



Graduation – the Global context*

Summary

The Committee reviewed how the changing global context is affecting processes and prospects of graduation from the least developed country category. It found that global shocks and their interplay with domestic factors are posing significant challenges to countries already graduating, and dimming the graduation prospects of many remaining least developed countries. Current international support for graduation processes is insufficient. While noting a need to redesign international support measures for least developed countries in general, the Committee also calls specifically for the rapid operationalization of the new Sustainable Graduation Support Facility (iGRAD), at a scale commensurate with the challenges. The Committee also found that the concept of graduation and a smooth transition requires a broader rethink and that the graduation framework provided by the General Assembly, the Economic and Social Council and the Committee itself requires updating. The Committee will include that topic in its work programme and looks forward to contributing to the upcoming efforts to update the existing resolutions on smooth transition from the least developed country category.

Recommendations

The changing global context of graduation, including an increase in the frequency and severity of crises and an increase in the number of graduating and graduated countries, increases the demand on the Committee and its secretariat under the enhanced monitoring mechanism. In this context, the Committee views the further strengthening of the capacity of countries to effectively engage in preparing and implementing the smooth transition strategy and the monitoring mechanism as a key element. As a contribution to ensuring the achievement of sustainable graduation, the Committee recommends that the Council request the Secretary-General to provide adequate resources to the Committee's secretariat to enable effective engagement between the Committee and countries participating in the enhanced monitoring mechanism.

The Committee finds that countries graduating from the least developed country category are facing an increasingly challenging external environment. This calls for additional support for graduating countries, to ensure that their graduations are smooth and sustainable. A failure to provide adequate support would be a failure of the international community, in particular the United Nations. The Committee is very concerned about the slow operationalization and implementation of the newly established Sustainable Graduation Support Facility (iGRAD). In this regard, the Committee recommends that the Council call upon development partners to urgently provide adequate financial resources to iGRAD to significantly scale up graduation support.

The Committee appreciates that the Council welcomed in 2023 the Committee's finding on the need to update the General Assembly resolutions on smooth transitions. It reiterates its commitment to contribute substantively to that process. The Committee will also initiate a review of the least developed country graduation framework.

* 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. Challenging global environment

The Committee reviewed how the changing global context is affecting graduation processes and prospects. Countries that have graduated from the least developed country category since 2020 have had to cope with an increase in the frequency and severity of global crises, such as the COVID-19 pandemic; the spike in food and energy prices prompted by the war in Ukraine; rising global interest rates; steep currency depreciation in several least developed countries and other developing countries; an increase in protectionism amid rising geopolitical and geoeconomic tensions; supply chain and transportation disruptions; armed conflict; displaced persons; and the intensification of climate change. Moreover, graduations are happening amid accelerating technological change, including rapid advances in artificial intelligence, and the global low-carbon transition, posing both challenges and opportunities.

There are clear signs that the changes in the global environment are having negative impacts on graduation, often amplified if they interact with domestic shocks. Such impacts manifest themselves in several ways. First, certain graduation processes were interrupted, requiring extensions of the preparatory period. Second, some countries at various stages of the graduation process saw their move towards graduation derailed as they no longer met the necessary criteria. Third, the graduation prospects of many least developed countries that remain far below the necessary thresholds are becoming even dimmer, increasing the risk that those countries will be left behind in the development process. That holds particularly true for countries affected by conflict. Fourth, almost all least developed countries, including graduating countries, are facing difficulties as their fiscal space is diminishing, making it more difficult to undertake necessary investments to boost productivity and innovation capabilities for post-graduation periods while also mitigating cost of living crises caused by price shocks. Such difficulties are particularly acute in countries that already faced domestic and international macroeconomic imbalances for longer periods of time.

Despite those difficulties, commitment to graduation among least developed countries remains strong overall. In each of the two previous reviews, the Committee recommended three countries for graduation and, during their consultations with the Committee, all welcomed their forthcoming graduation.

The Committee believes that the changes in the global environment and the experiences of countries in the graduation process require reflection on the concept of graduation, the strengthening of international support, and the adaptation of the graduation framework.

B. Required global response

1. Reflecting on the concept of graduation from the least developed country category

It is widely acknowledged that graduation should be seen as a milestone, rather than an endpoint, in the pursuit towards sustainable development. However, further reflection might yield a common understanding of what is required in the current and future eras to arrive at graduation and how to progress after reaching it. Such reflections would include how the current changes in the global context affect the understanding of the least developed country category itself, beyond being a classification of those developing countries that are facing particularly severe development impediments. While acknowledging the evolving nature of the least developed country category over the past 50 years, the conceptual work must analyse whether the current global context necessitates changes to the set of impediments that define the category and the associated measures to overcome those impediments.

Those conceptual issues have a direct bearing on the conceptualization of the smooth transition strategies that graduating countries are invited to prepare and implement in cooperation with their development and trading partners. Experience reveals that countries follow different approaches. Some countries fully integrate their smooth transition strategy into existing national development strategies without producing separate strategy documents and processes for graduation. Other countries prepare separate smooth transition strategies with clear and explicit linkages to national development strategies. A third way combines both approaches, utilizing existing or updated development strategies as the main instrument for smooth transition, while including specific actions directly related to the impact of graduation in specific smooth transition documents.

Analysing such experiences and fostering exchanges between graduating and graduated countries may lead to further guidance on smooth transition strategies. That would include considering the balance between defensive approaches dealing with the possible losses of graduation and approaches focusing on sustainable post-graduation development. The guidance would also include the time frame for preparing and implementing smooth transition strategies, as well as the role of development and trading partners.

2. Enhancing international support for graduation

The current context requires improved and additional support for graduating and recently graduated countries. Development and trading partners should provide generous support, including through the extension of support measures for least developed countries. The Committee welcomes the progress made under the World Trade Organization in that regard but views further efforts as essential, particularly in cases where such support measures have been fundamental for achieving graduation. Given the increasing importance of financing disaster recovery and rehabilitation and climate action, adequate smooth transition provisions of climate change-related instruments and disaster rehabilitation funds are critical, including improving access to alternative sources. However, graduation support should not be confined to extensions of existing measures and should include specific measures targeting the post-graduation development pathway. The Committee notes that 15 least developed countries are meeting the graduation eligibility criteria, one less than in 2021, while only one country has graduated since the previous triennial review. That lack of progress at the aggregate level underscores the difficult global environment that least developed countries are facing in their pursuit of graduation.

The Committee welcomes the establishment of the Sustainable Graduation Support Facility (iGRAD) in 2022. First proposed by the Committee in 2019, iGRAD can provide much needed country-led demand-driven technical assistance to countries during the graduation process. However, the Committee is very concerned about the slow progress in its operationalization and the limited funding of the Facility. The least developed country category was created and prioritized by the United Nations and the commitments to graduation in the recent programmes of action for the least developed countries were adopted by all Member States. Accordingly, accountability for achieving smooth and sustainable graduations does not rest with the Governments of graduating countries alone, but must be mutually shouldered by development and trading partners, including the United Nations. The credibility of the international system, in particular the United Nations, is at stake if graduations from the least developed country category are not sustainable.

3. Making the graduation framework fit for purpose

The changing global context also requires updating the existing graduation framework, to make it fit for purpose. The framework should include rules to deal with interruptions to graduation processes, rather than dealing with them on an ad hoc basis. That could include rules on: (a) extensions of preparatory periods; (b) deferments by the Committee, the Council or the General Assembly; and (c) actions in the event of reversals in graduation eligibility during the graduation process. The notion of a standard three-year preparatory period provided for in the current framework needs revisiting, given that the previous five completed and all ongoing graduations include longer preparatory periods. The linkages between monitoring of graduating and graduated countries by the Committee through its enhanced monitoring mechanism, the preparation and implementation of smooth transition strategies, and graduation-specific support may also require further clarification.

In the changing global context, monitoring by the Committee is not only prolonged but also becoming more demanding in terms of assessing linkages between development setbacks and graduation processes, requiring a review of the internal functioning of the enhanced monitoring mechanism. A rethinking of the concept of graduation may impact the triennial review of the list of least developed countries undertaken by the Committee and, hence, require changes to the least developed country criteria, the application procedures and the analytical information used by the Committee before making recommendations.

C. Way forward

There is a clear need to scale up the delivery of graduation support. As an immediate action, development partners should urgently provide generous funding to iGRAD, and the Secretary-General should ensure that such funding can be rapidly deployed to respond to the increasing demands of countries. However, development and trading partners also need to provide significantly more direct support to graduating countries to support their smooth transition.

The Committee appreciates the positive response by the Council to its finding in 2023 that the General Assembly resolutions on smooth transitions require updating and stands ready to substantively support the process. A new resolution is an important opportunity to provide specificity to the incentives and support measures for graduation that countries have already committed to in the Istanbul and Doha programmes of action. The resolution should also provide for improvements to the graduation procedures.

The Committee will initiate work on a review of the graduation framework. The work will include reviewing the conceptual underpinnings of the least developed country category, graduation, smooth transition and smooth transition strategies. Over the next year, it will also develop proposals for updating the graduation procedures, both as input to the planned new General Assembly resolution on smooth transitions and as guidance to the preparations for the upcoming triennial reviews. Based on

this work, the Committee will undertake a review of the least developed country criteria and the application procedures for the upcoming triennial reviews, to be adopted at the 2026 Plenary. It will report its findings and conclusions in its reports to the Council in 2025 and 2026.