



## Monitoring of countries that are graduating or have graduated from the list of least developed countries \*

### Summary

In its monitoring of countries that are graduating and have graduated from the least developed country category, the Committee reviewed the development progress of one recently graduated country, namely, Vanuatu, and seven graduating countries, namely, Angola, Bangladesh, Bhutan, the Lao People's Democratic Republic, Nepal, Sao Tome and Principe and Solomon Islands. The Committee expressed its concern at the limited national capacity of those countries to address diverse challenges, including the

COVID-19 pandemic, natural disasters and debt sustainability. It urges the countries to continue reporting to the Committee on their progress on preparing and implementing the smooth transition strategy. The Committee will continue to monitor the countries closely, especially Angola and Solomon Islands, in terms of the recovery from the crises, focusing on socioeconomic as well as environmental sustainability issues.

### Recommendation

The Committee recommends that the Council call on the international community to continue providing assistance to graduating and recently graduated countries. In particular, the Committee recommends that the Council call for increased financing for development, particularly for the strengthening of public health systems in preparation for possible future pandemics and for the expansion of productive capacities, including for sustainable infrastructure, while ensuring the sustainability of external debt. Special attention should also be given to building climate resilience, taking into account the non-linear

nature of climate risks and the difficulties of least developed countries in accessing climate financing, and disaster risk reduction, including assistance for the recovery of livelihoods and the provision of insurance coverage.

The Committee urges that trade-related international support measures, including access to all least developed country-specific trade preferences, and the special and differential treatment in the World Trade Organization agreements, especially in Trade-Related Aspects of Intellectual Property Rights, be extended for an appropriate time beyond graduation.

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\* Excerpt from Committee for Development Policy, Report on the twenty-fourth session, See Official Records of the Economic and Social Council, 2022, Supplement No. 13 (E/2022/33) and Corrigendum (E/2022/33/Corr.1) to the Report of the Committee for Development Policy

The Committee monitored the development progress of eight countries that have graduated or are graduating from the list of least developed countries. Bangladesh, Bhutan, the Lao People's Democratic Republic, Nepal, Sao Tome and Principe and Vanuatu appear to be well on track towards a smooth transition. Owing to the impacts of the COVID-19 pandemic, a prolonged economic recession and the volatile commodity market, and with the scheduled graduation in 2024, Angola needs careful monitoring over the coming months for possible immediate attention or actions by the Government and the international community, including the Committee. Solomon Islands faces challenges from COVID-19 and other shocks but remains on track towards a sustainable graduation, while the Committee needs to continue to closely monitor the development progress of the country, which is scheduled for graduation in 2024.

All the countries monitored are facing challenges in maintaining macroeconomic stability, to varying degrees. With reduced fiscal space as a result of the impacts of COVID-19, it is difficult for those countries to pursue two

## A. Introduction

As mandated in Council resolution 2021/11 and General Assembly resolution 67/221, the Committee monitored the development progress of one recently graduated country, namely, Vanuatu, and seven graduating countries, namely, Angola, Bangladesh, Bhutan, the Lao People's Democratic Republic, Nepal, Sao Tome and Principe and Solomon Islands. The Committee also consulted with Tuvalu, as mandated in Council resolution 2021/11. The detailed monitoring reports, with

## B. Graduated country

### Vanuatu

Vanuatu graduated in December 2020. The country was heavily affected by Cyclone Harold in 2020 and the ongoing COVID-19 pandemic. Services exports, particularly tourism as the country's major income source, has reduced significantly, but the economy is expected to rebound and to grow from 4 to 4.5 per cent in the coming years.

The Government of Vanuatu has been implementing the smooth transition strategy and is a pilot country of the sustainable graduation support facility iGRAD. The Government has held a country consultation meeting

policy objectives, namely, achieving short-term recovery and long-term sustainable development, at the same time. Policy interventions in each country need to be carefully designed and implemented to manage potential trade-offs.

The Committee recommends that all graduating countries include the following critical elements when developing their smooth transition strategies: (a) enhancing effective development governance, political stability and inclusiveness; (b) addressing inequalities and measures to reduce them, including those resulting from COVID-19; (c) building resilience against climate shocks and reducing disaster risks; (d) promoting South-South cooperation; (e) customizing the smooth transition strategies to promote productive capacity and diversification; (f) promoting technological upgrading and strengthening innovation systems; and (g) developing and adhering to a concrete timeline to complete the smooth transition strategy within two years of the adoption of the General Assembly resolution on graduation.

recommendations on policy priorities and support needs, are available on the Committee's website. Table 1 below shows the least developed country criteria and productive capacity index scores for the countries monitored, to highlight longer-term socioeconomic development progress vis-à-vis the established criteria and the central role of expanding productive capacities for graduation.

with the Committee, although it has not submitted its annual report on the smooth transition strategy to the Committee. The Committee recommends that the country implement the strategy in a phased approach. For example, promoting productive capacity, for instance by digitalizing the economy, should be the central part of the short-term recovery, as well as building resilience in the long run. It is suggested that Vanuatu continue to make efforts to overcome the limited statistical capacity with assistance from development partners.

Table: Least developed country criteria for the countries monitored, 2022

	LDC criteria			Productive capacities index
	Gross national income per capita (US dollars)	Human assets index	Economic and environmental vulnerability index	
<b>Graduation threshold</b>	<b>&gt;= 1,242</b>	<b>&gt;=66.0</b>	<b>&lt;=32.0</b>	<i>Not applicable</i>
<b>Graduated country</b>				
Vanuatu	3050	77.1	46.3	29.4
<b>Graduating countries</b>				
Angola	2,791	52.2	45.6	22.2
Bangladesh	2,004	76.2	27.2	26.8
Bhutan	3,045	79.8	25.5	30.1
Lao People's Democratic Republic	2,539	73.0	27.1	27.1
Nepal	1,198	76.5	23.8	26.3
Sao Tome and Principe	1,978	91.0	22.7	26.7
Solomon Islands	2,343	73.5	48.7	26.2
<b>Averages</b>				
Least developed countries	1,391	58.5	39.0	23.9
Other developing countries	9,259	88.3	31.1	31.6

Source: Committee for Development Policy secretariat and the United Nations Conference on Trade and Development.

Note: Details on the least developed country criteria and sub-indicators of the human assets index and the economic and environmental vulnerability index are available on the Committee's website. For details on the construction and interpretation of the productive capacities index, see the United Nations Conference on Trade and Development website. The productive capacities index values refer to 2018.

## C. Graduating countries

### Angola

Angola is scheduled to graduate in February 2024. The Committee takes note that the COVID-19 pandemic has aggravated the overall macroeconomic situation in Angola, leading to the fifth consecutive year of economic recession, in 2020, and high public debt. Despite some recent improvements in 2021, along with higher oil prices, in 2023, the gross national income per capita in Angola could fall below the income-only graduation threshold, which was the basis of the Committee's recommendation for Angola's graduation in 2015. The country is still far from reaching the graduation thresholds in the other two least developed country criteria, with only small improvements in the human assets index and a further worsening of the economic and environmental vulnerability index.

The Committee considers the situation in Angola fragile and highlights the need to continue to monitor the situation closely. That will be achieved through the new enhanced monitoring mechanism, which will also inform any further recommendation regarding the graduation of Angola.

The Committee welcomes the recent information provided by Angola regarding its efforts towards the preparation of the smooth transition strategy, while expressing concern at the very slow progress made in the preparation of said strategy in the past six years. The Committee recommends that Angola urgently finalize its smooth transition strategy. Structural transformation is most critical for Angola as an oil-dependent country, which also requires addressing

trade-offs between long-term objectives and short-term macroeconomic stability. This transformation can be

## Bhutan

Bhutan is scheduled to graduate in December 2023. Bhutan was highly successful in containing the COVID-19 pandemic through lockdowns and border closures at the earlier stages of the pandemic and through an effective vaccination programme in 2021. However, the strict containment measures did have severe economic implications and the gross domestic product dropped by an estimated 10 per cent in 2020. Growth has now returned, and the economy is projected to grow by 5 per cent in the 2021/22 financial year.

Bhutan has submitted its second annual report on the preparation of a smooth graduation and has been responsive to the Committee's communications. The

## Bangladesh

Bangladesh is scheduled to graduate in November 2026. Bangladesh achieved robust economic growth, between 6 per cent and 8 per cent annually during the period 2015–2019, and a positive growth of 3.5 per cent in 2020, despite the COVID-19 pandemic. The Government's fiscal balance decreased by 5.5 per cent, as it used existing fiscal space for active responses to the COVID-19 pandemic to protect the living conditions of the population. The debt to gross domestic product ratio rose to around 40 per cent but remains sustainable.

The Committee found that the Government of Bangladesh is well placed to prepare and implement the smooth transition strategy. The commitment and progress shown to date are commendable. The

## Lao People's Democratic Republic

The Lao People's Democratic Republic is scheduled to graduate in November 2026. The country experienced robust economic growth, averaging over 6 per cent per annum during the period 2015–2019, but the growth slowed down significantly as a result of the COVID-19 pandemic. The negative impacts of COVID-19 added to the difficulty of maintaining macroeconomic stability and managing national debt, around 70 per cent of gross domestic product, owing to the high volume of loans contracted for large-scale infrastructure projects. The country has limited fiscal space to simultaneously

achieved only with a strong national commitment, assisted by international support.

smooth transition strategy is being integrated into the thirteenth national development plan and the country seems to be well on track in its graduation preparations. The Committee's main concern is the country's heavy reliance on hydropower exports, tourism and agriculture. The Committee recommends that the Government continue its efforts to foster economic diversification, supporting in particular the development of small and medium-sized enterprises and cottage industries to help expand domestic production and reduce import dependency. It also recommends that Bhutan strengthen and diversify its linkages with trading partners and in particular diversify its exports to India.

Committee suggests that the country's strategy give attention to accelerating structural transformation within and across sectors, with research and development, technological learning, innovation and digitization as priorities. Domestic value chains should be promoted and productive capacities should be developed further, particularly human capital and institutions. It is recommended that Bangladesh diversify the destination markets of the export sector, while continuing negotiations with trading partners on smooth transition. A premature loss of preferential market access to key export markets may result in setbacks for a sustainable graduation.

maintain macroeconomic stability and recover from COVID-19.

The Government presented a strong commitment on graduation from the least developed country category and has established the consultative mechanism with trading and development partners, while drafting the smooth transition strategy. The Committee suggests that the Lao People's Democratic Republic include concrete plans and activities in the strategy to reduce macroeconomic instability and achieve long-term sustainable and inclusive economic growth.

## Nepal

Nepal is scheduled to graduate in November 2026. The Committee found that, while the country continues to meet the human assets index and economic and environmental vulnerability index criteria with solid margins, its gross national income per capita is still below the graduation threshold despite fast growth in recent years. This is due in part to the significant impacts of the COVID-19 pandemic on the tourism sector. Government

expenditure for public health and welfare increased, but social protection for vulnerable people remained limited.

The Government of Nepal has taken steps to prepare its smooth transition strategy and has submitted the annual report to the Committee. The Committee recommends that the country take concrete measures to promote productive capacity, including by promoting the cottage industry and diversifying the economy.

## Sao Tome and Principe

Sao Tome and Principe is scheduled to graduate in December 2024. The Committee notes that the country has been able, with external support, to effectively mitigate the socioeconomic impacts of the COVID-19 pandemic. The contraction of the tourism sector during the pandemic was more than compensated by higher public spending, including in social areas. Public debt remains sustainable, but accumulated arrears with bilateral partners are a main challenge.

The country continues to show improvement in all least developed country criteria indicators, and its graduation

is not at risk. Nevertheless, the Committee notes the need for continuous monitoring, as the country remains highly dependent on external support and both the economy and the social sector are still fragile. The Committee regrets that it has neither received a smooth transition strategy report from the Government nor been able to hold consultations. It strongly urges the Government of Sao Tome and Principe to finalize and present the country's smooth transition strategy.

## Solomon Islands

Solomon Islands is scheduled to graduate in December 2024. Solomon Islands continues to make slow but steady progress in building human assets and increasing national income. The Committee notes progress in diversification away from logging towards sectors such as fisheries and minerals. However, the country remains very vulnerable owing to the high market concentration both in terms of products and markets as well as the high disaster risk. During the country consultation meeting, the Government reported that the country is severely affected by the recent outbreaks of civil unrest and the COVID-19 pandemic. Progress in preparing a smooth transition strategy has been stalled. Solomon Islands has yet to submit an annual report to the Committee,

although it has been successful in ensuring continuous duty-free quota-free market access in the European Union and the United Kingdom of Great Britain and Northern Ireland.

The Committee further observes that Solomon Islands is facing substantial development challenges, with the preservation of macroeconomic stability, the strengthening of transparency and governance of public financial management as well as the extractive industries, improvement in the business environment, and progress on financial market development among the key issues. The Committee stresses the importance of good governance and public sector reforms in making progress in those areas.

## D. Deferred countries

As mandated by the Council in its resolution 2021/11, the Committee reached out to the countries whose graduation had been deferred, namely, Kiribati and Tuvalu, to discuss the development challenges that the countries are facing. The Committee held a virtual consultation meeting with Tuvalu. While there are no COVID-19 cases yet, the pandemic is having significant economic and social impacts. The Government is strongly committed to participating in the enhanced

monitoring mechanism that the Committee is developing and to establishing a regular communication channel with the Committee. Tuvalu has requested continued assistance from the United Nations system, not only with short-term response measures for crises but also long-term sustainable development. The Committee is looking forward to continuing the dialogue with Tuvalu and trusts that it will be able to hold country consultations with Kiribati as well.