Sao Tome and Principe (2024), Solomon Islands (2024)
Equatorial Guinea (2017), Vanuatu (2020), Angola (2021), Bhutan (2023),

DESA notes that CDP confirms the
CDP confirms
CDP confirms
Consultative
Graduation becomes effective. Prepare

Graduation Criteria
Two of the three criteria must be met for two consecutive triennial reviews:

- a. GNI per capita > LIC threshold (currently USD 1 230)
- b. Human Asset Index (HAI) > 60
- c. Economic Vulnerability Index (EVI) < 36

Alternatively a country can graduate when its GNI per capita is twice as high as the LIC threshold (currently USD 2 460).

Administrative Implications
Graduating countries are expected to:
- Prepare a national transition strategy.
- Establish a consultative mechanism.
- Provide progress reports to the Committee for Development Policy (CDP) after graduating.

Countries cease to benefit from the OECD Development Assistance Committee (DAC) recommendation on untying Official development assistance (ODA).

Concessionality
Once a country graduates from the Least developed countries (LDC) category, the minimum grant element of ODA loans decreases unless it remains classified as LIC. The greater the grant element, the more favourable the lending conditions for the borrower.

<table>
<thead>
<tr>
<th>Change in Grant Element</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDCs: 45%</td>
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<tr>
<td>Other LICs: 45%</td>
</tr>
<tr>
<td>Other LMICs: 15%</td>
</tr>
<tr>
<td>Other UMICs: 10%</td>
</tr>
</tbody>
</table>

Note: The grant element is calculated using differentiated discount rates.

Other Implications
Graduating countries lose differential treatments applicable to LDCs sometimes after a transition period (e.g. World Trade Organisation obligations, regional agreements, market access).

There are currently 47 Least Developed Countries including:
28 LICs, 18 LMICs and 1 UMIC.

Average GNI per capita
LDC: USD 1 051
Non-LDC: USD 7 602

Average HDI
LDC: 0.3
Non-LDC: 0.6

Average Poverty Headcount
LDC: 38.2%
Non-LDC: 3.8%

Note: All statistics as of 2018

External Financing Mix

LDC
Non-LDC

19% ODA
30% OOF
23% FDI
2% Remittances

Key Resources
Cabo Verde Transition Finance Pilot
Solomon Islands Transition Finance Pilot (forthcoming)
www.gradjet.org
The Transition Finance Toolkit (https://oe.cd/tf-toolkit)