

LDC success stories

THIRD EDITION

**Towards sustainable graduation
from the LDC category**





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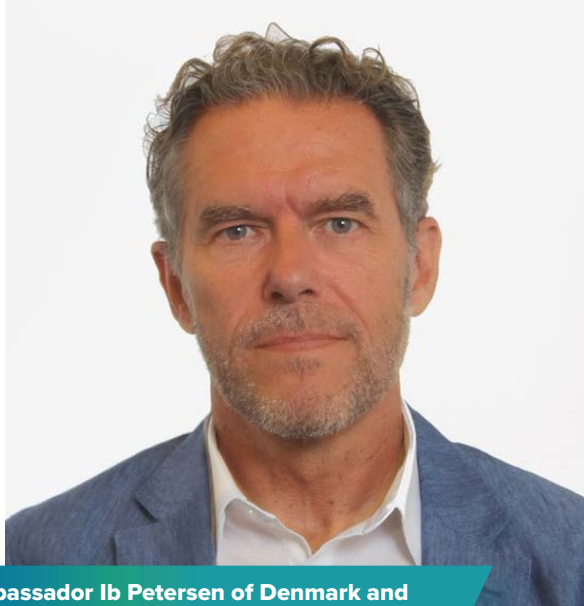
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Foreword



**Ambassador Ib Petersen of Denmark and
Chairperson of the Sub-Committee on LDCs.**
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Graduating from LDC status is an enormous achievement by any country and should be celebrated. However - by its recent decisions in 2023 and 2024 the wide membership of the WTO recognizes that graduating can pose challenges to the individual member.

2024 is an important year for LDC trade development. In February, at the WTO's 13th Ministerial Conference, WTO members adopted a decision that allows LDC graduates to benefit from a three-year transition period during which they can access trade-related technical assistance from the WTO while they integrate its rules.



In March 2024, at a meeting of the LDC Sub-Committee, Ambassadors of graduating LDCs and LDC graduates shared their experiences around LDC graduation.

This LDC graduation edition of the LDC Success Stories magazine includes stories from the Ambassadors of Angola, Bhutan, Cambodia, Nepal, Samoa and Vanuatu that were also published on the WTO LDC Success Stories blog.

Stories from graduating LDCs highlight the role of economic diversification and productive capacity building with a view to better integrating into global trade. They also underline the importance of skills development and value chain resilience. The need for continued investments in logistics

infrastructure, including roads and airports, is additionally recognized.

Stories from LDC graduates also shed light on the importance of structural transformation and these countries' continued vulnerability to climate change and natural disasters.

Today, 15 LDCs are on the path to graduation. And by the end of the decade, two thirds of LDCs may embark on the same journey. Hence, these experiences provide important perspectives for the international community to support greater integration of these economies into global trade.

H.E. Mr Ib Petersen

Ambassador of Denmark

Chairperson of the Sub-Committee on LDCs



Perspectives from graduating LDCs

ANGOLA

Graduating from the LDC category

Ambassador Margarida Rosa da Silva Izata is Angola's Permanent Representative at the WTO. She outlines Angola's efforts to overcome structural challenges and achieve economic resilience and sustainable development.





Ambassador Margarida Rosa da Silva Izata is Angola's Permanent Representative at the WTO. © Gaiane Arutiunian / WTO.

What are some of the challenges faced by Angola on the path to graduation from LDC status?

Over 90 per cent of Angola's export earnings come from oil revenues. So volatility of oil prices has been one of the main challenges. The country has also been severely affected by droughts, rising food prices and the COVID-19 pandemic. The original plan was to graduate in 2024. However, in view of macroeconomic and structural challenges, the United Nations General Assembly decided to defer Angola's graduation to a later date.

What are some of the steps that Angola has been taking to build resilience?

Economic diversification is an important government priority, reflected in the National Development Plan 2023–2027. Angola is aiming to boost agricultural production and improve nutrition and living standards of its people. Its Agricultural Development Support Fund has been helping to bolster production and competitiveness of the agricultural sector. Services development is another priority as it can positively contribute to ensuring more inclusive and sustainable economic growth.

What is the role of development partners in supporting Angola’s economic diversification efforts?

Angola has been working closely with its development partners, including UNCTAD and the European Union under the “Train for Trade II” programme to bolster the country’s capacity to

produce and export, with a view to achieving structural transformation.

Angola is also working closely with the European Union to add value to the fisheries value chain, to ensure a sustainable blue economy and to promote a circular economy with improvements in waste management in Luanda. In addition, it is collaborating with the EU to equip civil society with cutting-edge training.

Together with development partners, Angola has been investing in the operationalization of the Lobito Railway Corridor, which can help to boost trade, industry and other sectors in Angola and its neighbouring countries.

I believe all these efforts will help Angola become a more diversified and resilient economy, which can withstand economic shocks and achieve sustainable development with all the benefits that it will bring to the people of Angola.



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Ambassador Prasith Suon is Cambodia's Permanent Representative at the WTO. © Permanent Mission of Cambodia.

CAMBODIA

Investing in skills and bolstering sustainability of garment value chains

Ambassador Prasith Suon is Cambodia's Permanent Representative at the WTO. He describes Cambodia's efforts to strengthen economic competitiveness and secure market access amidst preparations for graduation from LDC status.



Cambodian farmer. © EIF.

Tell us a bit about Cambodia's journey towards LDC graduation.

Cambodia met all three graduation criteria – income per capita, human assets and economic vulnerability - on two consecutive occasions in 2021 and 2024. As a result, Cambodia was recommended for graduation during the 2024 Triennial Review of the UN Committee for Development Policy. The country is currently seeking a five-year preparatory period to allow sufficient time to prepare for a smooth transition by 2029.

What are some of the trade challenges that Cambodia may face on its path to graduation?

Cambodia's exports are concentrated in manufacturing, predominantly garments, and agricultural commodities, like cashew nuts and rice. Heavy reliance on agriculture and labour-intensive sectors makes it vulnerable to external shocks. The loss of international support measures can be an obstacle for its socio-economic development after graduation. Its exports of garments, travel goods and

bicycles will face higher tariffs, stricter rules of origin and greater market competition after graduation.

What is the way forward?

As part of its mitigation strategy, Cambodia is exploring a transition to other preferential trading schemes and negotiating new free trade agreements to unlock its export potential and further enhance market access.

Another important priority is to improve education levels of its people so that they get the technical and professional skills they need to get better jobs. Through technical and vocational education and training, the aim is to empower 1.5 million young people in Cambodia to acquire new skills across 10 priority sectors, ranging from hairdressing to graphic design. This

is important as we aspire to enhance our export earnings, including through specialization in services exports.

Another important priority is to diversify Cambodia's economic activities across value chains. For example, since 2022, it has been working to transform its travel goods and apparel sector into an environmentally sustainable and resilient sector with high value added which can support diversification efforts and increase competitiveness.

As the country approaches graduation, it continues to rely on support from its development partners during the transition, including in making the most of trade preferences, expanding its export base, reaching new markets and upskilling its people to boost productivity.



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Ambassador Ram Prasad Subedi is Nepal's Permanent Representative at the WTO and the Chairperson of the WTO Committee on Trade and Development.

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NEPAL

Overcoming graduation challenges through national, regional and global efforts

Ambassador Ram Prasad Subedi is Nepal's Permanent Representative at the WTO and the Chairperson of the WTO Committee on Trade and Development. Ambassador Subedi looks at Nepal's progress in graduating from least developed country (LDC) status and highlights some of the steps that it has taken in preparing for graduation in 2026.

What is the situation regarding Nepal's graduation process?

Nepal will be graduating from LDC status in 2026. This is because the country is gradually becoming more resilient, and its socio-economic indicators are improving too. At the same time, income per capita remains low. So more efforts are required to ensure sustainable graduation.

What are some of the possible trade impacts of Nepal's graduation?

Nepal has been working closely with the International Trade Centre (ITC) to assess potential impacts on market access. The estimates suggest that Nepal may lose around 4 per cent of its exports after graduation. That's why continued cooperation from the international community is critical to help us diversify our exports and markets.

It is very good news that in October 2023 WTO members adopted a decision encouraging preference-granting members to provide a smooth and sustainable transition period before withdrawing duty-free programmes after graduation.

After graduation, we would also need to ensure greater alignment with WTO rules. Nepal joined the WTO in 2004, having undertaken substantial trade reforms. That was an important step



Rural Nepal. © EIF.

that Nepal made to integrate with WTO rules.

Nepal's development partners have also been supporting us in this area. The LDC graduation decision taken at the 13th WTO Ministerial Conference (MC13) will allow LDC graduates to have a three-year transition period to integrate with WTO rules and to benefit from LDC-specific technical assistance available under the WTO's Technical Assistance and Training Plan.

These two steps that WTO members have taken will help shield Nepal from potentially negative trade impacts resulting from graduation from LDC status.



Rural Nepal. © EIF.

Can you give a couple of examples of the steps that Nepal has been taking to prepare for graduation?

First, Nepal is working on a smooth transition strategy, which will cover several areas, including macroeconomic and fiscal stability, trade and investment, economic transformation, productive capacity, climate change and disaster risk management, and social inclusion.

Second, Nepal is bolstering its connectivity in the region. It is improving its roads, which take its exports from Kathmandu in Nepal to Kolkata Port in India. It is also working on ensuring full operation of the country's two international airports.

Third, it is expanding its regional and multilateral engagement. At the regional level, Nepal is working

with India and Bangladesh under the Power Trade Initiative. This will allow Nepal to provide some 500 megawatts (MW) of hydropower to neighbouring Bangladesh using India's transmission line.

Nepal is also active in the graduation discussions in the WTO. The LDC graduation decisions taken by WTO members will positively contribute to supporting Nepal's smooth and sustainable graduation from the LDC category.



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Experiences of LDC graduates

BHUTAN

Graduating from the LDC category

Ambassador Tenzin R Wangchuk is Bhutan's Permanent Representative at the WTO. He outlines some of the lessons learned from Bhutan's graduation from least developed country (LDC) status. Bhutan graduated from the LDC category on 13 December 2023.





Ambassador Tenzin R Wangchuk is Bhutan's Permanent Representative at the WTO. © WTO.

Can you tell us a bit about Bhutan's graduation process?

Bhutan's transition began in the 1960s when it embarked on a path of modernization and planned development, moving away from its heavy reliance on agriculture. In the decade that followed, with India's support, it invested a lot in infrastructure – roads, schools and hospitals - to achieve socio-economic goals.

Bhutan has followed a unique development path, guided by the concept of "Gross National Happiness". It has prioritized the well-being and happiness of its people over economic growth. This means its development policies have prioritized sustainable development, cultural preservation, environmental sustainability and

good governance. This emphasis on renewable energy, organic agriculture and biodiversity conservation has helped to protect Bhutan's natural resources and contributed to economic growth.

Since the 1960s, Bhutan has promoted economic diversification, focusing on hydropower, tourism, manufacturing and information technology. Ongoing investments in infrastructure, education and healthcare have also played a crucial role in improving standards of living and the quality of life in Bhutan. Bhutan's political stability, good governance and low levels of corruption have also contributed to fostering sustainable development. Perhaps because of these reasons, the country has been able to achieve economic growth at a fast pace.

Of course, every country has different social, economic, geographical and political circumstances, and what has worked in Bhutan may not necessarily work in another country.

What are some of the steps that Bhutan has taken to support a smooth transition?

In the last five years, Bhutan has focused on stabilizing its macroeconomic environment. It has focused on mobilizing domestic resources by reforming and expanding its taxation system. It has put in place monetary incentives to encourage people overseas to send remittances to enhance the country's foreign currency reserves.

As well as promoting investment in manufacturing sectors with high export potential, such as the production of ferrosilicon, Bhutan has invested in the hydropower sector and other renewable energy, including solar and wind, with a view to achieving greater energy generation. It has also reinvigorated its tourism sector to maintain Bhutan as a high-end tourism destination.

Recognizing trade and foreign direct investment as an engine of growth that creates better jobs, reduces poverty and increases economic opportunities, Bhutan aims to increasingly integrate into regional and global trade. It is



The Bhutan Commodity Exchange.

© Simon Hess / EIF.

pursuing bilateral trade agreements with some of our trading partners. For example, it has signed the Framework Agreement on the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area, which brings together seven South Asian and Southeast Asian nations, and the South Asian Free Trade Area (SAFTA) Agreement, which has eight member states. It is also seeking to join the WTO.

What are some of the challenges that Bhutan has faced?

One of the lessons from the COVID-19 pandemic is that small economies like Bhutan are extremely vulnerable to external shocks. COVID-19 severely affected Bhutan's economy and destroyed its tourism sector and other industries reliant on tourism. During the pandemic, Bhutan's economic growth dropped to -10 per cent. Its foreign currency reserves were depleted. The economic situation could have

prompted Bhutan to defer its graduation from LDC status. However, Bhutan took a bold decision to go ahead with graduation and left the category in December 2023.

In the years preceding graduation, Bhutan had already seen the withdrawal of development assistance from some development partners. As a result, it had to increasingly opt out of loans from multilateral and bilateral financial institutions. Bhutan's public debt in October 2023 reached 134 per cent of GDP. While most of its debt is concessional, the appreciation of the US dollar against the local currency made repayment burdensome.

Currently, Bhutan is facing an unprecedented brain drain, as its young, educated people look for better opportunities beyond its borders. This is a matter of concern as these people cannot be replaced overnight.

Climate change is another major challenge that the country faces. The two main drivers of Bhutan's economy

- agriculture and hydropower - are very sensitive to global warming. Urgent global climate action is needed.

What are some of the future prospects for Bhutan?

Bhutan is optimistic about the future. It aims to become a high-income country in the next ten years. This optimism is also drawn from its unique friendship with India. The two countries are continuously expanding the scope of bilateral engagements.

What advice would you give to other LDCs?

There is a continued need for the LDC Group to stick together and make their voices better heard. The challenges LDCs face are complex. These complexities are not necessarily reflected in the graduation criteria applied by the United Nations. Perhaps, it may be a good time to review the LDC graduation thresholds and parameters, with a view to ensuring sustainable graduation. I would like to wish members of the LDC Group swift progress towards a smooth graduation.



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Ambassador Nella Pepe Tavita-Levy is Samoa's Permanent Representative at the WTO and Coordinator of the African, Caribbean and the Pacific (ACP) Group in the WTO. © Gaiane Arutiunian / WTO.

SAMOA

10 years since graduation: stronger institutions and partnerships

Ambassador Nella Pepe Tavita-Levy is Samoa's Permanent Representative at the WTO and Coordinator of the African, Caribbean and the Pacific (ACP) Group in the WTO. She reveals some of the lessons learned from Samoa's graduation from the LDC category.

In 2024, Samoa is marking its 10th anniversary since graduating from the LDC category. Can you please highlight some of the milestones in Samoa's graduation process?

There are only seven countries that have graduated from the LDC status since the LDC category was established in 1971. And two of them are in the Pacific – Samoa and Vanuatu. This is a remarkable achievement and a good reason to celebrate the 10th anniversary of Samoa's graduation from LDC status.

Samoa is a small island developing state in the Pacific with about 200,000 people. We were first included in the LDC category in 1971. We were identified for graduation in 1997, and thereafter in 2003, 2006 and 2009. We met two of the graduation criteria, but we remain vulnerable to external shocks. In 2010, the UN General Assembly extended Samoa's transition period by three years due to the disruption caused by the Pacific Ocean tsunami of 2009. Finally, we graduated from LDC status on 1 January 2014.

What are some of the actions that Samoa took in preparing for graduation over 10 years ago?

Samoa considered four lines of action for a smooth transition. First, we designed an economic stabilization framework. Second, we formulated a coherent national development strategy. Third,

we focused on addressing institutional capacity constraints. Fourth, we focused on improving aid coordination and aid management. Finally, with regard to trade-related measures, we ensured that transitional periods were included under various bilateral arrangements.

What was the main challenge with economic stabilization efforts?

In the four years leading up to graduation, Samoa had to manage increasing fiscal deficit resulting from financial commitments to post-cyclone recovery efforts in 2012. With high public debt levels, we were fortunate to secure 100 per cent grant financing for reconstruction. Capital investments planned before the cyclone were reprioritized, so more resources for reconstruction efforts were allocated.

What are some of the lasting gains resulting from institutional strengthening?

Building institutional capacity was an essential component of our transition process. We addressed skills shortages, enhanced project implementation and increased the country's absorptive capacity. We also strengthened the Samoa Research Institute. It is now recognized as an accredited professional research entity. This achievement will help to encourage and promote investment in research products.

What's so unique about aid coordination in Samoa?

The government of Samoa recognized the importance of aid coordination and aid management, with a view to making aid flows more predictable and programme management more effective.

We launched a revised aid policy in 2015 focusing on planning, security, utilization and monitoring of external resources by a single competent coordinating entity – the Aid Coordination Debt Management Division of the Ministry of Finance. This arrangement further contributed to encouraging partnerships. We ended up signing nine partnership arrangements with key development partners.

What are some of Samoa's priorities in 2024?

Samoa remains a small island developing state with inherent structural challenges, including its distance from major centres of economic activity and its small domestic market. We are vulnerable to climate change and to more frequent and intense natural disasters. Since our graduation 10 years ago, we have continued with our integrated approach to national planning and implementation. We call on our partners to recognize the national systems in place and the need for responsive interventions based on country-driven priorities and interests.



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Ambassador Antas Sumbue is Vanuatu's Permanent Representative at the WTO © Gaiane Arutiunian / WTO.

VANUATU

Building resilience - from COVID-19 to climate challenges

Ambassador Antas Sumbue is Vanuatu's Permanent Representative at the WTO. He describes Vanuatu's experience in graduating from LDC status and highlights the country's commitment to addressing climate-related challenges.



Iririki Island Resort, Vanuatu

© José Carlos Alexandre / EIF.

Can you tell us a bit about Vanuatu's graduation from LDC status?

I remember sitting in my office in Geneva on 4 December 2020 looking at the snow outside my window. The streets were empty. The office was empty. It was the time of the COVID-19 pandemic. On that day, Vanuatu graduated from LDC status. I felt that it was a new era for Vanuatu. Our government was determined that we would graduate despite the difficulties the world was experiencing at the time.

How did Vanuatu overcome the difficulties of graduation?

First, Vanuatu ensured ownership of the graduation process. We had to disseminate information, we had to consult with development partners, and we had to talk to those who graduated before us.

Second, our development partners were very helpful. As you know, countries need to be assured that when they graduate, they will not be worse off. And that assurance has to come from development partners. Our development partners gave us that assurance.

Third, we relied on accurate and timely data. If we did not have data, it would have been very difficult to figure out what we were going to do next. Access to data is very important. We depend not only on our data at home but also on the statistics collected around the world.

What were some of the lessons learned?

One of the things that Vanuatu noted was the power of information communication. Our communities, our society, our businesses, our

development partners, our friends had to have enough confidence that we would do the right thing. The whole UN community helped us assess possible impacts.

Still, there were some people in our country who were doubting. The government had to show the level of confidence to ensure that if Vanuatu graduated, the whole country would be graduating. So, we talked mostly about positive aspects of graduation and tried to ensure that everyone spoke with one voice.

What was the main challenge?

As you know, we did not meet the Vulnerability Index criteria when we graduated. Our vulnerabilities remain. In fact, because of climate change, you

can see that natural disasters have increased. The intensity of cyclones, droughts and floods is increasing. I think countries like Vanuatu will remain vulnerable to extreme weather conditions, and countries must meet climate goals. That's the challenge that we must face.

What are some of Vanuatu's current priorities?

We have a positive approach to emerging issues. Climate finance, for example, is severely under-resourced at the moment. The demand is very high. Even in our own nationally determined contribution, we have several billion of dollars of funding needs. Still, we can only access a limited amount of funding. Climate change is a challenge of our time and we have to manage that.



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