

# LDC GRADUATION : CONCEPT AND CONTEXT

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# Definition of LDC

- **The Least Developed Country (LDC)** category comprises the most disadvantaged of the developing countries. The UN defines LDCs as the countries that have low levels of income and face severe structural impediments to sustainable development.
- **Least developed countries (LDCs)** are those which have low incomes, low levels of human assets and are vulnerable to economic and environmental shocks.
- **The Least Developed Countries (LDCs)** is a list of developing countries that, according to the United Nations, exhibit the lowest indicators of socioeconomic development, with the lowest Human Development Index ratings of all countries in the world.

## **Why LDC category was created?**

To provide special support from the international community in the form of **International Support Measures (ISMs), especially for trade-related engagement.**

# MILESTONE IN THE CREATION OF LDC CATEGORY

1964

- UNCTAD-I RECOMMENDED SPECIAL SUPPORT FOR THE LESS DEVELOPED AMONG DEVELOPING COUNTRIES

1969

- UNGA CALLED FOR THE ACTION TO PROVIDE SPECIAL MEASURES FOR THE LEAST DEVELOPED AMONG DEVELOPING COUNTRIES

1970

- COMMITTEE FOR DEVELOPMENT PLANNING ISSUED REPORT ON SPECIAL SUPPORT MEASURES AND PROPOSED CRITERIA FOR IDENTIFYING LDCS
- UNGA REITERATED URGENT NEED FOR FORMAL IDENTIFICATION OF LDCS

1971

- COMMITTEE FOR DEVELOPMENT PLANNING ESTABLISHED TENTATIVE LIST OF 25 LDCS
- UNGA FORMALLY ENDORSED THE LIST OF 25 LDCS AND REQUESTED INTERNATIONAL ORGANIZATIONS TO FORMULATE PROGRAM OF ACTIVITIES FOR LDCS

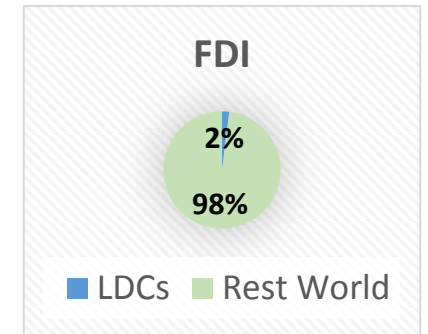
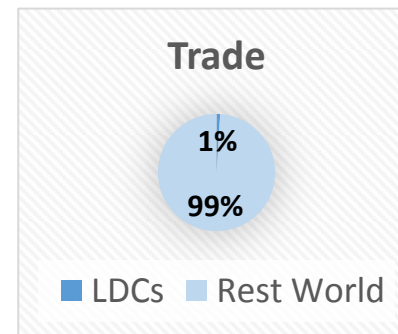
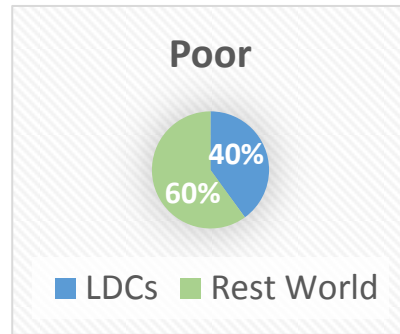
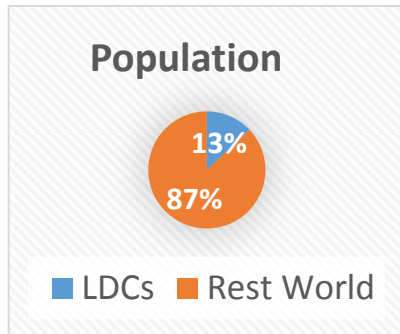
# Program of Action for the LDCs

<b>1980s LDC-I</b>	<b>The Substantial New Program of Action for the 1980s for the LDCs adopted in 1<sup>st</sup> UN Conference on the LDCs (LDC-I)</b> Aim: transform LDC economies and enable them to provide minimum standard of nutrition, health, housing and education
<b>1990s LDC-II</b>	<b>The Paris Declaration and Programme of Action</b> Priority areas: Macroeconomic policy; human resources development; reversing the trend towards environmental degradation and reinforcing action to address disasters
<b>2001- 2010 LDC-III</b>	<b>The Brussels Programme of Action for LDCs</b> Overarching goal: substantially reducing the proportion of people living in extreme poverty Priority areas: developing human and institutional resources; removing supply-side constraints and enhancing productive capacity; accelerating growth
<b>2011- 2020 LDC-IV</b>	<b>The Istanbul Programme of Action (2011–2020) adopted at LDC-IV</b> Overarching objective: enable half of the LDCs to meet the graduation criteria Priority areas: productive capacity; agriculture, food security and rural development; trade; commodities; human and social development; multiple crises and other emerging challenges; mobilizing financial resources for development and capacity-building; and good governance at all levels
<b>2022- 2031 LDC-V</b>	<b>The Doha Programme of Action (2022-2032) adopted at 1<sup>st</sup> Part of LDC-V</b> Overarching goal: achieving rapid, sustainable and inclusive recovery for COVID-19, building resilience against future shock Focus areas: investing in people, leveraging power of STI, supporting structural transformation, addressing climate change and reinvigorating global partnership

# LDC paradigm

- LDCs emerged way back in the late 1960s during the first Development Decade (IDS-I) of the UN
- The category was officially established in 1971 by the UNGA; started with 25 countries; 28 additional countries were added throughout the years.
- Six countries had graduated by 2021. Currently 46 countries are in this group.
- Bangladesh was included in LDC Category in 1975

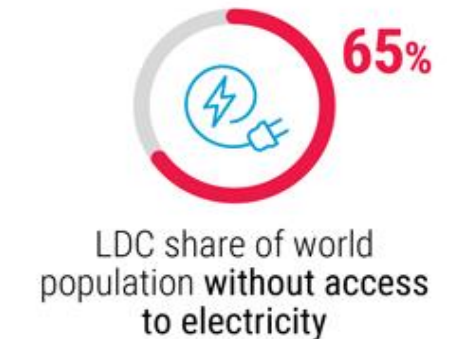
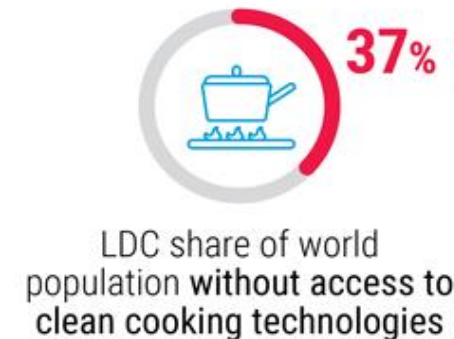
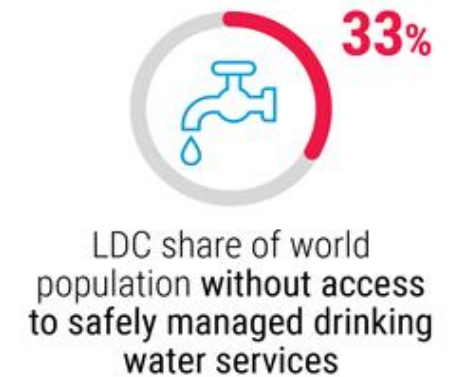
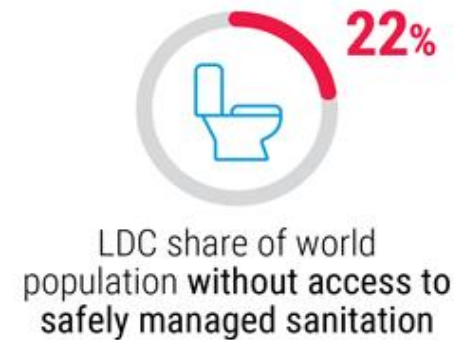
# Stylized facts of LDCs



**1.1 billion people live in the 46 least developed countries**

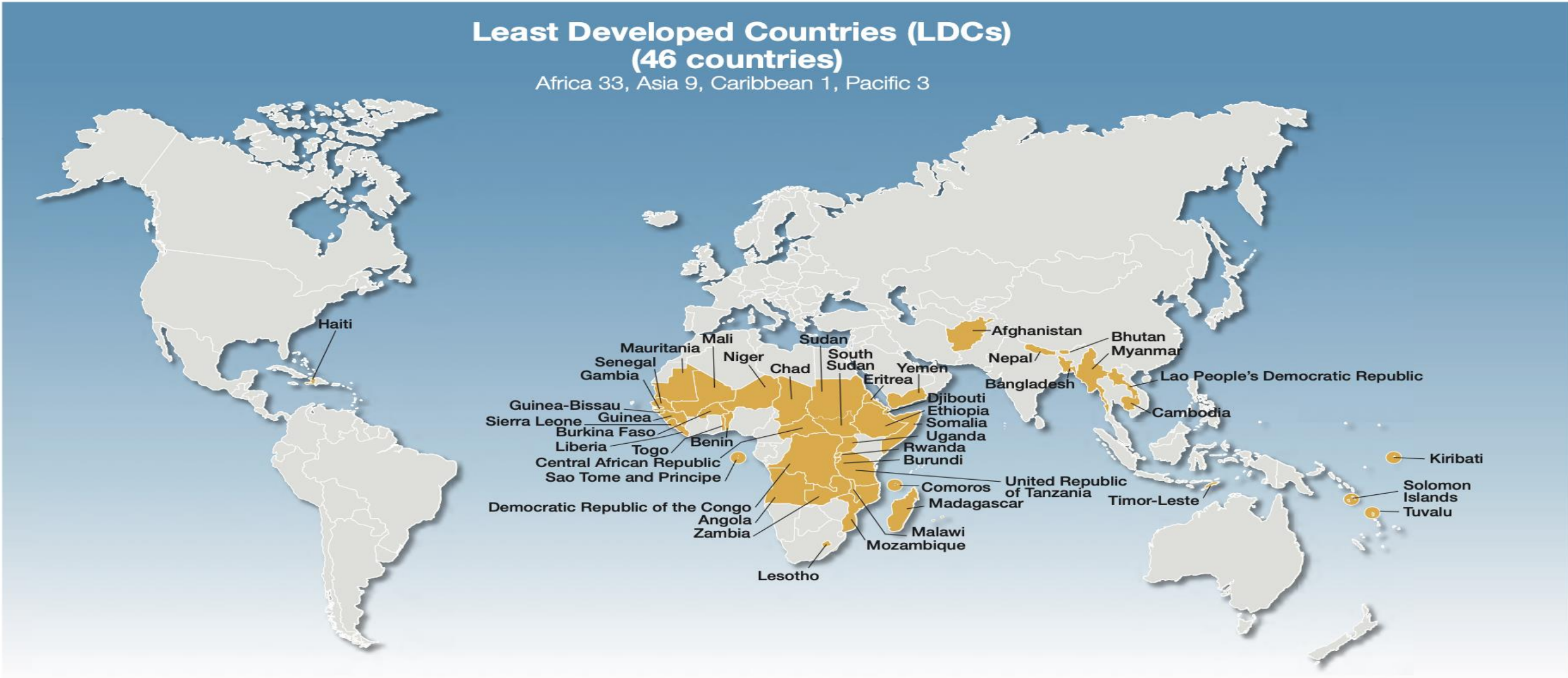


Source: UNCTAD, February 2023





# Map of least developed countries in 2021

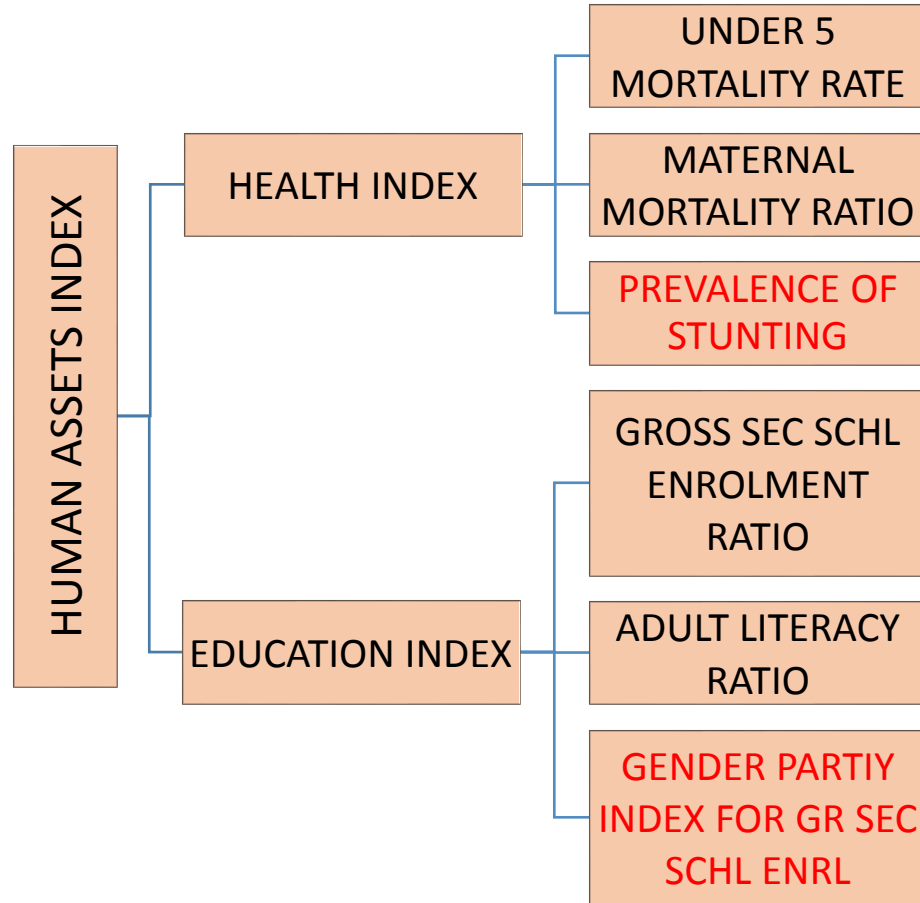


**Source:** United Nations Conference on Trade and Development (UNCTAD), *The Least Developed Countries Report 2021 – The least developed countries in the post-COVID world: Learning from 50 years of experience* (United Nations publication, 2021).

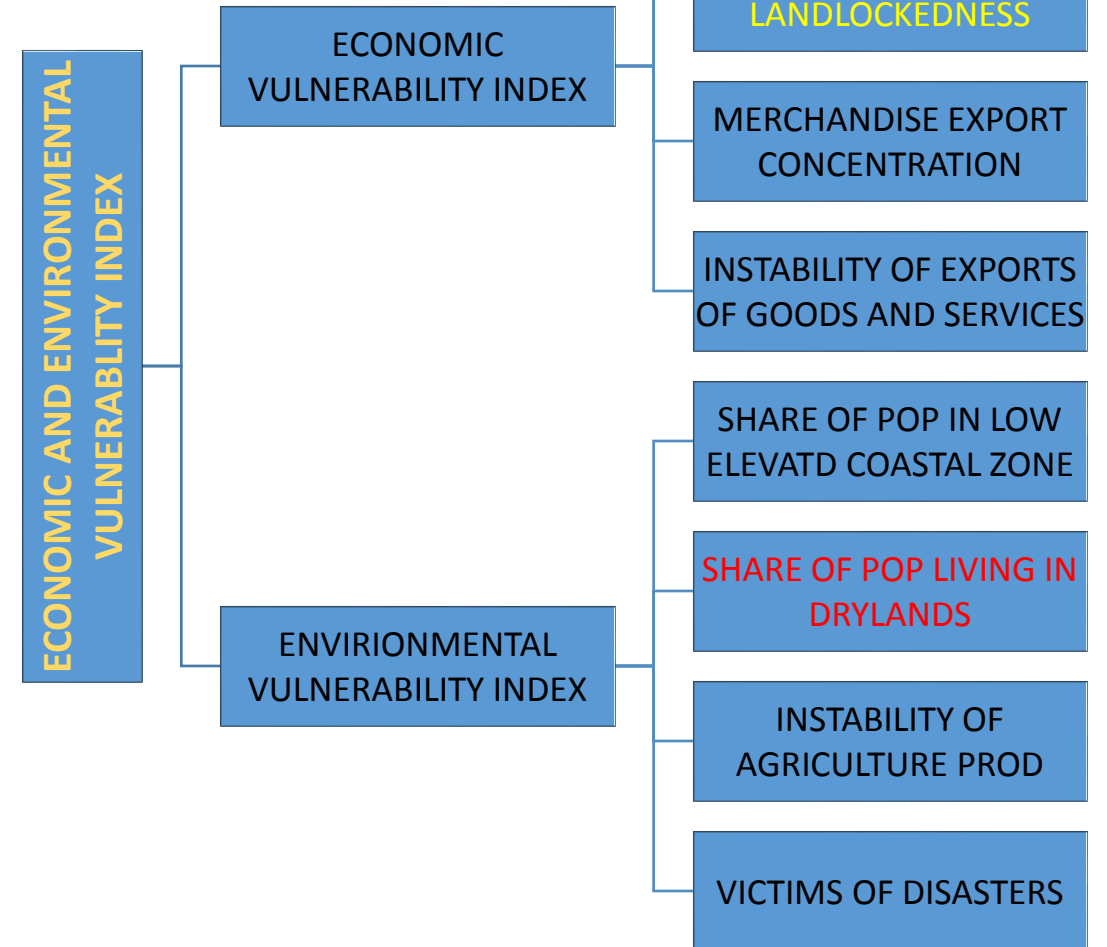
# LDC Graduation Criteria, February 2020

G  
N  
I  
P  
E  
R  
C  
A  
P  
I  
T  
A

**HUMAN ASSETS INDEX (HAI)**  
All indicators have an equal weight of 1/6



**ECONOMIC & ENVIRONMENTAL VULNERABILITY INDEX (EVI)**  
All indicators have an equal weight of 1/8





# THRESHOLDS FOR INCLUSION AND GRADUATION (2021)

	GNI Per Capita	HAI	EVI
Inclusion	\$ 1,018 or below	60.0 or below	36.0 or above
Graduation	\$ 1,222 or above \$ 2,444 or above (Income-only)	66.0 or above	32.0 or below

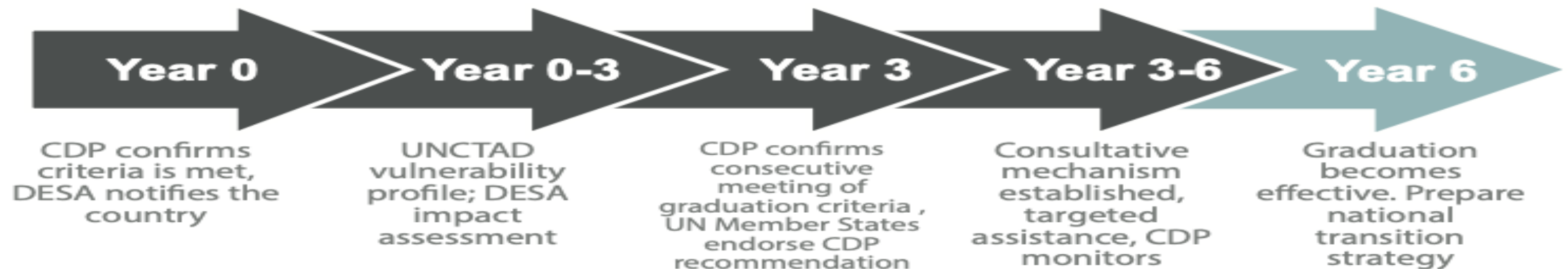
## Eligibility Rules of Graduation

- Country passes graduation thresholds of **any 2 criteria** or
- Alternatively, GNI per capita is at least twice the graduation threshold ('Income-only' rule)
- Country must meet criteria at two consecutive reviews

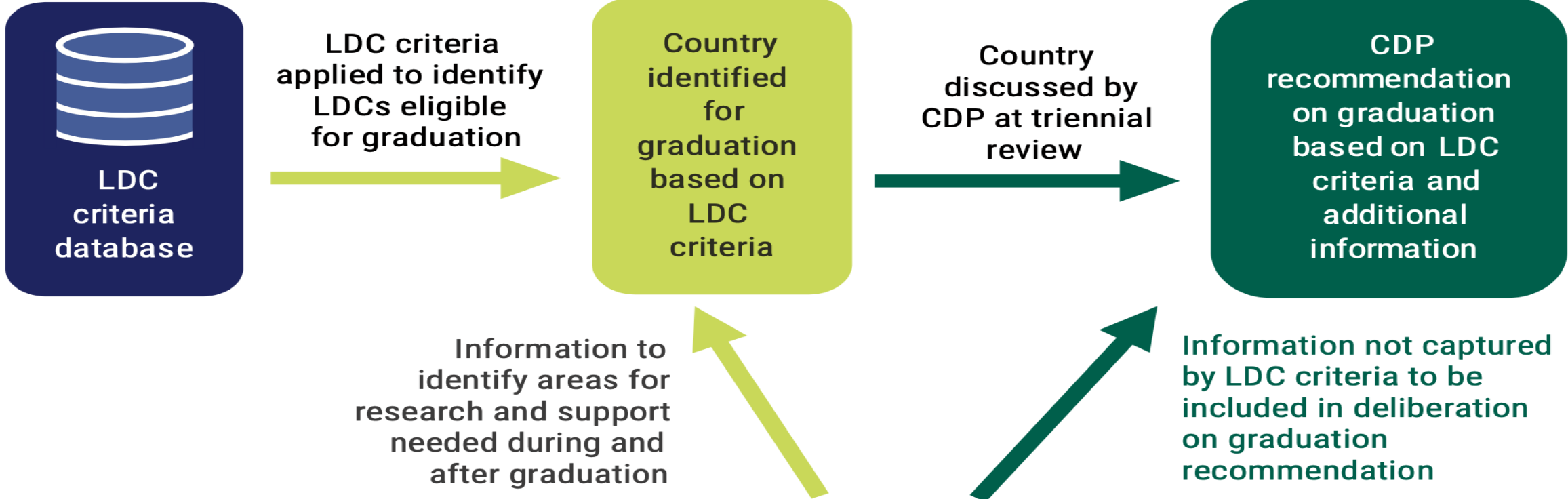
*No **automatism**: additional information is taken into account*

# Graduation Procedures

- After found eligible for the first time, UNDESA prepares Impact Assessment, UNCTAD prepares Vulnerability Profile
- Country is invited to present its views at the EGM
- CDP recommends based on criteria and additional information provided by country, UNDESA and UNCTAD
- ECOSOC endorses recommendation
- UNGA Takes Note
- Graduation takes effect after 3-5 years



# Role of least developed country criteria and additional information in the 2021 triennial review



## Additional information

Country specific information (graduation assessment, country presentation at expert group meeting and statement at plenary)

+

Supplementary set of graduation indicators

+

Study on impact of COVID-19 on LDC category

## Key asymmetries between the inclusion and graduation process

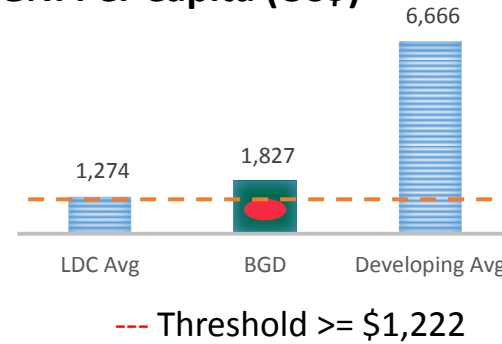
	Inclusion	Graduation
Number of criteria to be met	3	2
Criteria threshold	Established at each review	Established at each review but set at a higher level than inclusion
Eligibility	Determined once	Determined twice (over consecutive reviews)
Timing	Effective immediately	Preparatory period (3 years)
Approval by country	Required	Not required

## Bangladesh's Score in 2021 TR

### *Bangladesh meets graduation criteria in Triennial Reviews (TR):*

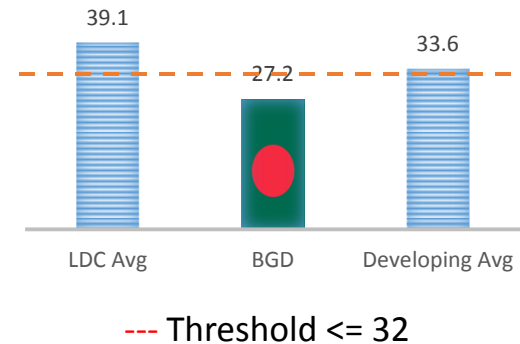
- *First time in 2018 TR*
- *Second time in 2021 TR*

#### GNI Per Capita (US\$)

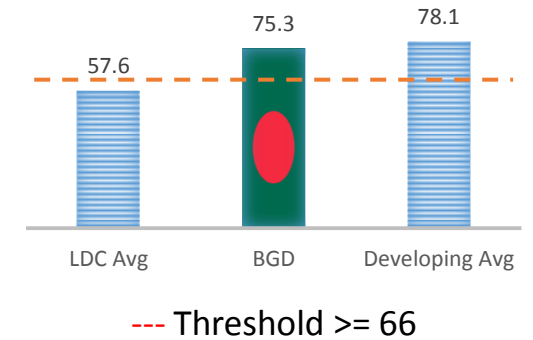


*Bangladesh's performance in HAI and EVI against Developing Country average is enviable*

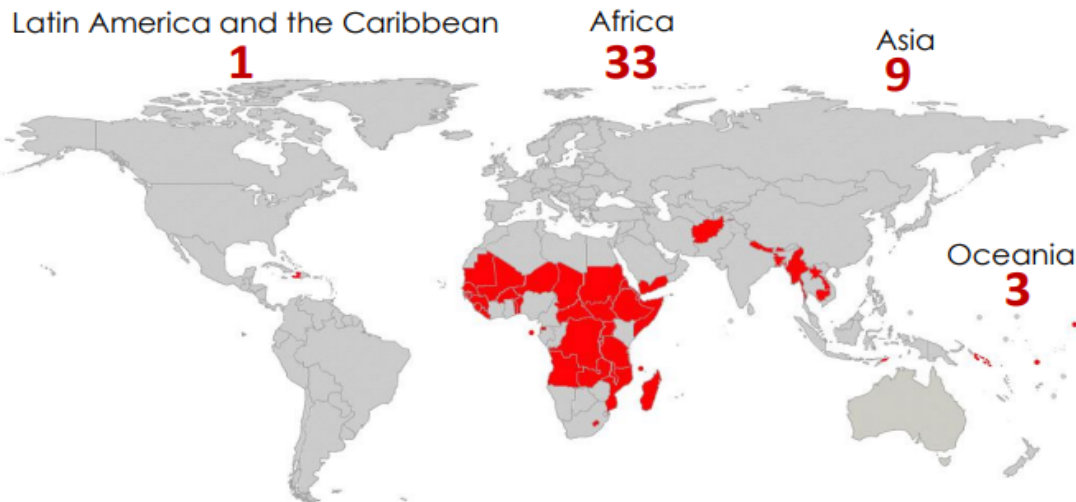
#### Economic and Environmental Vulnerability Index



#### Human Assets Index

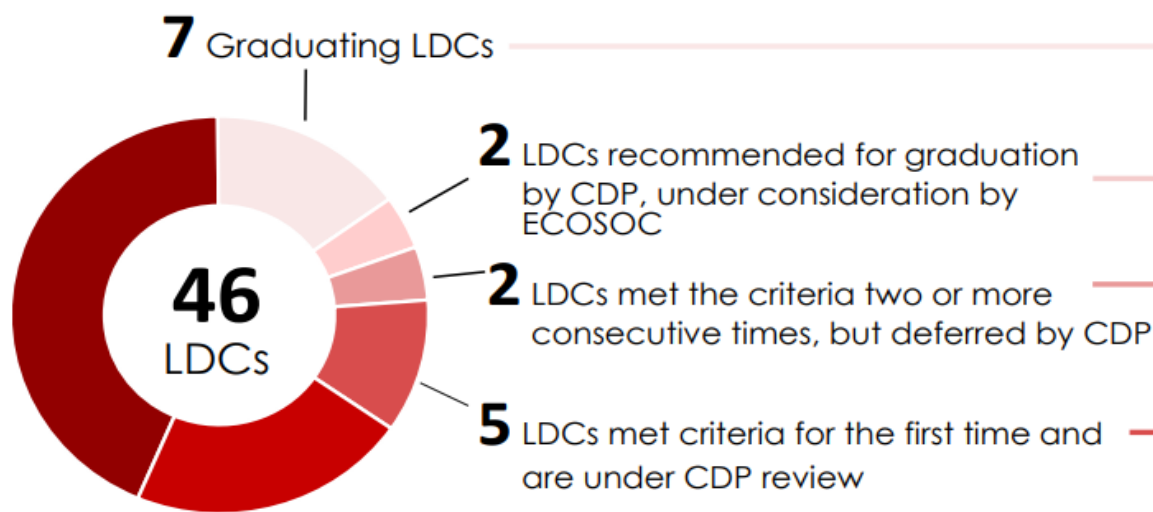


# The LDC category after the 2021 triennial review



## 6 Countries already graduated from the LDC category:

Botswana (1994)  
Cabo Verde (2007)  
Maldives (2011)  
Samoa (2014)  
Equatorial Guinea (2017)  
Vanuatu (2020)



**10** LDCs met only one graduation threshold

Angola (2024)	💰		
Bangladesh (2026)	💰	👤	📈
Bhutan (2023)	💰	👤	📈
Lao PDR (2026)	💰	👤	📈
Nepal (2026)		👤	📈
São Tomé and Príncipe (2024)	💰	👤	📈
Solomon Islands (2024)	💰	👤	
Kiribati	💰	👤	
Tuvalu	💰	👤	
Myanmar	💰	👤	📈
Timor-Leste	💰	👤	
Cambodia	💰	👤	📈
Comoros	💰	👤	
Djibouti	💰		
Senegal	💰	👤	
Zambia	💰	👤	

💰 Per capita GNI: 2021 graduation threshold: \$1222 or above  
 💰 Per capita GNI: 2021 income-only threshold: \$2444 or above

👤 HAI: 2021 graduation threshold: 66 or above  
 📈 EVI: 2021 graduation threshold: 32 or below



# What does Graduation Mean?

- Graduation from LDC Category inherently means that a country has reached a level of development that no longer requires LDC-specific support from the international community.
- Graduation marks a shift from **dependence primarily on ISMs** to **dependence on markets** – that is, from dependency to a greater degree of self-reliance
- Graduation is milestone, not the winning post in a race to escape LDC status. It marks the end of a political and administrative process, but not the completion of an economic or development process.

- **What is Preparatory Period?**

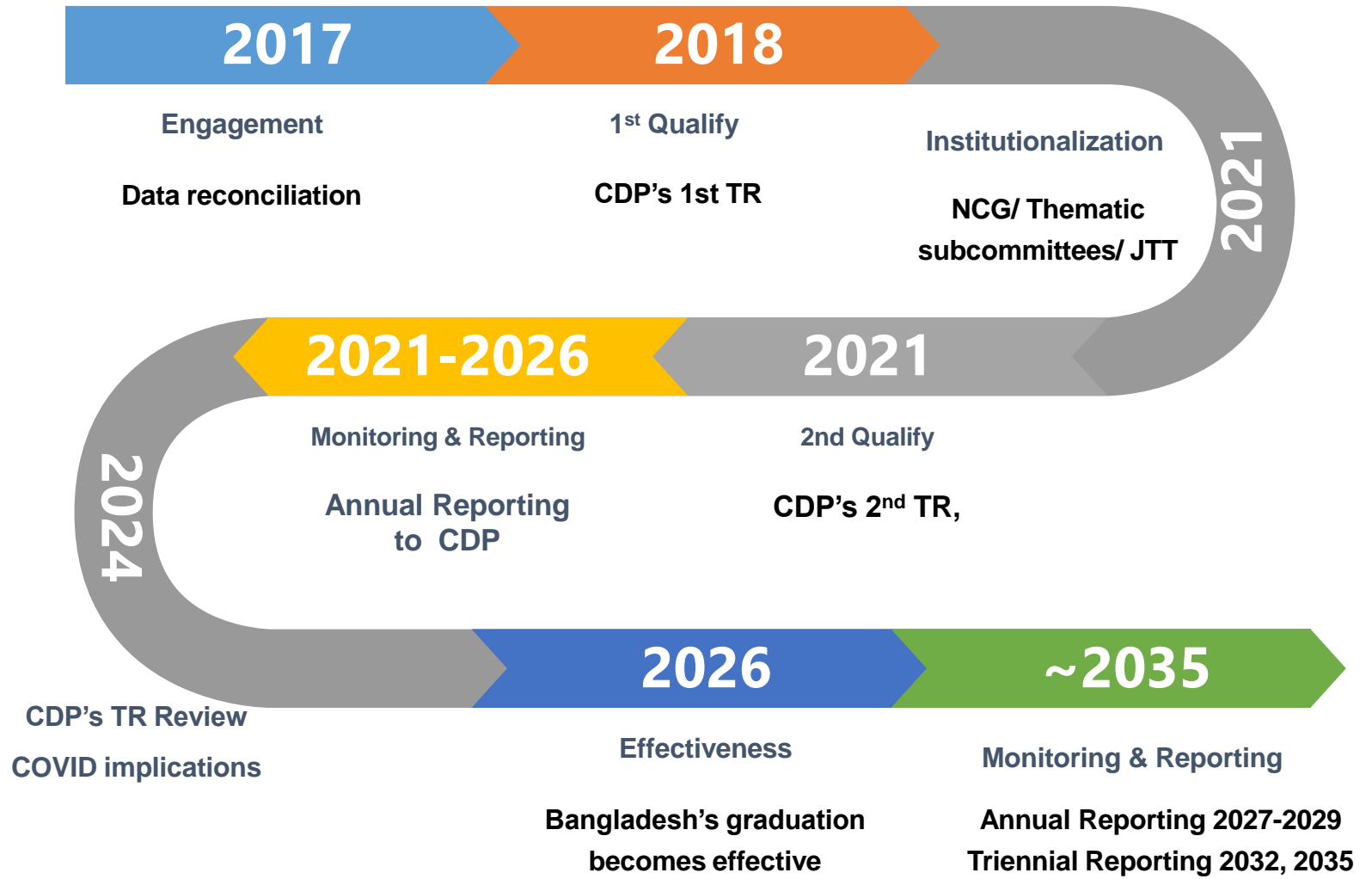
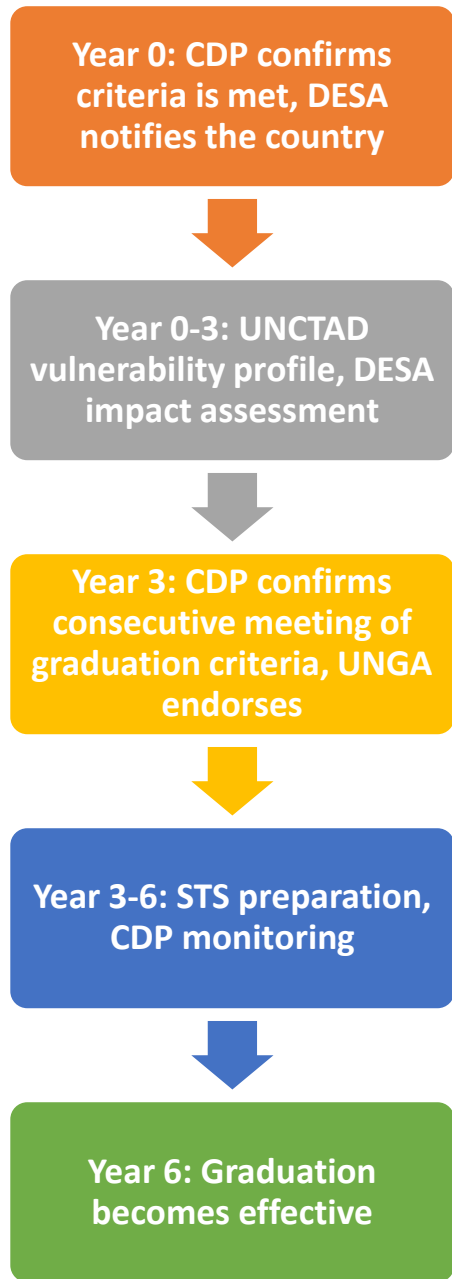
The period between the date of the General Assembly's resolution and actual graduation is known as the "preparatory period". During this period, countries are encouraged to elaborate:

- ✓ a "Smooth Transition Strategy (STS)"
- ✓ ensure that they make the most of the remaining eligibility periods ISMs,
- ✓ prepare to mitigate any impacts of graduation;
- ✓ negotiate alternative support with development and trading partners; and
- ✓ engage actively with the international processes relevant for graduation, including at the WTO, LDC V and similar opportunities.

- **What is Transition Period?**

Transition period is from the date the country's graduation becomes effective to the date all international support measures are phased out or transitional periods have concluded.

# Bangladesh Graduation Timeline



# LDC and Middle Income Country (MIC) Categories

Issues	LDC	MIC
Classification authority	UN Classification Single Category	World Bank Classification Four Categories: LIC, LMIC, UMIC, HIC
Purpose	To provide eligible countries with LDC-specific ISMs	Make lending decisions; benefits provided in terms of lower interest rates; debt relief; etc.
Basis for taxonomy	3 criteria- GNI per capita, Human Assets Index, Economic and Environmental Vulnerability Index	Income in WB Atlas method: LIC: <=\$1,085; LMIC: \$1,086- \$4,255; UMIC: \$4,256-\$13,205; HIC> \$13,205
Cap on Population	<b>Additional criteria included in 1991; Population must be less than 75 million</b> Now no cap	No cap
Process of exit	Long. Minimum 6 years from meeting the criteria	Short. Changes every year

# International support measures (ISMs)



## Trade-related support measures

- Preferential market access for goods
- Preferential treatment for services and service suppliers
- Special treatment regarding obligations and flexibilities under WTO rules
- Special treatment regarding obligations and flexibilities under regional agreements
- Trade-related technical assistance and capacity-building



## Supports of United Nations and other international forums

- Caps (0.01%) and discounts on the contribution to the budget of UN system
- Support for travel
- Capacity building for participation in negotiations
- Other forms of support for participation in intl. forums: flexibility in reporting and support for costs of diplomatic representation

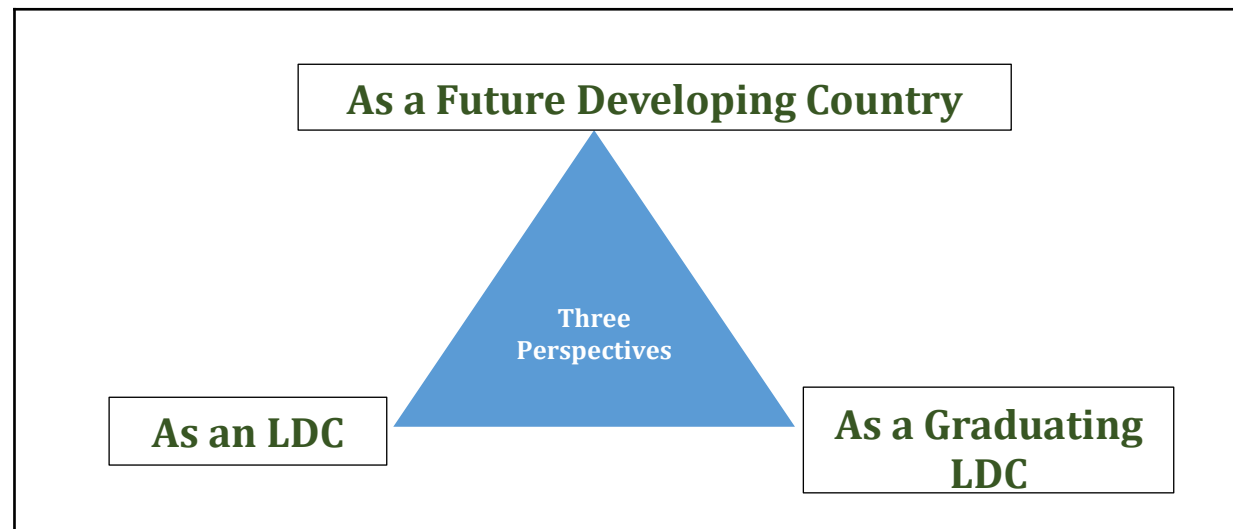


## Development cooperation

- Bilateral and multilateral partners
- International and regional financial institutions
- Support by UN system organizations
- EIF, LDC Fund, UNCDF, Technology Bank, Investment support program for the LDCs
- The LDCs in South-South cooperation
- Scholarship & other financial support for education & research

## Bangladesh's Triple Identities

- **Going Forward: Bangladesh will need to be guided by Three Identities**



Source: Rahman (2021)

- Bangladesh will need to (a) take advantage of its status as an LDC over the next four years; (b) strive to secure a new set of ISMs as a graduating LDC; and (c) most critically important of all, she must take adequate preparation towards Sustainable Graduation by undertaking the needed homework and by implementing the LDC graduation strategy