



**Prospects of graduation for least  
developed countries  
What structural change?**

**Patrick Guillaumont**

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*by*

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# Changing meaning of graduation: from a threat to a goal

- Since Istanbul, graduation has been considered less as a threat to the development of graduating countries and more as a signal that these countries are reaching a new phase of development
- Felt as a threat from 1997 to 2011 by graduating countries (VA, CV, ML, Samoa, Eq. Gu....)
- A threat overemphasized, because benefits of membership were overestimated...and the risk to come back to the category nil
- A goal in the IPoA of “enabling half of the number of LDCs to meet the criteria for graduation by 2020”
- A goal overestimated, unreachable by 2020, but reachable later
- Paradox: graduation less felt as threat while benefits are becoming more effective



## Facts and figures on graduation at the MT of IPoA

- The *impact of asymmetry* between inclusion and graduation criteria is high: At the 2015 review of the list of LDCs, among the 48 LDCs under consideration 31 were no longer meeting the three complementary inclusion criteria; 1/3 of LDCs would be eligible for inclusion (“graduation potential”).
- In 2020, *10 out of the 48* LDCs of IPoA can meet the graduation criteria, instead of half set as a goal in the IPoA.
- The *change brought in 2015* in the calculation of the thresholds of the two structural handicap criteria (EVI and HAI), making them absolute instead of relative criteria, has made easier to meet the graduation criteria, with *three more countries found eligible a first time in 2015*
- *Out of the 10 countries* that will have possibly met the graduation criteria by 2020, *only four are likely to actually graduate* during the period covered by IPoA
- *Six or seven* out of the 10 countries likely to have met the criteria by 2020 may meet the *income-only criterion*



## Long term prospects and conditions for graduation

- Long-term prospects are better, in particular if LDCs are able to grow at the IPoA total income target of 7 per cent.
- But only with a 7 per cent rate of growth of income *per capita*, half of the 48 Istanbul LDCs will be able to have reached the income-only per capita criterion by 2030.
- Graduated and graduating LDCs are so as a result of their economic growth and improvements in their levels of human capital.
- Their structural economic vulnerability, remaining high, had nearly no impact on graduation, although it has declined faster than has been the case in other LDCs
- Reduction in structural handicaps—the rationale behind LDC graduation—could be better reflected in the design of the graduation criteria.
- Reduction in structural handicaps to development is also a condition of the structural transformation recommended by IPoA

## Addressing risks: « smooth transition »

- In the move from the threat to the goal: smooth transition
- Concern of the CDP since 15 years
- Matter of 2 UN GA resolutions
- 2 sides of a smooth transition
- International side, again with 2 Kinds of measures
  - postponement of the loss of some benefits (eg. EBA, EIF): transitory
  - management by criteria rather than by the category, for measures that are non-binary: ODA criteria
- Domestic side : smooth ntransition is nothing else than development policy , and for LDCs graduation becomes another name for development