



Enhanced monitoring of countries that are graduating or have graduated from the list of LDCs*

Summary

In its enhanced monitoring of countries that are graduating or have graduated from the least developed country category, the Committee reviewed the development progress of three recently graduated countries and six graduating countries. Expressing concern over the limited national capacity of those countries to address various challenges, including those stemming from rising food and fuel prices, less affordable finance, geopolitical tensions, volatile commodity prices, high transportation costs and more frequent and severe disasters, the Committee underscored the importance of addressing those issues with continued support from trading and development partners, as well as United Nations entities. The Committee found that Angola no longer met the criteria for graduation and concluded that the graduation process would recommence when Angola met the criteria for graduation again at a future triennial review.

The Committee welcomed the improved participation of countries in the enhanced monitoring mechanism and encouraged continued reporting on progress in preparing and implementing smooth transition strategies. Acknowledging the positive feedback and support from Member States regarding the enhanced monitoring mechanism, and subject to the availability of resources, the Committee will review its options regarding the ongoing customization and enhancement of the mechanism to better serve the needs of countries graduating and graduated from the least developed country category.

Recommendations

The Committee finds that, based on an analysis of the situation and following consultations with the Government of Angola, Angola no longer satisfies the graduation criteria. Based on this finding, the Committee concludes that the graduation process would recommence when, in accordance with the established procedures, and at a future triennial review, Angola meets the criteria for graduation once more. The Committee recommends that the Council take note of this finding and endorse this conclusion.

The Committee monitored the development progress of nine countries that have recently graduated or are graduating from the list of least developed countries. It noted, with one exception, an overall advancement towards sustainable graduation, albeit amid challenges stemming from various global crises, geopolitical tensions and climate change. Due to those challenges, many of the countries struggle to maintain macroeconomic stability owing to mounting debt, inflationary pressures and currency devaluation.

As a result, many countries require substantial support from their trading and development partners, including entities within the United Nations system, to facilitate their progress towards sustainable graduation. The Committee will continue to review the lessons learned from the implementation of its enhanced monitoring mechanism and report its findings to the Council in 2025.

* Excerpt from Committee for Development Policy, Report on the twenty-sixth session, See Official Records of the Economic and Social Council, 2024, Supplement No. 13 (E/2024/33)

A. Introduction

As mandated in Council resolution 2023/10 and General Assembly resolution 67/221, the Committee monitored the development progress of three recently graduated countries, namely, Bhutan, Equatorial Guinea and Vanuatu, and six graduating countries, namely, Angola, Bangladesh, the Lao People's Democratic Republic, Nepal, Sao Tome and Principe, and Solomon Islands. The detailed monitoring reports, with recommendations on policy priorities and support needs, as well as the full reports submitted by the countries, are available on the Committee's website. The table below shows the least developed country criteria scores vis-à-vis the graduation thresholds established in the 2024 triennial review of least developed countries.

Least developed country criteria for the countries monitored, 2024

	Least developed country criteria		
	Gross national income per capita (United States dollars)	Human assets index	Economic and environmental vulnerability index
Graduation threshold (2024)	≥1,306	≥66.0	≤32.0
Graduated country			
Bhutan	3,311	79.4	31.2
Equatorial Guinea	5,768	69.9	19.3
Vanuatu	3,420	75.8	46.0
Graduating countries			
Angola	2,027	55.2	38.5
Bangladesh	2,684	77.5	21.9
Lao People's Democratic Republic	2,503	74.8	29.8
Nepal	1,300	76.3	29.7
Sao Tome and Principe	2,271	91.4	40.0
Solomon Islands	2,281	79.4	49.6
Averages			
Least developed countries	1,307	59.6	40.6
Other developing countries	9,358	88.0	31.9

Source: Committee for Development Policy secretariat.

Note: Details on the least developed country criteria are available on the Committee's website.

B. Graduated countries

Bhutan

Bhutan graduated in December 2023, a significant milestone acknowledged by Member States. Despite facing a severe blow to its economy from the COVID-19 pandemic, particularly due to the halt in tourism, the country managed to recover swiftly and resume its trajectory of progress. In the medium term, challenges include mounting fiscal and current account deficits, while long-term challenges include diversification efforts, reducing reliance on hydropower exports, and fortifying resilience against environmental shifts. The Committee cautions that the target outlined in the national development plan of achieving high-income status by 2034 may be overly ambitious. It suggests considering advancements in manufacturing and the digital sector, with a focus on enhancing the digitalization of the service sector. In addition, addressing the gap in productive capacity and incorporating agriculture into future plans are emphasized as crucial steps forward. The Committee also acknowledges and supports the country's requests for further United Nations support, through iGRAD, such as on South-South exchange and monitoring process.

Equatorial Guinea

Equatorial Guinea, since its graduation in 2017, has faced a rapid decrease in real income, largely attributable to diminishing oil production. Despite its massive economic boom in the 1990s and 2000s, the country has struggled to foster widespread development, with limited investment in health and education. Persistent challenges including weak governance, lack of

transparency and endemic corruption continue to hinder progress. The Committee emphasizes the critical need for Equatorial Guinea to establish a solid economic foundation for diversifying the economy away from the oil and gas sector and to invest in human assets.

Vanuatu

Vanuatu graduated in 2020, despite remaining highly susceptible to external and environmental shocks, such as those caused by COVID-19 and recurrent cyclones. The Government has been diligently implementing its smooth transition strategy and is seeking additional support from the United Nations system, particularly through iGRAD, to integrate the strategy into planning, budgeting and monitoring processes.

C. Graduating countries

Angola

Angola no longer satisfies the graduation criteria, as its gross national income per capita has been in decline for several years, dropping below the graduation threshold of the income-only exception in 2024. Moreover, there have been minimal improvements in the human assets index and the economic and environmental vulnerability index, with scores remaining far off the graduation thresholds. The macroeconomic landscape presents numerous challenges, including decreased oil production, high inflation, currency devaluation, constrained fiscal capacity, significant debt servicing obligations and limited productive capabilities. External factors such as volatile international oil prices and geopolitical instability further compound the country's development hurdles. Based on this finding, the Committee concludes that the graduation process should recommence when, in accordance with the established procedures and at a future triennial review, Angola meets the criteria for graduation once more. The Committee commends the Government for its steadfast commitment to diversifying the economy and addressing the challenges posed by population growth. It underscores the importance of the Government's resolute efforts to effectively implement its national development plan, which should put Angola back on the path to graduation and contribute to an effective smooth transition strategy once the process resumes.

Bangladesh

Bangladesh is making significant progress towards sustainable graduation. Despite the challenges posed by the COVID-19 pandemic, the country has effectively mitigated its adverse effects and continues to show notable advancements in development. That progress is evident in the improvement across most least developed country indicators and several supplementary graduation indicators. However, the negative impacts of the food, energy and finance crises, driven by the war in Ukraine and global monetary tightening, have created macroeconomic challenges, which are currently being addressed. The Committee recommends that Bangladesh finalize its smooth transition strategy in 2024 and persist in implementing sound policies, with a particular focus on structural economic reform. Given the importance of least developed country-specific support for the development progress achieved, there is an urgent need for the international community, including the country's trading partners and the United Nations, to provide Bangladesh with the requested support.

Lao People's Democratic Republic

The Lao People's Democratic Republic continues to meet all least developed country criteria and is making progress towards sustainable graduation. The Government's adoption of a smooth transition strategy in 2023, following thorough and effective preparation, underscores its commitment to progress. Despite successfully navigating many challenges posed by the COVID-19 pandemic and global food and energy crises, the country faces notable difficulties in managing its currency value and debt levels. The Committee advises continued implementation of appropriate macroeconomic policies to address those issues in line with the smooth transition strategy and other relevant strategies. It emphasizes the importance of international support for debt management and economic diversification.

Nepal

Nepal is advancing steadily towards sustainable graduation. Its gross national income per capita is nearing the graduation threshold in 2024 and it continues to meet the human assets index and economic and environmental vulnerability index criteria. The Government is in the final stages of refining the smooth transition strategy and aligning it with the national development plan. Although the economy experienced a significant slowdown due to the COVID-19 pandemic and the global food, energy and finance crises have caused macroeconomic challenges, recovery has been relatively swift, particularly with the revival of the tourism and manufacturing sectors. Sustained efforts in implementing effective policies focused on economic diversification, trade policy (combined with investment promotion) and disaster risk reduction will be crucial in achieving sustainable graduation.

Adequacy of the five-year preparatory period

In its 2024 triennial review, the Committee analysed whether the length of the preparatory period for Bangladesh, the Lao People's Democratic Republic and Nepal had been adequate. It finds that all three countries have effectively mitigated the adverse effects of the COVID-19 pandemic to some extent and have made significant progress in preparing for sustainable graduation and a smooth transition after the extended five-year preparatory period. The Committee concurred that further extending the additional preparatory period for those countries beyond 2026 is unnecessary. The Committee will continue to monitor closely progress made in preparing and implementing the smooth transition strategies, including the support received by development and trading partners.

Sao Tome and Principe

Sao Tome and Principe is progressing towards graduation in 2024. The Government opted not to have a separate smooth transition strategy, but to have key elements of smooth transition measures integrated into its national development plan. While the effects of the COVID-19 pandemic on growth were not substantial, the country's economic foundation remains fragile and heavily dependent on external assistance, while its production and export base remain limited. Elevated inflation, driven by increases in food, energy and other consumer goods, along with low foreign reserves stemming from limited revenue and extensive imports, pose challenges. The Committee recommends increased government involvement in the enhanced monitoring mechanism to monitor the country's continued development progress beyond graduation.

Solomon Islands

Solomon Islands, having had its graduation postponed to 2027, has resumed its preparations for graduation. The Committee welcomes the adoption of the extension in line with its enhanced monitoring mechanism. The Government has devised a comprehensive work plan, timeline and outline for the smooth transition strategy, is working towards an adoption of the strategy in 2024 and is receiving assistance from the United Nations system. The Committee highlights the importance of addressing deep-rooted challenges for sustainable graduation, including the need for an inclusive graduation process, and the low level of productive capacities, through the timely delivery of international support.

D. Enhanced monitoring mechanism

The Committee acknowledges the progress made in implementing the enhanced monitoring mechanism. The mechanism has leveraged existing national and international monitoring processes, incorporating factors related to disruptive events that may impact the smooth transition out of the least developed country category, as well as considering the short-term and long-term socioeconomic and environmental challenges.

Effective implementation of the enhanced monitoring mechanism necessitates close collaboration among relevant United Nations entities, in particular the inter-agency task force on graduation and smooth transition and the United Nations resident coordinator system. It is imperative that the mechanism be intricately linked to a country's own monitoring of its preparation for graduation and the implementation of smooth transition strategies.

The Committee notes that the national capacity of the countries being monitored to fully engage in the enhanced monitoring mechanism and to reap maximum benefits remains limited. It reiterates the call for support by Member States for the mechanism, as outlined in Council resolution 2023/10 and General Assembly resolution 76/258 (annex, para. 284).

The Committee commits to ongoing review and improvement of the enhanced monitoring mechanism, tailored to address country-specific challenges and contexts. It will continue to review the lessons learned on the implementation of the enhanced monitoring mechanism and report its findings to the Council in 2025. Subject to available resources, the Committee will consider options regarding the ongoing customization and enhancement of the mechanism to better serve the needs of countries graduating and graduated from the least developed country category. Key areas of focus could include:

- (a) Continued improvement in data coverage and relevance;
- (b) Clarifying the monitoring procedures, roles of Committee country rapporteurs, and expert group meetings on the enhanced monitoring mechanism;
- (c) Streamlining processes for short-term, high-frequency monitoring and responses;
- (d) Improving coordination of strengthened support provided within the framework of the enhanced monitoring mechanism, exploring possible resources for the Committee secretariat, and synergies among United Nations entities with relevant expertise in the area.