Prospects and Challenges for Graduation of Least Developed Countries

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Background

• LDC list since 1970s: many additions, few graduations:
  – Botswana, Cabo Verde, Maldives, and Samoa
• Istanbul Plan of Action: Ensure that half of LDCs meet criteria for graduation by 2020;
• For Graduation to take place, two of three criteria need to be met in 2 consecutive triannual reviews:
  – Income/capita above $1242 (‘income-only’ above $2484)
  – Human Asset Index (HAI, 0-100) at 66 or higher:
    • Undernourishment rate, under five mortality rate, secondary enrolment rate, and adult literacy rate
  – Economic Vulnerability Index (100-0, EVI) at 32 or lower:
    • Exposure and shock index;
    • Captures economic and environmental vulnerabilities;
  – Graduation recommendation not mechanic;
Prospects for Graduation brighter than ever

- Equatorial Guinea, Vanuatu: graduation (in 2017) already approved by UN General Assembly;
- Tuvalu graduation to be approved by UN ECOSOC;
- Angola graduation to be approved by GA;
- Kiribati met criteria graduation in two reviews (but recommendation postponed);
- Bhutan, Nepal, Sao Tome and Principe, Solomon Islands, and Timor-Leste met graduation criteria for the first time in 2015;
- Several LDCs close to meeting two criteria: Bangladesh, Cambodia, Djibouti, Lao PDR, Lesotho, Myanmar, Senegal, Sudan, Tanzania, Uganda, (Yemen);
- Graduation prospects mostly by income and human asset criterion;
Smooth Transition

• Graduation a process of at least 6 years from the first finding:
  – Before LDC specific benefits/support measures can be withdrawn;
  – Benefits often extended, for example for 3 years;
• Messages for LDCs:
  – Use benefits before they are phased out (including technical assistance, such as Enhanced Integrated Framework);
  – Prepare for graduation (esp. changes in trade preferences, compliance to WTO rules), with support of UN system;
• Messages for International Partners of LDCs:
  – Do not withdraw support prematurely (esp. in trade preferences, but also aid allocation), but ensure smooth transition;
  – Do not use LDC status for Climate Finance (unjustified, unfair, and wrong incentives): Use EVI instead for targeting climate finance;
Conclusions

• Istanbul Plan of Action goal is possible to reach!
  – Better external conditions and better policies are paying off for LDCs!
  – But high vulnerability will remain for many;

• Countries should start preparing for smooth transition:
  – Challenges very country-specific;
  – Can draw on support of UN system (including regional commissions) to plan for smooth transition;

• International Community should support smooth transition:
  – Slowly phase out special support;
  – Use Economic Vulnerability Index (rather than LDC status as a whole) for eligibility and allocation of climate finance;
  – Consider special needs and vulnerabilities independent of LDC status;