

**THE LEAST DEVELOPED COUNTRIES  
REPORT 2016**

*The path to graduation and beyond: Making the most of the process*



**Graduation:  
What it means  
What it doesn't mean  
How countries can  
best approach it**

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Geneva, 19 May 2017

# Structure of the presentation

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1. What graduation **means**
2. What graduation **may / may not mean**
3. What graduation **does *not* mean**
4. How countries can **best approach graduation**



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# 1. What graduation means

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## Formally

- **Exit from the LDC category, based on three criteria:**
  1. **GNI per capita**
  2. **Human assets index (HAI)**
  3. **Economic vulnerability index (EVI)**
  
- **In two consecutive triennial reviews by Committee for Development Policy (CDP), countries should *either***
  - a) **reach thresholds for at least two criteria, or**
  - b) **reach *double* the GNI p.c. threshold (income-only graduation)**
  
- **Graduation process emphasizes flexibility**

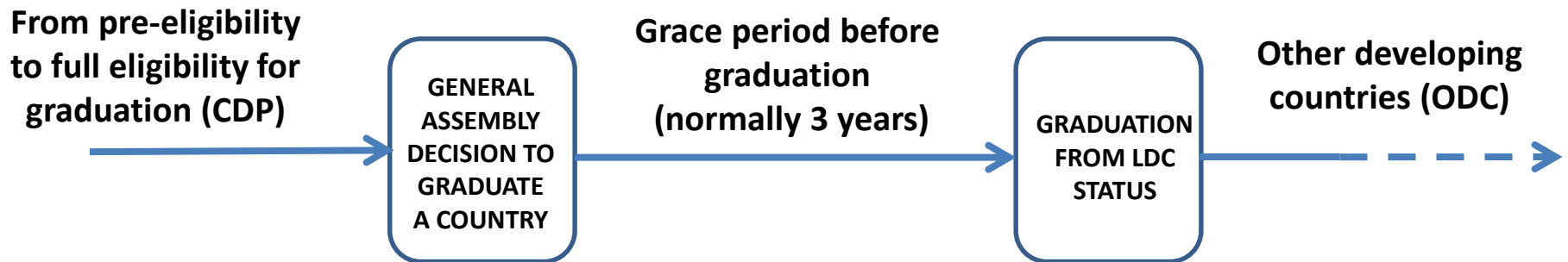


# 1. What graduation means

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## Formally

- The end of a political and administrative process



## 1. What graduation means

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# Substantially

- **A marker of development**
  - ✓ **But it's just the first winning post of the marathon of development**
  
- **Transition to what?**
  - ✓ **«Other developed countries» (ODC)**



# Structure of the presentation

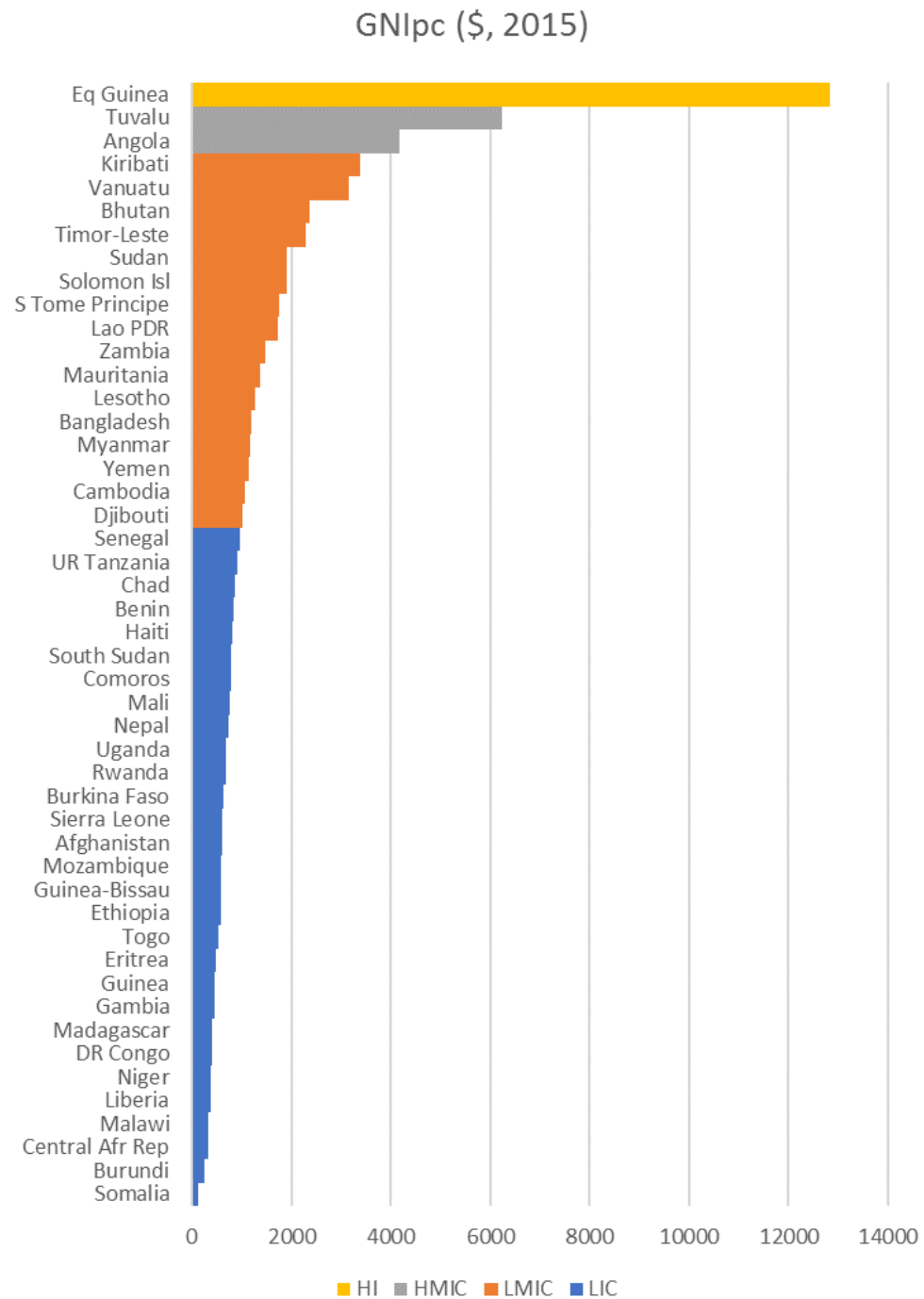
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## 2. What graduation may / may not mean

➤ **Becoming a middle-income country?**

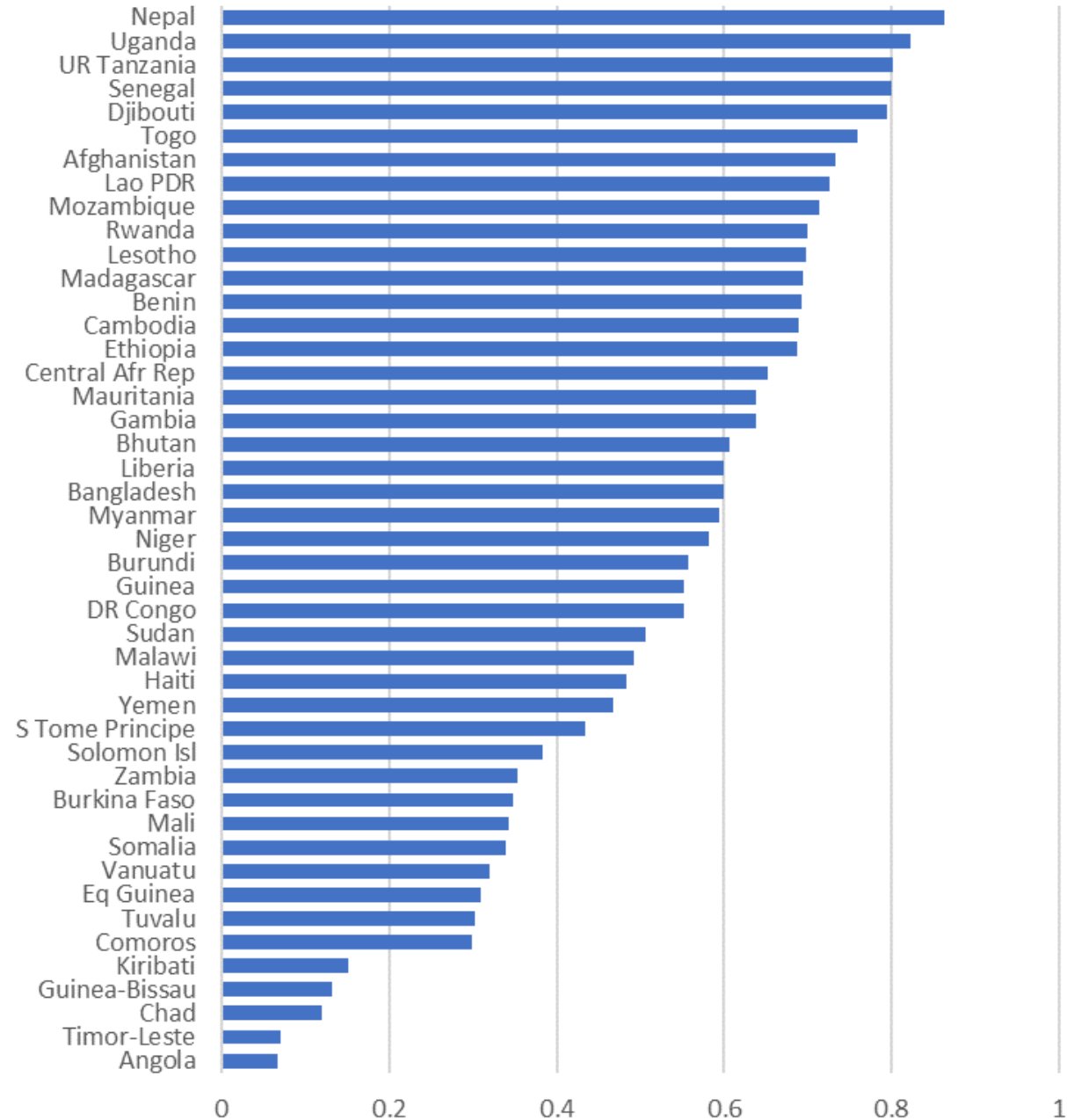




## 2. What graduation may / may not mean

➤ **Undergoing structural transformation?**

Export diversification index, 2015



## 2. What graduation *may* / *may not* mean

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➤ **A national goal?**

- ✓ **Yes, for most countries close to graduation**
- ✓ **No, for those farther from it**



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### 3. What graduation *does not* mean

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- **The winning post of the race to leave the LDC category**
- **The end of the development process**
- **The end of all forms of preferential treatment**
  - ✓ **E.g. GSP, GSP+, AGOA, South-South preferential market access**
- **The only marker of LDC development**
  - ✓ **Progress is possible without graduation**
  - ✓ **Much depends on the starting point**



# Structure of the presentation

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## 4. How countries can best approach graduation

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### ➤ **Need to move**

✓ **FROM graduation strategies focused on the statistical criteria for graduation**

✓ **TO strategies focused on graduation with momentum**



# Graduation with momentum

- **Overcome the structural handicaps and exit from the “traps” that limit their development**
  
- **Achieved through**
  - ✓ **Broad-based development of productive capacities**
  - ✓ **Diversification**
  - ✓ **Structural economic transformation**
    - ❖ **...not fully captured in graduation criteria**



# Graduation with momentum

- **Establishes the basis needed for continued and solid sustainable development in the post-graduation phase**
- **Accords with sustainable development as targeted in the SDGs**
- **Economically, how a country graduates is at least as important as when**
  - **...but the reverse may be the case politically**





## 4. How countries can best approach graduation

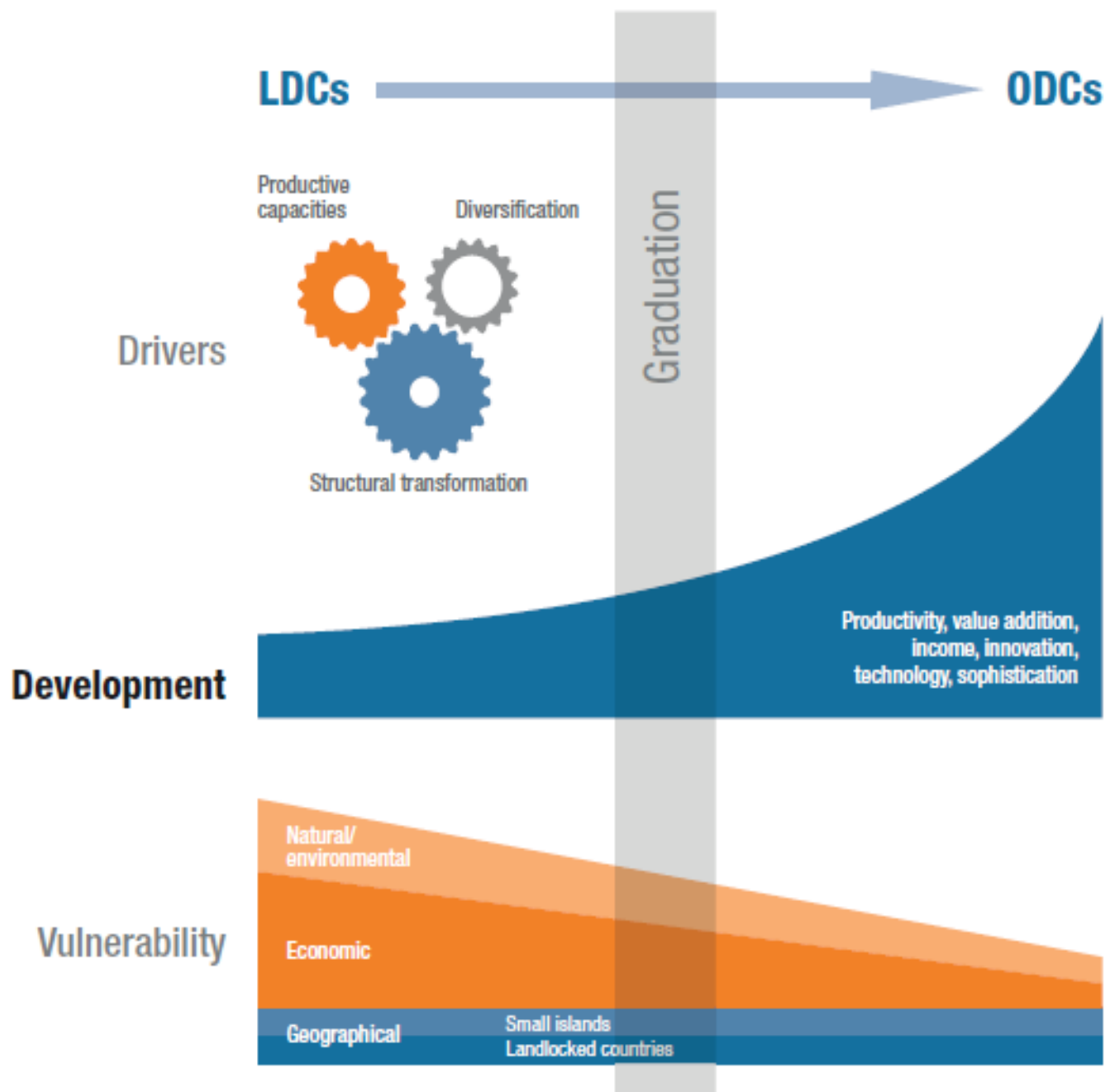
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# Policy approach

- **Plan ahead strategically**
  - ✓ **Smooth transition**
  - ✓ **Prepare for loss of preferential treatment**
- **Crucial policies**
  - ✓ **Macroeconomic**
  - ✓ **Rural transformation**
  - ✓ **Industrial**
  - ✓ **STI**



Figure 1.15. LDC graduation and sustainable development



In sum

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# Thank you!

[www.unctad.org/lcd](http://www.unctad.org/lcd)

