High-Level Meeting:
Achieving Sustainable Graduation for
Least Developed Countries

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Session 4: Country Case Studies and support for sustainable graduation

Since the establishment of the Group of LDCs, five countries have graduated from this list, namely Botswana, Cabo Verde, Samoa, Maldives and Equatorial Guinea. All of them went through a similar approach in their graduation process. As per the rules, a country ceases to be eligible for LDC-specific support once it graduates from this list, unless otherwise stipulated in any specific support measures. However, it is important to note that losing the LDC-status does not necessarily address the structural vulnerability of the country.

In recent years, the need for international support has grown exponentially as countries embark on the implementation of the 2030 Agenda. This is particularly important for LDCs, as the ongoing impact of the global economic slowdown and various new and emerging shocks and crises are affecting them disproportionately. Thus, the current global development landscape warrants the need for paramount support from the international community to ensure continued progress in their economic development to realize the 2030 Agenda and leave no one behind.

The recently graduated countries experienced progressive reductions of the share of grants in total official flows and lost access to LDC-specific funding sources, most notably the LDC Fund under UNFCCC. While graduation entails some important costs in terms of erosion of preferences and concessionality, graduated countries are entitled to other sources of finance, including commercial creditors and multilateral development banks. Furthermore, while graduation results in ineligibility for LDC-specific special preference schemes, graduated countries are entitled to other bilateral, regional non-LDC-specific preferential schemes. However, their access to such sources of finance and entitlement to preferential schemes are greatly reliant upon their ability to compete with other developing countries, which is often constrained by their limited institutional, human and productive capacities.

Graduation also entails the loss of flexibility in the implementation of the TRIPS Agreement. This triggers substantial additional costs to put in place domestic legal and intellectual property frameworks and significantly increases the prices for technology-intensive products.

Considering the challenges that the graduating and recently graduated countries face, there are provisions of extending certain specific support measures to all graduated LDCs for a certain period consistent with their development needs and priorities. The EU extends its Everything but Arms (EBA) initiative for a general transitional period of three years and often two more years on a case by case basis to reduce the potential adverse effects of the phasing out of the EBA scheme. There are certain other benefits that graduated countries continue to enjoy for certain periods even after their graduation, which include, among others, travel support to attend the annual General Assembly session, access to Enhanced Integrated Framework, access to NAPA funding and the technology bank for LDCs.

It is important to note that the extension of most benefits to the graduated countries is based on the negotiations between the graduating country and their development partners. Sufficient negotiating skills of the graduating country are needed for these negotiations, which often require making certain concessions or taking on obligations in other areas. There is also a great deal of uncertainty in the predictability of support that the graduated countries will continue to receive. Furthermore, the smooth transition strategy, which is prepared through a consultative process, is primarily owned by the graduated country and does not have a strong intergovernmental follow-up mechanism.

Against this backdrop, the Ministerial Declaration of LDCs 2017, calls upon the Member States to agree on a package of benefits from development partners that the graduated countries will continue to enjoy in some critical areas of their economy for a certain period consistent with their development situations and needs. This can serve as a safeguard measure for the graduated countries to sustain their development path and not to relapse to the category of LDCs, thereby facilitating the achievement of the SGDs by 2030.

Key questions to be addressed in this session are:

- How recently graduated LDCs are coping with the post-graduation realities and sustaining their economic growth and development?
- What type of support graduated countries need to sustain their development trajectory?
- How to ensure effective preparation of the smooth transition strategy, its implementation, follow-up and monitoring under a multilateral framework?