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Implementation, effectiveness and added value of smooth transition measures and graduation support

Report of the Secretary-General*

Summary

The present report is submitted pursuant to resolution 76/216, by which the General Assembly requested the Secretary-General to submit to the Assembly at its seventy-ninth session a progress report on the implementation, effectiveness and added value of smooth transition measures covering both graduating and recently graduated countries, including new and dedicated support measures to graduated countries in moving forward on their development path and initiatives taken by the United Nations system to support countries during their graduation from the least developed country category.

* The present report was submitted to the conference services for processing after the deadline for technical reasons beyond the control of the submitting office.

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I. Introduction

1. More than 50 years have passed since the establishment of the category of least developed countries in 1971.[1] Countries in this category are identified as low-income countries confronting severe structural impediments to sustainable development. From the initial list of just 25 least developed countries, the category grew to a maximum of 50 countries. Membership in the least developed countries category has now fallen to 45. Previously graduated countries are Bhutan (2023), Vanuatu (2020), Equatorial Guinea (2017), Samoa (2014), Maldives (2011), Cabo Verde (2007) and Botswana (1994).

2. The Doha Programme of Action for the Least Developed Countries for the decade 2022–2031[2] constitutes a bold and transformative cooperation framework for the least developed countries to embark on a sustainable and resilient pathway to development. Through concrete targets, commitments and deliverables, the Doha Programme of Action calls for specific measures by the Member States and all other stakeholders at the national, regional and global levels to support the least developed countries in building their resilience against shocks; tackle their long-standing structural challenges in achieving the Sustainable Development Goals; and set them strongly on course to graduate from the least developed country category.

3. Overall, progress towards graduation since the adoption of the Doha Programme of Action has been mixed. One country graduated and three countries met the graduation criteria for the first time. For two countries, the General Assembly is expected to take a decision on their effective graduation dates during its seventy-ninth session. However, three countries no longer meet the graduation criteria and, therefore, are no longer in the formal graduation process. While the total number of graduating countries remains at 15 (see table 1 below), it is encouraging to note a positive trend marked by the increasing number of African countries joining the group, which was formerly comprised almost exclusively of countries from the Asia-Pacific region.

4. The present report analyses recent developments in the graduation process and how graduating and graduated countries can be better supported on their sustainable development path.[3] The report also tracks progress on the implementation, effectiveness and added value of smooth transition measures, which are the extension of least-developed-countries-specific support for a limited time after graduation, including initiatives undertaken by the United Nations system to support countries during their graduation from the least developed country category.

II. Progress made towards graduation in an uncertain world

5. A country is deemed eligible for graduation from the least developed country category if it meets two of the three graduation criteria at two consecutive triennial reviews by the Committee for Development Policy. The three criteria are: (a) the per capita gross national income (GNI); (b) the human assets index); and (c) the economic and environmental vulnerability index.[4] Based on the income-only criterion, a country

[1] General Assembly resolution 2768 (XXVI).

[2] General Assembly resolution 76/258, annex.

[3] For the previous report of the Secretary-General, see A/76/271.

[4] The least developed country criteria and application procedures have been developed by the Committee for Development Policy. The Committee regularly reviews the procedures, most recently in 2023, as stated in its established mandates, and undertakes refinements to reflect advances in development thinking and data availability. Details on the criteria, including methodologies, data sources and their evolution over time, are available in Committee for Development Policy and Department of Economic and Social Affairs, *Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures*, Fifth Edition. United Nations: New York.

may also be found eligible for graduation when it records a sufficiently high level of GNI per capita that is three times the graduation threshold, if that income level is deemed to be sustainable.[5] The standard process, as determined by General Assembly resolution 59/209 in 2004, prescribes a three-year period between meeting the graduation criteria for the second time and the date of effective graduation. The General Assembly has, however, granted exceptional extensions of the transition period for several graduating countries owing to various difficulties confronted by those countries.

6. Graduation from the least developed country category is a multi-stage process. The first stage starts when a country meets, for the first time, the graduation criteria at a triennial review of the list of least developed countries, which is conducted by the Committee for Development Policy. If the country meets the graduation criteria again at the subsequent triennial review, a decision process starts (stage two). The Committee decides whether to recommend such a country for graduation, considering the scores against the least developed country criteria, as well as additional information and consultations with the country's Government. Subsequently, the Economic and Social Council considers the endorsement of the Committee's recommendation for that country. General Assembly resolution 67/221 clarified that the Assembly would take note of the Council's decisions at its first session following the adoption of such decisions by the Council.[6] After the General Assembly makes the decision and sets the graduation date, the country becomes a graduating country and the formal preparatory period for graduation begins, which is stage three of the overall process. When the graduation date is reached, the country leaves the least developed country category and becomes a graduated country. In this post-graduation transition stage (stage four), the least-developed-country-specific international support measures are phased out, in many cases, gradually or with a delay. Enhanced efforts by the international community are needed to make graduation smooth, irreversible and sustainable.

7. Applying the criteria at the 2024 triennial review, the Committee has found that 15 of the current 45 least developed countries met the graduation criteria.[7] All 15 countries surpassed the human assets index threshold of 66, having made sufficient progress to improve the health and education status of their populations. Four countries surpassed the graduation thresholds in all three criteria. Six countries met the income threshold, having a GNI per capita of at least $1,306 from 2020 to 2022. Four countries, while failing to reach the income threshold, had an economic and environmental vulnerability index score below the threshold of 32, demonstrating progress in reducing their vulnerability to economic and environmental shocks, including climate change. Those include Rwanda, Uganda and the United Republic of Tanzania, the three countries that met the graduation criteria for the first time. The triennial review covers not only least developed countries, but all developing countries. Noteworthily, all seven countries that have so far graduated from the least developed country category continue to meet the graduation criteria, showing strong sustainability of the process.

[5] This is a recent change decided by the Committee in its least developed country criteria review of 2023. Prior to this, it was two times the graduation threshold using the income-only criterion.

[6] See General Assembly resolution 67/221, para. 10.

[7] For the outcome of the triennial review, see the report of the Committee for Development Policy at its twenty-sixth session. (E/2024/33). For detailed data, see the least developed countries data section of the Committee for Development Policy website.

Table 1
Graduating countries and the least developed country criteria met at the 2024 triennial review

	Country	*Gross national income per capita*	*Human assets index*	*Economic and environmental vulnerability index*
1	Bangladesh	✓	✓	✓
2	Cambodia	✓	✓	✓
3	Comoros	✓	✓	✗
4	Djibouti	✓	✓	✗
5	Kiribati	✓	✓	✗
6	Lao People's Democratic Republic	✓	✓	✓
7	Myanmar	✓	✓	✓
8	Nepal	✗	✓	✓
9	Rwanda	✗	✓	✓
10	Sao Tome and Principe	✓	✓	✗
11	Senegal	✓	✓	✗
12	Solomon Islands	✓	✓	✗
13	United Republic of Tanzania	✗	✓	✓
14	Tuvalu	✓	✓	✗
15	Uganda	✗	✓	✓

8. At the 2024 triennial review, the Committee for Development Policy considered the potential graduation of seven least developed countries, by reviewing the least developed countries graduation criteria scores; quantitative information in the form of supplementary graduation indicators; a country-specific graduation assessment based on a vulnerability profile prepared by the United Nations Conference on Trade and Development, an ex-ante impact assessment prepared by the Department of Economic and Social Affairs and additional information provided by the United Nations country teams; and by consulting with all countries considered. At the 2024 triennial review, Timor-Leste and Zambia no longer met the criteria and were, hence, ineligible for graduation. They are no longer in the formal graduation process. The Committee had concerns about the sustainability of the progress achieved by Comoros and Myanmar and deferred their cases to 2027. These two countries, therefore, remain in stage 1. The Committee recommended that Cambodia, Djibouti and Senegal graduate and found that all three of them required an extended preparatory period of five years.

9. Subsequently, the Economic and Social Council endorsed the graduation recommendation for Cambodia and Senegal so that they could progress to the next stage in the process later this year, during the seventy-ninth session of the General Assembly. However, the Council deferred consideration of the recommendation for Djibouti and again for Kiribati and Tuvalu to a later date;[8] leaving these three countries at the second stage of the graduation process.

[8] Economic and Social Council resolution 2024/7.

10. Of the seven countries that were already graduating at the time of the adoption of the Doha Programme of Action, Bhutan successfully graduated in December 2023. Bangladesh, Lao People's Democratic Republic, Nepal and Sao Tome and Principe continued to advance towards sustainable graduation despite significant challenges stemming from various global crises.

11. In 2023, the Committee for Development Policy reviewed the situation of Solomon Islands following a request by its Government. The review was done as part of the Committee's enhanced monitoring mechanism of graduating and recently graduated countries, recognized by the Doha Programme of Action in paragraph 284. The Committee found that Solomon Islands required an additional three years to prepare for graduation owing to an urgent situation resulting from shocks that severely disrupted the graduation process. Following a recommendation by the Economic and Social Council, in 2023 the General Assembly extended the preparatory period until December 2027. Solomon Islands has since recommenced its preparations for graduation. Angola no longer meets the graduation criteria and saw its graduation, scheduled for February 2024, deferred by the General Assembly to a later date, following consultations between the Committee and the Government of Angola under the enhanced monitoring mechanism. Angola's graduation process will recommence from stage 1 when the country meets the criteria for graduation again at a future triennial review.

Table 2
Timeline of country graduation: past inclusions and graduations, including least developed countries in the graduation pipeline*

Met criteria for first time in 2024	…		Rwanda, Uganda, United Republic of Tanzania
Economic and Social Council will consider at a later date	…		Kiribati, Tuvalu, Djibouti
Deferred by the Committee for Development Policy	…		Myanmar, Comoros
Economic and Social Council endorsement; General Assembly expected to take decision during its seventy-ninth session	2024	⇢	Cambodia, Senegal
Scheduled to graduate	2027	→	Solomon Islands
	2026	→	Bangladesh, Lao People's Democratic Republic, Nepal
	2024	→	Sao Tome and Principe
Doha Programme of Action	2023	→	**Bhutan**
Istanbul Programme of Action	2020	→	**Vanuatu**
	2017	→	**Equatorial Guinea**
	2014	→	**Samoa**
	2012	←	South Sudan
	2011	→	**Maldives**

Brussels Programme of Action	2007	→	Cabo Verde
	2003	←	Timor-Leste
	2000	←	Senegal
	1994	→	**Botswana**
	1994	←	Angola, Eritrea
	1991	←	Cambodia, Democratic Republic of the Congo, Madagascar, Solomon Islands, Zambia
	1990	←	Liberia
	1988	←	Mozambique
	1987	←	Myanmar
	1986	←	Kiribati, Mauritania, Tuvalu
	1985	←	Vanuatu
	1982	←	Djibouti, Equatorial Guinea, Sao Tome and Principe, Sierra Leone, Togo
	1981	←	Guinea-Bissau
	1977	←	Cabo Verde, Comoros
	1975	←	Bangladesh, Central African Republic, Gambia
Creation of the least developed country category	1971	←	Afghanistan, Benin, Bhutan, Botswana, Burkina Faso, Burundi, Chad, Ethiopia, Guinea, Haiti, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Samoa, Somalia, Sudan, Uganda, United Republic of Tanzania, Yemen

* Countries in bold are countries that have later graduated out of the category.

← Countries being included in the least developed country category

→ Countries with a graduation date set by the General Assembly

→ Countries that have graduated

»»» General Assembly decision pending

12. While graduation signifies an important achievement in the development continuum of least developed countries, the associated challenges often raise significant concerns, as countries are set to lose least-developed-country-specific international support measures and other favourable arrangements.[9] However, the impact of the loss of such benefits depends on how effectively the country has been using those benefits before their graduation.

13. Furthermore, most countries graduate while remaining very vulnerable, especially to the impacts of climate change, natural disasters, conflicts and other shocks and crises. This poses serious challenges to sustaining their growth and development trajectory and calls for concerted efforts to ensure that graduating countries can have a smooth and sustainable graduation. Moreover, Djibouti, Kiribati and Tuvalu are at high risk of debt distress, while Lao People's Democratic Republic, Sao Tomé and Principe and Zambia are in debt distress, further squeezing fiscal space and constraining the ability of their Governments to stimulate recovery and growth.[10]

[9] See https://www.un.org/ldcportal/.

[10] See A/79/75-E/2024/8.

Only 4 out of the 15 graduating countries have submitted national adaptation plans to the United Nations Framework Convention on Climate Change secretariat.

14. In the Doha Programme of Action, Member States undertook important commitments to strengthen the support provided to least developed countries as they strive to achieve sustainable development progress and, therefore, graduation. Beyond the Sustainable Graduation Support Facility (also called iGrad), which is the Programme of Action's deliverable specifically dedicated to graduation support,[11] the other four deliverables – an online university for science, technology, engineering and mathematics; a food stock holding mechanism; an international investment support centre; and crisis mitigation and resilience building measures – are aimed at enabling all the least developed countries to build resilience, and overcome development challenges such as building resilience, food insecurity, digital divide in education, and attracting foreign direct investment. The full implementation of the Programme of Action deliverables will support graduating countries and those countries that are yet to qualify for graduation, to make sufficient progress towards the Sustainable Development Goals and ultimately move out of the least developed country category.

15. Formulating a national smooth transition strategy is the primary tool for ensuring that graduating countries are eased onto a path of sustainable graduation. This includes mapping out any potential loss of benefits, identifying effective responses and adjusting institutional and legal frameworks to comply with new international obligations. The United Nations development system, at the national, regional and global levels, and the cooperation of trade and development partners have a critical role to play in supporting sustainable graduation and smooth transition.

16. In order to develop international support policies that promote and facilitate successful transitions out of the least developed country category, it is important to assess the reasons that might prolong graduation processes. The General Assembly has granted several extensions of preparatory periods before graduation, on an exceptional basis, mainly owing to the occurrence of significant external shocks derailing socioeconomic progress of the graduating countries.

17. Of the four countries that graduated in the past decade, three had their preparatory period extended by three years through a General Assembly resolution because of major disasters (tsunamis in Maldives in 2005 and Samoa in 2010; a cyclone in Vanuatu in 2015). The Committee also referred to the 2015 earthquake in Nepal when deferring a graduation recommendation at its 2018 triennial review. This highlights the importance of disaster risk reduction for sustainable graduation from the least developed country category.

18. The coronavirus disease (COVID-19) pandemic and its devastating impacts caused notable sustainable development losses, which also negatively impacted graduation prospects for least developed countries. In 2021, the Committee found Bangladesh, the Lao People's Democratic Republic and Nepal eligible for graduation but underscored that an extended preparatory period of five years before graduation, not three, would be needed for those three countries, as they required more time to prepare for graduation while planning for a post-pandemic recovery and implementing policies and strategies to reverse the economic and social damages incurred by the COVID-19 shock.[12] This view was subsequently endorsed by the Economic and Social Council and the General Assembly.[13]

[11] See General Assembly resolution 76/258, annex, para. 283.

[12] E/2021/33.

[13] See Economic and Social Council resolution 2021/11 on the report of the Committee for Development Policy at its twenty-third session, and General Assembly resolution 76/8 on the graduation of Bangladesh, the Lao People's Democratic Republic and Nepal from the least developed country category.

19. In 2021, the Committee also included COVID-19 impacts in its justification to defer a possible recommendation on Timor-Leste. That same year, the Economic and Social Council referred to the impacts of the pandemic to explain its deferral of the consideration of the graduation of Kiribati and Tuvalu until 2024, while the General Assembly included the pandemic as a reason for extending the preparatory period for Angola until 2024.[14]

20. The mixed progress toward graduation in the current external environment and the experiences of the previous decade reveal the importance of having an overall graduation framework that is fit for purpose. The Economic and Social Council has repeatedly welcomed the findings of the Committee concerning the benefits of updating the existing General Assembly resolutions on smooth transition. One important element of such an update would be ensuring the framework better deals with interruptions, deferrals and extensions of preparatory periods. Currently, any deviation from the standard scenario is addressed on an ad-hoc basis, while evidence is clear that exceptions have become the norm. The graduation of Bhutan took eight years and nine months. While this was the fastest graduation since Botswana graduated in 1994, it nevertheless is longer than the six and a half to seven and a half years the current framework presumes. As a result of a series of deferrals by the Economic and Social Council, some countries have been in the decision stage for up to 12 years. While the Doha Programme of Action recognizes the link between extensions of the preparatory period in case of external events and the enhanced monitoring mechanism,[15] as implemented in the case of Solomon Islands in 2023,[16] further guidance should streamline the procedures for such extensions. Moreover, the current graduation framework provides no clear guidance in case a graduating or recently graduated country no longer meets the graduation criteria, as happened in the case of Angola.

21. A second main element of an updated resolution would be to provide guidance for the provisions of smooth transition support measures and incentives. Strengthening international support for graduating and recently graduated countries would assist countries in continuing their graduation trajectory even in case of external shocks. As the external environment for graduation has become more challenging, effective international support is becoming ever more important to ensure that transitions out of the LDC category are smooth and sustainable. Improved incentives, as stated in the Doha Programme of Action, paragraph 281, could provide additional momentum to the sustainable development of graduating and recently graduated countries while also leading to a better alignment between national and international objectives on graduation.

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[14] General Assembly resolution 75/259 on the extension of the preparatory period preceding the graduation of Angola from the least developed country category.

[15] General Assembly resolution 76/258, annex, para. 284.

[16] In 2022, Solomon Islands requested the activation of the crisis response mechanism, as recognized by the Doha Programme of Action in its para. 284, through a country fact finding mission, the inter-agency task force on least developed country graduation contributed to the analysis by the Committee for Development Policy of the impacts of global crises and political turmoil on the preparatory process for graduation. Consultations were held with the Government. The Committee concluded that more time was needed for the Government to conduct the wide and inclusive consultations that are essential to prepare a sustainable graduation of the country. The Economic and Social Council endorsed the recommendation in its resolution 2023/10 of 7 June 2023. The General Assembly adopted resolution 77/323 on 25 August 2023, in which it noted the urgent situation in Solomon Islands resulting from shocks that had severely disrupted the graduation process and decided to extend until the end of 2027 the preparatory period before its graduation.

III. Coordinated United Nations system support for graduating and recently graduated countries

22. In its resolution 67/221, the General Assembly emphasized that a successful transition needed to be based on the national smooth transition strategy elaborated as a priority by each graduating country, during the period between the date the recommendation that the country be graduated is taken note of by the Assembly and the effective graduation date, under national leadership, with the support of development and trading partners and with targeted and coordinated assistance from the United Nations system. Furthermore, graduated countries should prepare reports on smooth transition after graduation and participate actively in the enhanced monitoring process of the Committee for Development Policy, as stated in the Doha Programme of Action, paragraph 284. This is seen as the basis for a successful transition that ensures the phasing out of least developed country-specific support measures does not disrupt a country's development.

23. The inter-agency task force on least developed country graduation, led by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States since 2017, has been instrumental in better coordinating United Nations support for graduation, focusing attention on the graduating countries and avoiding duplication of efforts, as also flagged in the road map for the enhanced implementation of the Doha Programme of Action.[17] Chaired by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, the task force works to continuously enhance the coordinated United Nations system-wide support to graduating countries, in close cooperation with the United Nations resident coordinators and country teams, and with the secretariat of the Committee for Development Policy of the Department of Economic and Social Affairs, soon after a least developed country is found to meet the graduation criteria for the first time. The Resident coordinators are then asked to follow up with the concerned Government counterparts and further consultations can be organized based on demand. Those consultations are proving useful in reducing uncertainties in the face of the graduation process.

24. Based on country requests, the task force has rallied the system and other relevant international and regional partners around country level joint workshops that ensure broad multi-stakeholder participation, including main development partners, civil society and private sector representatives interested in learning more about the changes brought by graduation and about Government plans. Following the joint workshops organized in Sao Tome and Principe and Solomon Islands in 2019, the task force continues to be active in supporting these two small island least developed countries as they approach graduation. In cooperation with the United Nations Resident Coordinator in Sao Tome and Principe and the Department of Economic and Social Affairs, the Task Force has drawn up support plans to facilitate the country's transition out of the category through a broadening of its donor base and strengthening of its business regulations and investment promotion agency, with the generous support of Portugal. In the case of Solomon Islands, the task force co-leads, Economic and Social Commission for Asia and the Pacific and the Resident Coordinator's Office in Fiji, with the support of the Department of Economic and Social Affairs, have been providing capacity-building assistance to the Ministry for National Planning and

[17] See: Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, *Roadmap for the Implementation of the Doha Programme of Action for the Least Developed Countries*, February 2024, New York. Available at: https://www.un.org/ohrlls/sites/www.un.org.ohrlls/files/dpoa_roadmap_2024_draft.pdf.

Development Cooperation in Honiara, with a view to supporting the formulation of the country's smooth transition strategy.

25. With regard to the graduating cohort of 2026, the Task Force has been working in close collaboration with the United Nations Resident Coordinators in Bangladesh, Lao People's Democratic Republic and Nepal. A workshop on South-South exchange was organized in 2022, where the representatives of the three countries shared opportunities, challenges and areas of common concern for preparing and implementing their smooth transition strategies. The workshop also included peer learning elements from the Republic of Korea and Viet Nam. In preparation for their graduation out of the least developed country category in 2026, Lao People's Democratic Republic and Nepal have recently adopted their smooth transition strategies.

26. The Sustainable Graduation Support Facility was launched during the Fifth United Nations Conference on the Least Developed Countries, held in Doha, and has been piloted by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and Department of Economic and Social Affairs Committee for Development Policy secretariat to respond to the increasing demands from graduating and recently graduated least developed countries. The Doha Programme of Action recognizes the Facility as a country-led, partnership-based global platform and calls upon Member States to support the initiative. Once fully operationalized, it will be instrumental as an institutionalized support centre for graduating countries as they progress towards the Sustainable Development Goals during this decade of action. The Facility provides dedicated capacity development and technical advisory support in preparing and managing graduation and a smooth transition towards sustainable development in a post-COVID-19 environment. In addition to exploring new and innovative ways to support graduating least developed countries through North-South cooperation, the Facility will leverage South-South and triangular cooperation and dialogue to foster peer learning and knowledge sharing in preparing least developed countries smooth transition strategies. These strategies will include specific and predictable measures aligned with the graduating country's priorities and will be integrated into their overall development strategy. This will aid in preparing for graduation, navigating the post-graduation landscape, and achieving national sustainable development priorities.

27. The Sustainable Graduation Support Facility will offer dedicated capacity-building support and technical advisory services across six main areas: (i) addressing the loss of existing least developed country-specific international support measures; (ii) improving the ability of graduating and graduated LDCs to access non-least developed country-specific support; (iii) preparing and implementing smooth transition strategy; (iv) assistance in accessing financing transition and beyond; (v) facilitating South-South Cooperation, dialogue and sharing country as well as region-specific knowledge and experience; and (vi) ensuring effective participation in the monitoring process of the Committee for Development Policy. These services are continually enhanced and informed by the experiences of the countries that have utilized its services. This ensures that the Facility remains relevant to the changing needs of newly graduating and graduated countries. Countries can select and co-design specific solutions with key Facility partners tailored to their needs and capacities. Services will address critical binding constraints and would be time-bound for each supported country. Five of the six services offered have been piloted in Vanuatu, by the Department of Economic and Social Affairs, in collaboration with Economic and Social Commission for Asia and the Pacific. The Department of Economic and Social Affairs also supported the development of a smooth transition strategy in Bangladesh.

28. The success of the Sustainable Graduation Support Facility requires a reinvigorated global partnership, including policy and technical advisory, financial

investment, loans and private sector partnerships, especially in technology and infrastructure, to ensure sustainable and resilient graduation for all countries. Rapid and significantly scaled-up voluntary funding by Member States is needed to fully operationalize the Facility.

IV. Smooth transition measures

29. The importance of extending international support to graduating least developed countries for a smooth transition out of the category is well recognized by the international community. General Assembly resolution 67/221, set out specific measures that the international community must take in support of these countries. However, the need for specific and targeted support for the graduating least developed countries has become even more important with the increasingly diversified characteristics in terms of the size and economic structure of the countries slated for graduation. Some of the graduating least developed countries and potential graduates during this decade will be economically larger and more dependent on global trade, which could make the trade costs of graduation more significant than for most graduates to date. In addition, decades of progress achieved by the graduating least developed countries are challenged by the large and prolonged socioeconomic costs of the COVID-19 pandemic, compounded by climate change, food and energy crises, rising indebtedness and conflict.

30. In formulating their smooth transition strategies, graduating countries should consider, inter alia, to what extent they are utilizing, and benefiting from, least developed country-specific support measures as these will either be lost upon graduation or, if a smooth transition measure applies, three or five years after graduation. Examples of smooth transition measures include the extension of the benefit of travel-related support made available by the United Nations to the least developed Member States to attend General Assembly sessions.[18] The Technology Bank for the Least Developed Countries extends its support to countries for five years after graduation, the United Nations Capital Development Fund offers last mile financing models to graduated countries for up to five years with various levels of cost-sharing arrangements, and the International Development Law Organization and Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States Investment Support Programme for the Least Developed Countries, as highlighted in paragraph 260 of the Doha Programme of Action, provides on-demand legal and professional assistance to least developed country Governments and eligible State-owned or private sector entities for investment-related negotiations and dispute settlement for up to five years after graduation.

31. The graduating countries should also provide monitoring reports annually to the Committee for Development Policy and seek the support of the inter-agency task force on least developed country graduation, which coordinates United Nations system support for graduating least developed countries and the Sustainable Graduation Support Facility. The Doha Programme of Action also keeps provisions to extend support and incentives to the graduated countries, including through its five key deliverables.

32. However, in many cases, smooth transition measures do not exist and there is a clear need to enhance or extend existing mechanisms to better support the graduating countries, as the support provided while in the least developed country category may

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[18] General Assembly resolution 65/286.

change. The analysis in the following subsections looks at changes in access to trade support measures, development and climate finance.

Trade support measures

33. After a country graduates from the least developed country category – and in many cases after a smooth transition period – it generally retains access to standard Generalized System of Preferences programmes in developed countries, in addition to other preferential terms resulting from bilateral or regional agreements. Furthermore, some key least developed country exports (such as oil and minerals) face zero most-favoured-nation tariffs in major markets and will, therefore, not be affected by graduation. For instance, the European Union, China, Türkiye and the United Kingdom of Great Britain and Northern Ireland extend eligibility for three years after graduation. In other markets, some graduated countries have retained preferential treatment for a period after the date of graduation either because there are no automatic procedures for their removal from the list of beneficiaries, or because there is an administrative lag, or a combination of reasons.

34. The World Trade Organization (WTO) rules have several built-in mechanisms that can support WTO members graduated from the least developed country status, to address their trade-related challenges resulting from graduation. They include: [19] submitting a request for a waiver from WTO obligations; extending transition periods; addressing specific problems through Committee work; and better monitoring of graduation-related implications through the Trade Policy Review Mechanism. In March 2024, the thirteenth WTO Ministerial Conference adopted a decision establishing two new smooth transition measures in favour of countries graduated from the least developed country category.[20] The decision relates to the application of the special procedures involving least developed countries as set out in article 24 of the WTO Dispute Settlement Understanding, as well as to the least developed country-specific technical assistance and capacity-building provided by the WTO technical assistance and training plan, countries that have graduated from the category will now benefit from those special procedures and the least developed country-specific technical assistance and capacity-building for three years after the date of graduation. The phase-out timelines from all other provisions in WTO decisions and agreements were not established, but work in this regard will continue, with a tentative deadline for recommendations by December 2024.

35. The European Union, the United Kingdom and Norway have non-reciprocal preferential market access schemes that lie, in terms of coverage, in between the least developed country-specific ones and the standard Generalized System of Preferences. With respect to access to the European Union market, following the transitional period of three years after graduation, the countries would no longer benefit from the Everything but Arms arrangement. They are then considered under the standard Generalized System of Preferences arrangement. Graduated least developed countries that have ratified and effectively implement 27 conventions spanning issues of human and labour rights, environmental protection and good governance, are eligible for the Generalized System of Preferences Plus, which provides more generous tariff preferences than under the standard System.[21] Graduated countries that are part of the African, Caribbean and Pacific Group of States and have signed economic partnership agreements with the European Union can maintain duty-free, quota-free market access. In the United

[19] World Trade Organization, *Trade Impacts of LDC graduation*. Available at: https://www.wto.org/english/res_e/booksp_e/trade_impacts_of_ldc_graduation.pdf.

[20] World Trade Organization, document WT/MIN (24)/34.

[21] Countries that are classified by the World Bank as upper-middle-income countries for three consecutive years are neither eligible for the Generalized System of Preferences nor the System Plus once they lose their least developed country status and Everything but Arms preferences.

Kingdom, low-income and lower-middle-income countries meeting certain vulnerability criteria are eligible for Enhanced Preferences under the Developing Country Trading Scheme, which grants duty-free market access for 85 per cent of tariff lines.

36. The Pacific Agreement on Closer Economic Relations (PACER) Plus, a reciprocal arrangement between Pacific countries, including Australia, New Zealand and eight of the Pacific Island countries, allows for duty-free quota-free market access, but obliges Pacific Island member countries to reduce import tariffs over time and to liberalize incoming services trade and investment.[22] The tariff reduction schedule is slower for the three least developed country signatories – Solomon Islands, Tuvalu and Kiribati – with reductions beginning 10 years after PACER Plus comes into force, unless the country graduates from least developed country status. "Year 1 least developed country" for tariff reductions will be the calendar year following that of the date of its least developed country graduation. For example, with Solomon Islands scheduled to graduate in 2027, tariff reductions could begin in 2028. Most tariffs would be at zero by 2032, and tariffs on all goods would be removed by 2047.

Development and climate finance

37. The least developed country graduation process recognizes that a country is engaged on a credible development path and has achieved sustained improvements across a range of key socioeconomic and environmental indicators. The positive signals graduation sends can open up new financing opportunities by raising the country's profile and reducing risk perceptions among lenders and investors. However, as discussed above, least developed country graduation also comes with financing challenges that the country and its development partners need to anticipate and address to avoid financing gaps and development setbacks.

38. The impact of least developed country graduation is difficult to assess in isolation from other transition processes. Least developed country graduation is one of many formal and informal transition processes that developing countries come across as they develop. This means that graduating countries must often deal with the simultaneous impact of several transition processes, including graduation from an income group or the loss of eligibility to specific concessional windows. For example, out of the countries scheduled to graduate from the least developed country category by 2027, two are already in the Gavi, the Vaccine Alliance, accelerated transition phase (Sao Tome and Principe and Solomon Islands). If not compensated by a proportional increase in government expenditure or private saving (out-of-pocket expenditure),[23] the phasing out of Gavi support could hinder access to vaccines.

39. After least developed country graduation, countries continue to have access to external support, but its forms and modalities vary. Most development partners indicate that least developed country status is not a main criterion for official development assistance allocation. Therefore, such assistance to graduated countries is not expected to change because of graduation. However, some donors might switch from grants to concessional loans or increase interest rates for concessional loans.

40. The International Development Association of the World Bank Group provides zero to low-interest loans to the poorest and most vulnerable countries. Eligibility for loan allocations from the Association depend on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually ($1,315 in 2024) and the absence of creditworthiness. The Association has its own graduation process: graduation becomes effective only every three years, in line with Association

[22] See https://www.un.org/ldcportal/content/pacific-agreement-closer-economic-cooperation-pacer-plus.

[23] OECD (2021), "Financing transition in the health sector: What can Development Assistance Committee members do?", OECD Development Policy Papers, No. 37, OECD Publishing, Paris, https://doi.org/10.1787/0d16fad8-en.

cycles, after an examination of the country-specific situation. The Association also supports several small island economies that are above the operational cut-off, owing to its small State exception. As at June 2024, all least developed countries, except for Angola, were eligible to receive Association resources (including blend countries).[24] Of the seven least developed countries graduated thus far, only two (Botswana and Equatorial Guinea) are also Association graduates.

41. In addition to policy advice and capacity development support which are available to all countries, the International Monetary Fund provides temporary balance of payments financing to eligible low-income countries through the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust. Eligibility for concessional Poverty Reduction and Growth Trust lending is based on income per capita, vulnerability and market access. Special eligibility rules apply to small States recognizing their unique vulnerabilities. The only least developed country that is currently not eligible is Angola. Countries that have graduated from the least developed country category, except for Botswana and Equatorial Guinea all currently remain eligible for Poverty Reduction and Growth Trust loans; while all low and middle-income countries are Resilience and Sustainability Trust eligible, and it is expected that other least developed countries will remain eligible even as they graduate from the United Nations least developed country category.

42. Access to climate change finance is especially important for graduated countries, as they often remain highly vulnerable to the effects of climate change. Access to the Least Developed Countries Fund under the Global Environment Facility will be discontinued with graduation, but countries already in a funding cycle when they graduate will continue to receive those funds until their cycle is complete. The Green Climate Fund Board uses minimum allocation floors for least developed countries, small island developing States and African States. The Board continues to aim for a floor of 50 per cent of the adaptation allocation for these vulnerable countries. Thus, after graduation, small island developing states and African states will retain their access to the Green Climate Fund.

V. Supporting transition finance strategies in least developed countries through integrated national financing frameworks[25]

43. Governments of least developed countries are using integrated national financing frameworks to mobilize and align investments that will lead toward accelerated graduation and, subsequently, a smooth graduation process contributing toward sustainable development outcomes. Financing frameworks are being used to strengthen capacities and introduce innovative instruments to diversify the financing mix, enhance the impact of financing on social, sustainable, and economic priorities, and ensure a smoother, more sustainable transition from the least developed country category.

[24] The list is available from: http://ida.worldbank.org/about/borrowing-countries.

[25] Integrated national financing frameworks are country-led strategies to strengthen the financing for national development priorities and the Sustainable Development Goals. Through financing frameworks, countries develop a strategy to mobilize and align financing with all dimensions of sustainability, broaden participation in the design, delivery and monitoring of financing policies, and manage risk. Two thirds of least developed countries are currently developing integrated national financing frameworks to design and implement country-led financing strategies and reforms that drive investment towards least developed country graduation, the Sustainable Development Goals, and the objectives of the Paris Agreement.

44. Thirty-two least developed countries, including nine in the graduation pipeline,[26] are currently implementing integrated national financing frameworks. Nine least developed countries have operational financing strategies that are either endorsed by the Government and/or under implementation. Twenty-two least developed countries are implementing and taking forward over 65 financing reforms across public and private financing policy areas within financing framework processes.

45. Countries use integrated national financing framework processes to prepare for the financing landscape beyond least developed country graduation. In Lao People's Democratic Republic, for example, the financing strategy launched in 2023 addresses the reform of the trade, investment promotion, business environment and fiscal policy reforms side by side, reconsidering tax exemption schemes to unlock private finance concretely. These reforms have been prioritized as critical to boosting investor confidence in the context of least developed country graduation, anticipated in 2026.

46. Through integrated national financing frameworks, least developed countries are reshaping their fiscal policies to create larger space for financing sustainable development priorities. Twelve least developed countries are taking forward reforms related to domestic revenue mobilization, including tax policies. The Government of Comoros initiated capacity-building programs for its tax administration officials, aiming to improve the efficacy of tax policy enforcement. They are also conducting tax inspections for large companies, census of individual land taxes, and research on the informal sector to explore untapped tax space and potential areas for revenue enhancement. These measures successfully leveraged an additional $500,000 in revenue between 2022 and 2023. Uganda's financing strategy prioritizes adopting consistent approaches to revenue, fees and charges across local governments, including enhancing capacity and consistency in the collection of property taxes and fees. Lao People's Democratic Republic has established a tax expenditure database, commenced tax exemption evaluations, and is using the findings to inform policy reforms that include eliminating tobacco tax incentives. These efforts could potentially generate $17 million in additional annual income.

47. Eleven least developed countries are implementing reforms related to aligning public expenditure and investment with the Sustainable Development Goals within the integrated national financing framework processes. In Bangladesh, for example, climate change is incorporated into budget programmes and expenditures, and the Government recently used this system to access a $1.4 billion loan from the Resilience and Sustainability Facility of the International Monetary Fund.

48. Integrated national financing frameworks enable least developed countries to situate their debt policies within the broader financing policy and enhance the impact of the debt proceeds on the achievements of the Sustainable Development Goals while taking measures to strengthen the macro-fiscal conditions. In Rwanda, the Development Bank of Rwanda successfully issued a 30 billion Rwandan franc (approximately 25 million United States dollars) sustainability-linked bond on the Rwanda Stock Exchange, linked to the key performance indicators on mainstreaming environmental, social and governance frameworks in partner financial institutions, increasing women-led business loans and financing affordable housing, with innovative step-down coupon features. One of the main features of this issuance is the 33 per cent credit enhancement via the World Bank lending operation to the Ministry of Finance of Rwanda. In the United Republic of Tanzania, in 2023 two

[26] Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Comoros, Djibouti, Democratic Republic of the Congo, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lao People's Democratic Republic, Lesotho, Malawi, Mali, Mauritania, Nepal, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Timor-Leste, Togo, Uganda, United Republic of Tanzania, Vanuatu, Zambia.

commercial banks (CRDB Bank and NMB Bank) issued $66.8 million worth of green and social bonds and, in February 2024, the Tanga water authority issued the country's first subnational green bond leveraging $20.8 million. In Cambodia, the Government issued the country's first sovereign bond in 2023, in local currency, after the development of the policy framework for development of government securities. The Government plans to build on this experience with further bond issuances of $200 million in the future. In Comoros, the integrated national financing framework has enabled the government to mobilize funds of $1.5 million from the African Development Bank for a project supporting public debt management for the period 2024–2026. This project aims to increase borrowing capacity of the Government.

49. Least developed countries are using integrated national financing frameworks to enhance the role of private financing in the development financing landscape. In Rwanda, Ireme Invest,[27] supported by the Rwanda Green Fund and the Development Bank of Rwanda, employs a dual-approach mechanism to catalyse private sector participation in climate initiatives. It comprises a Project Preparation Facility that disburses grants to projects ready for investment, and a Credit Facility that offers concessional loans and credit guarantees to mitigate investment risks. Since its launch at the twenty-seventh Conference of the Parties to the United Nations Framework Convention on Climate Change, the facility has attracted over $300 million[28] in investment, showcasing how strategic use of mixed financing can bridge the gap between capital markets and climate action goals.

50. Least developed countries and recently graduated countries use integrated national financing frameworks to enhance the partnership and financing opportunities between the public and private sectors. Bhutan, for example, has reviewed and amended its public-private partnership policy within the integrated national financing framework. The revised policy aims to streamline the approval process for public-private partnership projects, categorize them into large or small scale, and allow unsolicited project proposals, which were previously restricted. The Tanzania Agriculture Development Bank unlocked $8 million in blended finance to finance 10 agriculture projects. In Senegal, credit guarantees from the African Development Bank are facilitating 400 million euros for green and social investment. In Uganda, a Climate Financing Facility was set up under the management of the Uganda Development Bank, which committed 50 billion Uganda shilling (approximately 13.5 million United States dollars) for the capitalization of the facility. The facility is a strategic fund that is already making available "affordable finance" for promoting climate-smart agriculture, ensuring climate-resilient infrastructure, and promoting low-carbon industries.

VI. Conclusions and recommendations

51. **With 15 least developed countries meeting the graduation thresholds, including several on the verge of leaving the category, it is essential that the necessary conditions are in place to ensure that graduation leads to sustained and sustainable economic growth and prosperity. There is a need for enhanced smooth transition measures and coordinated programmes of support by trade and development partners addressing the specific vulnerabilities of the graduating countries.**

52. **Least developed countries eligible for graduation should start preparations for a smooth transition strategy early – led by Governments, with the involvement of other stakeholders in its design and implementation. It is crucial**

[27] See https://iremeinvest.rw/about-us/.

[28] "*Rwanda, Team Europe and Partners Pioneer EUR 300 Million Financing to crowd In Private Investment and Build Climate Resilience*".

to sensitize the population, civil society and the private sector on the opportunities and challenges from graduation and involve them in the development of a smooth transition strategy. Monitoring smooth transition strategies should be integrated with existing monitoring frameworks, including progress towards reaching the Sustainable Development Goals.

53. **All existing smooth transition measures should be further enhanced and extended, and their monitoring needs to be enhanced. Trade and development partners, that are not yet extending their least developed country-specific support measures to graduated countries are invited to do so urgently.**

54. **Graduating least developed countries require support measures tailored to each country's context, reflecting their specific needs based on their stage of development, productive capacities, and capacity for policy analysis and action in various areas, including trade, intellectual property rights, technology transfer and know-how and innovative development financing. Thus, each graduating and graduated country requires new concrete, specific and dedicated support measures to be tailored to its country context. Furthermore, international support is urgently needed to significantly increase the availability of high-quality, timely, reliable and disaggregated data, which are needed to assess potential effects of graduation and design smooth transition strategies. Where common needs emerge, South-South solutions and regional mechanisms could be considered, where expertise from the South and the region is promoted to help countries prepare for sustainable graduation and smooth transition.**

55. **Furthermore, the international community should recommit to the implementation of the incentives package for graduating least developed countries, agreed in the Doha Programme of Action, in particular on access to concessional finance and facilitating innovative financing mechanisms and instruments including access to climate finance and climate facilities; and enhancing trade, including access to markets and flexibility of implementation of intellectual protection regimes under the Trade-Related Aspects of Intellectual Property Rights.**

56. **The Office of the High Representative for the least developed countries, landlocked developing countries and small island developing States should continue to lead the inter-agency task force to respond to the demand from graduating least developed countries. It should continue to rally the United Nations system in support of each graduating least developed country and ensure better coordinated provision of joint initiatives to support a smooth transition out of the category. This includes continuing to coordinate joint United Nations system activities and facilitate peer learning, as graduating countries can benefit from the experience of countries that have already graduated or are further along in the process. The inter-agency task force should continue to organize, upon country demand, joint United Nations country workshops on graduation support in close collaboration with the United Nations resident coordinators, the country teams and other partners, including key development partners, international and regional organizations, civil society and the private sector.**

57. **Country-specific, partnership-based global support offered through the Sustainable Graduation Support Facility can be a key stepping stone for graduating and graduated countries to achieve the Sustainable Development Goals. A reinvigorated global partnership with enhanced and predictable financial commitments, including through voluntary contributions, is needed to urgently ensure the full operationalization of the Facility to provide tailored country-specific support to graduating countries. The Sustainable Graduation Support Facility should coordinate the provision of country-specific technical**

support and advisory services on the steps involved in establishing consultative mechanisms and in preparing smooth transition strategies. This should include also greater clarity on the transition process, in particular on the type and extent of support countries receive after graduation and national policies that the countries need to pursue, and increased support to address institutional capacity constraints, improve good governance, as well as provide technical support and build capacity for trade and financial negotiations.

58. **Least developed countries can use integrated national financing frameworks to create more opportunities for financing sustainable development priorities and to prepare for the financing landscape beyond least developed country graduation. Part of the value added of the integrated national financing framework is its adaptability to new contexts: the overall approaches to making the best possible use of all resource flows to achieve development goals can be applied in countries facing diverse situations and challenges, and to managing the implications of transitions. Development partners should help graduating and recently graduated least developed countries design holistic and dynamic financing strategies taking into account transition finance challenges, by supporting integrated national financing frameworks, and by aligning their cooperation with the national financing priorities articulated through country-led financing frameworks. Because financing frameworks are country-led, interested Governments of least developed countries should reach out to United Nations country offices and the United Nations Development Programme to discuss developing one in their country. In addition to strengthening policy frameworks, United Nations support can enable graduating countries to enhance domestic resource mobilization and attract private investment.**

59. **The General Assembly is invited to consider a comprehensive update to the graduation framework to make it better fit for purpose, considering the changes in the global context, and to provide guidance on cases of interruptions, deferrals and extensions of preparatory periods before graduation. Strengthening and expanding support measures and incentives for graduation should receive further consideration as per the relevant commitments under the Doha Programme of Action.**