



**Graduation of the Least Developed Countries  
as a step towards Sustainable Development**

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*On United Nations support for Graduation and Smooth Transition for the  
LDCs*

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## Briefly stated

- LDC category set up to identify countries « caught in a trap » and to support them to move « out of the trap »
- The category, if successful, at the end aims at disappearing
- After nearly 50 years, the move out of the LDC category through the graduation process has only begun
- It takes place in the new context of the 2030 Agenda for Sustainable Development
- Graduation should be considered as a step towards the SDGs



## A preliminary remark

### LDCs graduation, the main among several graduations

- At OECD and even EU « Graduation » refers less to LDCs than to MICs, in particular UMICs, coming high income countries and likely to loose access to ODA
- In MDBs graduation corresponds to a move into a group of countries having no longer access to the more concessional resources
- Graduation is an issue raised when some measures are limited to specific groups of countries. It is not specific to LDCs, although the LDC category is the only official one at the UN, and the most relevant one
- *For any graduation the issue is raised of the risk of status reversibility, then of the vulnerability of graduated countries*



## 3 steps in the history of the LDC category with respect to graduation

- *Phase I: 1971- 1991: Graduation forgotten*  
The category increases from 25 to 48 countries, without any rule and prospect for graduation. The trap seems a curse
- *Phase II: 1991-2011: Graduation feared (felt as a threat)*  
Graduation rules adopted in 1991 (and in 2005). Highly cautious. Strong resistance to graduation from eligible countries. Category reaching 49 countries, after 4 additions and only 3 graduations, Botswana (1994), Cape Verde (2007), Maldives (2011)
- *Phase III: 2011- 2030 : Graduation hoped (felt as goal)*  
LDC IV Conference (IPoA): goal of enabling ½ LDCs to meet graduation criteria in 2020. Significant change in attitudes.



## Time frame of graduation with respect to the 2030 Agenda

- IPoA goal: Enabling half of LDCs (48 in Istanbul) to meet the graduation criteria
- Since Istanbul, what has been reached?  
2 more countries graduated (Samoa, 2014 & Eq. Gu., 2017),  
2 countries to be graduated in 2020 (Vanuatu) or 2021 (Ango),  
2 countries found twice eligible, with decision still pending (Tuvalu & Kiribati),  
and possibly 5 countries found eligible a first time in 2015 (*Bhutan, Nepal, Sao Tome & Pr, Solomon Isl, Timor L.*)
- *Thus a max of 11/48 (23%) instead of one half can reach the IPoA goal (3 of which due to change in thresholds design)*
- *Better prospects for 2030, the horizon of SDGs, but with present graduation rules, only ½ of the Istanbul LDCs may have graduated at that date*



## Why such a slow path of graduation?

- The *path of economic growth* itself: Most optimistic prospects for 2030 on the assumption of LDCs reaching the 7% growth goal of IPoA, reiterated in the SDGs, but not easy to reach...
- *Asymmetry of inclusion and graduation criteria*, with 4 sources of asymmetry (not 1 but 2 criteria to no longer be met, with margins, at 2 successive triennial reviews, after an additional 3 year time lag)
- *As a result in 2015, 33 out of the 48 LDCs were no longer meeting the inclusion criteria*, while 15 were meeting them... Only 8 out of 33 were meeting the graduation criteria: Then 25 LDCs met neither inclusion nor graduation criteria...
- ...as well as 9 non-LDCs, have they been LDCs:  $25+9=33$  « discordant countries », underlining that the slow path of graduation weakens the consistency of the category, restated in the SDGs



## Strengthened connection between LDCs and SDGs

- In 2000 MDGs do not pay particular attention to LDCs, cited only in the 8th goal and in 2 out of 60 targets (**3%**)
- An LDC focus appears in UN Conferences on Development Finance following the adoption of MDGs (2002 Monterrey, 2008 Doha) :
  - LDCs mentioned in 10 out of 73 paragraphs(**14%**) in Monterrey Consensus, and in 16 out 90 (**18%**) in Doha Declaration
- In 2015 the Addis Abeba Agenda for Action (AAAA) on Development Finance makes references to LDCs in 37 out of 134 paras (**28%**)
- Finally **12 of the 17 SDGs refer to LDCs** (and 24 /167 targets, 14%)



## Combining universality and LDCs special case

- Due to the *universality of SDGs*, a fight was needed to make the *special case of LDCs* rightly taken into account, what was not the case in preliminary reports
- The *basic consistency* between universality and LDCs differentiation relies on an equity principle: *More equal opportunities* between countries involves special treatment for countries meeting more severe structural handicaps, as the LDCs are supposed to be
- *Vulnerability*, one of the 2 main structural handicaps of LDCs *is the opposite of sustainability*



## The vulnerability issue in graduation

- Indeed *most graduated (and graduating) countries are still vulnerable* (with regard to EVI and/or to other criteria)
- Their vulnerability, not an obstacle to graduation eligibility, but a major political factor of resistance to graduation
- This *eligibility was still consistent with the rationale of the category* for which it is the conjunction of low HK and high vulnerability that is locking a country into a trap: A country with high HK and middle income pc is supposed to have overcome most severe handicaps to development
- *Their vulnerability still remains, in particular to climate change, to be addressed in the transition process and possibly through the design of the criteria*



## Reinforcement of smooth transition to make it consistent with SDGs

- *Designing the support measures from the (continuous) LDC criteria rather from category membership*
- Good ex given by the Resolution A/RES/67/221 inviting development partners to *take into account LDCs identification criteria as aid allocation criteria*, what has been done by EU and is under examination for MDBs(ADF): It allows to take into account vulnerability when needed, and other criteria as well (eg vulnerability to climate change)
- For binary support measures (eg EBA), only possible to postpone stopping, on a case by case basis or automatically
- Automatic rules welcome, but should be short term, to not weaken the process of graduation itself



## Risks of unsustainable graduation?

- *The risk of reversibility (falling back into the category) is low* due to the asymmetry of criteria (quite different in the DAC graduation for ODA eligibility)
- *Risk of slowing down of growth?* the few graduated countries evidence rather good performances,
- *Graduation paradox:* If the support measures are effective and disappear after graduation, why not a deterioration of the graduated situation?
- *Several answers:* postponement of stopping support measures, limited scope of support measures, pre-graduation dynamics, signal of a new development era given by graduation, incentives given to smooth transition strategy
- Most of graduated (ing) countries may still face strong future exogenous shocks, needing capacity to manage, and are *still vulnerable to climate change*



## Structural transformation

**not only a transition strategy, but a strategy for all LDCs**

- Structural transformation leading to higher productivity is often presented as *essential for a sustainable graduation*, and it is
- But it *is needed for all LDCs*, all the more that they are far from the eligibility to graduation, and far from the SDGs as well: Graduation is a goal for all LDCs, graduation policy is development policy
- ST is a way to grow and reach the SDGs, with a content differing according to the countries, their features and size
- ST in LDCs is first to overcome the structural handicaps featuring LDCs: enhancing human capital, lowering structural vulnerability



## **Addressing vulnerability: before and beyond graduation**

- *Addressing vulnerability and increasing resilience, including to climate change, should be a major component of the transition*
- Special measures are needed to tackle vulnerability, in particular with respect to natural disasters and climate change.
- Without being linked to graduation, they are highly needed for vulnerable graduating countries, as well as for other vulnerable developing countries

FWDi

**Thank you**

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