year Plan, which commenced implementation in November 2018, is Bhutan's last National Development Plan as an LDC, and will ensure that Bhutan graduates with a strong resilient economy. Some of the priority areas identified are economic diversification, job creation and addressing climate related vulnerabilities.
- Development partners have reaffirmed their commitment to support Bhutan as it prepares to graduate, particularly in implementation of priority programs in areas such as sustainable economic and livelihood development, value added production, trade facilitation, climate resilient agriculture and water security. Commitments in form of grant and technical assistance are already underway.
- Bhutan is exploring alternate sources of financing and building national capacity to access competitive development funding while also working to increase domestic resource mobilization efforts to prepare for graduation and beyond.
- Bhutan is also in the process of establishing a consultative mechanism, as recommended by the CDP, to prepare the smooth transition strategy with assistance from the UN system.



TO CONCLUDE

Graduation offers a variety of new opportunities and potential, as well as challenges. Nevertheless, graduation should not be seen as an end but rather as a way to achieve structural change, poverty eradication and economic diversification in LDCs and thereby contribute to the achievement of a country's unique development goals as well as the general goals of the IPoA 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.

FURTHER INFORMATION



UN-OHRLLS: unohrlls.org/about-ldcs

Committee for Development Policy: un.org/development/desa/dpad/our-work/committee-for-development-policy.html

International Support Measures: un.org/ldcportal

Further resources: unohrlls.org/graduation-ldcs
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United Nations Office of the High Representative for Least Developed Countries,
Landlocked Developing Countries and Small Island Developing States

The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) supports groups of vulnerable countries in the United Nations System. The 47 Least Developed Countries, 32 Landlocked Developing Countries and 38 Small Island Developing States have their own special challenges. Least Developed Countries represent the poorest and most vulnerable segment of the international community.

UN-OHRLLS helps coordinate and implement the Istanbul Programme of Action which assists Least Developed Countries in areas including economic growth, poverty reduction and meeting targets laid out in the Sustainable Development Goals. UN-OHRLLS chairs the UN Inter-Agency Task Force on Graduation and plays a coordination role in regard to the UN system support in the elaboration of the graduation and transition strategies in countries aspiring to graduate from Least Developed Country status.