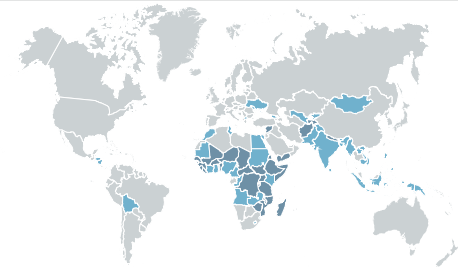
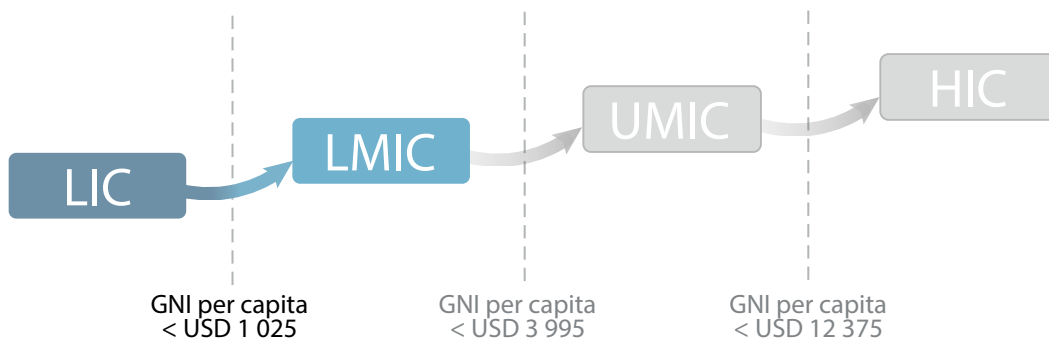


LIC to LMIC

Transition Finance Toolkit



TRANSITION PROCESS



There are currently **31 Low-income countries (LICs)** and **47 Lower middle-income countries (LMICs)**.

Average GNI per capita

LICs: USD 562
LMICs: USD 2 384

Average HDI

LICs: 0.4
LMICs: 0.6

Average Poverty Headcount

LICs: 21.4%
LMICs: 7%

Note: All statistics from 2018



Transition Criteria

A country reaches lower middle-income status when it obtains an income level greater than USD 1 025 (current USD, Atlas method).

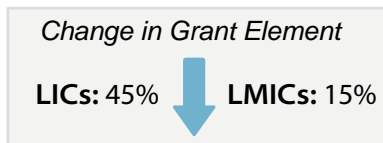
Note: The World Bank reassigns income categories on July 1 each year. Classifications are based on GNI per capita for the previous calendar year. The DAC revises income groupings every three years except the Least developed country (LDC) category, which is revised as changes take place.

TRANSITION IMPACT



Concessionality

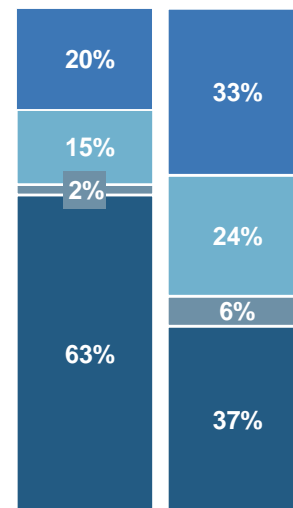
The minimum grant element of Official development assistance (ODA) loans declines from 45% (calculated at a 9% discount rate) for LICs to 15% (at a 7% discount rate) for LMICs unless the country remains classified as a Least developed country (LDC). The greater the grant element, the more favourable the lending conditions for the borrower.



Note: The LMIC income threshold is close to International Development Association (IDA) graduation threshold, which has other financial implications. See factsheet on IDA Graduation for more information.



External Financing Mix



↓ ODA ↑ OOF ↑ FDI ↑ Remittances

MAIN CHALLENGES

- Build human capital.
- Diversify the economy (beyond the primary sector).
- Increase state capacity.
- Reduce dependency on foreign aid.

RECENT GRADUATES

Comoros (2018), Senegal (2018), Zimbabwe (2018), Cambodia (2015), Bangladesh (2014), Kenya (2014), Myanmar (2014), Tajikistan (2014, back to LIC in 2017), Kyrgyzstan (2013), South Sudan (2013, back to LIC in 2014)



Key Resources

[Zambia Transition Finance Pilot](#)

[DAC List of ODA recipients](#)

[The Transition Finance Toolkit](#)
(<https://oe.cd/tf-toolkit>)