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Issue paper

Session 2: Seizing the momentum of graduation to achieve the SDGs: prospects and challenges

Graduation of a country signifies considerable progress towards sustainable development with declining reliance on external support for its economic development. This also implies that the country has sufficiently overcome vicious circles of economic development and gained competitiveness in line with other developing countries to operate in, and benefit from international markets without special, preferential and differential treatment.

The three defining criteria for LDCs, namely Human Asset Index (HAI), Economic Vulnerability Index (EVI) and the GNI Per Capita collectively reflect their long-term structural handicaps. The HAI and EVI are composed of 5 and 8 indicators respectively, providing some general overview of the state of socio-economic conditions of a country. However, this set of indicators falls far short of the Global Indicator Framework for the Sustainable Development Goals. Thus, graduation testifies the achievement of a certain level of development as an initial breakthrough of a continuous process of sustainable development.

The overall policy approaches to graduation should be comprehensive and must go beyond the objective of overcoming the threshold for graduation. It is rather important to focus on the broader and longer-term development process by fully taking into account the challenges of development beyond graduation. The aim should be to achieve graduation with the momentum required to maintain development progress in the post-graduation period.

Graduation is expected to generate momentum in building productive capacities, which leads towards greater diversification and production of higher value added goods and services. Graduated countries are assumed to have access to multilateral as well as public and private external finance and to be in the process of establishing new sectors with sophisticated production techniques. Such development of productive capacities leads to structural transformation of the economy, shifting labour and capital from less productive to more productive sectors and activities, and contributes to creating the jobs needed for the growing LDC population. Such a “virtuous” cycle of development, grounded in the development of productive capacities and structural transformation, can ensure sustained economic growth, thereby facilitating the realization of the Sustainable Development Goals.

Key questions to be addressed in this session are:

What are the opportunities and challenges associated with graduation?

How to cope with the post-graduation situation that triggers phasing-out all LDC specific benefits?

How can a country prepare for graduation in a way that reduces dependence on external support measures?

What are the areas development partners should focus on in preparation for graduation?