POLICY NOTE

United Nations

POLICY NOTE

Potential impacts of LDC graduation

Cambodia, Comoros, Djibouti, Senegal and Zambia

FEBRUARY 2023

United Nations Department of Economic and Social Affairs

The United Nations Department of Economic and Social Affairs (UN DESA) is a vital interface between global policies in the economic, social and environmental spheres and national action. The Department's mission is to promote and support international cooperation in the pursuit of sustainable development for all. Its work is guided by the universal and transformative 2030 Agenda for Sustainable Development, along with a set of 17 integrated Sustainable Development Goals adopted by the United Nations General Assembly. UN DESA's work addresses a range of crosscutting issues that affect peoples' lives and livelihoods, such as poverty eradication, employment, social inclusion, inequalities, population, Indigenous rights, macroeconomic policy, development finance and cooperation, public sector innovation, forest policy, climate change and sustainable development. For more information, visit https://www.un.org/en/desa.

Committee for Development Policy

The Committee for Development Policy (CDP) is a subsidiary body of the United Nations Economic and Social Council (ECOSOC). It
0.1 1 ( )]TJ-(0 (lo(30 (i)-4..086 Tw 0 -12-62.1 3i88r 3i88C.4 (k)pme)0.6ume)0.6(ti)0.5c

Foreword

There are currently 16 countries at diﬀerent stages of the process towards graduation from the least developed countries (LDC) category. Graduation is an important achievement and a milestone in the development of these countries. However, it also means losing access to the international support measures that are exclusively granted to LDCs, including preferential market access for exports, certain mechanisms for technical and financial cooperation, and support for the participation of representatives in international meetings and organizations.

Understanding the nature and signiﬁcance of these expected chang-

Acknowledgements

This report was prepared by the Economic Analysis and Policy Division (EAPD) at the United Nations Department of Economic and Social Affairs (UN DESA), consolidating analysis undertaken in preparation for the Committee for Development Policy's 2024 triennial review of the LDC category. It is based on inputs received from trade and development partners of the five focus countries, including several international organizations, as well as information contained in the *Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures (Fourth Edition)* and the LDC Portal on international support measures for LDCs (www.un.org/ldcportal). The document also builds on previous impact assessments and a background document containing a preliminary assessment of the impacts of graduation in these five countries on development cooperation, all available at https://cdp.un.org. UN DESA is grateful to the governments and organizations that have provided inputs to the impact assessments. Comments, corrections or updates are welcome and should be sent to cdp@un.org.

Explanatory notes

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term “country” as used in the text also refers, as appropriate, to territories or areas. The designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgment about the stage of development reached by a particular country or area in the development process.

The views expressed in this publication do not necessarily re f ect the opinions and policies of the United Nations. Every e f ort has been made to provide accurate information. This publication in no way replaces legal texts or o f cial policy documents.

The following abbreviations have been used:

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ACWL	Advisory Centre on WTO Law
ADB	Asian Development Bank
AfCFTA	African Continental Free Trade Agreement
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
CDP	Committee for Development Policy
COMESA	Common Market for Eastern and Southern Africa
CREWS	Climate Risk and Early Warning Systems
DAC	Development Assistance Committee of the OECD
DCTS	Developing Countries Trading Scheme of the United Kingdom
DFQF	duty-free, quota-free
DSSI	

Summary

When a country leaves ("graduates from") the least developed countries (LDC) category, it ceases to benefit from international support measures that are exclusive to LDCs (in some cases, these measures are available for a set period after graduation, known as a smooth transition period). This Policy Note provides an overview of the expected impacts of the withdrawal of LDC-specific international support measures in Cambodia, Comoros, Djibouti, Senegal and Zambia. These countries met the Committee for Development Policy (CDP)'s graduation thresholds for the first time in 2021 and, according to the established procedures will be assessed again in 2024, when they may be recommended for graduation.

For any country, the loss of LDC-specific support measures can mean a potential reduction in the resources or policy space to address development challenges. For example, no longer benefiting from the LDC-specific special and differential treatment provisions under WTO agreements, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Agreement on Agriculture and the Agreement on Subsidies and Countervailing measures could mean a reduction of policy space. Similarly, the loss of preferential market access can make it more difficult, if other competitiveness factors are in place, to pursue export diversification strategies. These potential, long-run, impacts depend on the relevance of the support measures for countries' development strategies, and on countries' capacity to use them. This Policy Note focuses on the likely impacts, in the short and medium run, of the withdrawal of these measures, taking into account the nature of the support measures and how the identified countries have used them so far.

The principal expected impacts are presented in the table below:

Trade	Development cooperation	Support for participation in international forums
Cambodia		
Significant impacts on access to the European Union (EU) market (after a 3-year transition period), particularly for garments, given the double transformation rule and conditions for accession to the Special Arrangement for Sustainable Development and Good Governance (GSP+).	Possible reclassification into "blend" group at the Asian Development Bank (ADB) (not automatic, other factors are taken into account). Higher interest rates on new concessional loans from Japan and the Republic of Korea. Possible reduction in official development assistance (ODA) from France, which would be mostly in the form of loans. In time, a possible gradual shift from grants to loans from Germany (grants maintained in certain areas).	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially peacekeeping and ITU) of the order of 100,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC).

Trade	Development cooperation	Support for participation in international forums
Cambodia		
Similar impacts in Canada and the United Kingdom (it will be easier for Cambodia to accede to an intermediary scheme where most products are duty-free, but Cambodia would still need to comply with more stringent rules of origin, including double transformation for garments). End of LDC-specific flexibilities under TRIPS in pharmaceuticals could lead to barriers to entry for generic drugs. Reduction in trade-related capacity-building and technical assistance, particularly from the Enhanced Integrated Framework (EIF).	Possibly, a small adjustment in UNDP core resources. Climate/environment: no new funding under the UNFCCC's LDC Fund (LDCF), possibly lower allocations from the Global Environment Facility (GEF) in future programming periods; Cambodia will no longer be a priority country under the Green Climate Fund (GCF); no new projects under the Climate Risk and Early Warning Systems (CREWS) initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Less support for travel to international meetings. Fewer opportunities for diplomatic training.
Comoros		
Most exports are not affected. Increases in tariffs for exports to India (cloves). Economic Partnership Agreement (EPA) mitigates impacts in the EU. Possible non-LDC transition timeframe under the African Continental Free Trade Area (AfCFTA) depending on negotiations. Reduction in trade-related capacity-building and technical assistance, particularly from the EIF. Depending on the timing of the accession process, WTO guidelines and benchmarks for LDC accession would no longer apply as references in the negotiation.	Possible removal from France's list of priority countries. New support would be mostly in the form of loans. The Saudi Fund would review the terms on new loans on a case-by-case basis. Possibly, small adjustment in UNDP core resources. Climate/environment: no new funding under LDCF. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially ITU and UPU) in the order of 83,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC). Less support for travel to international meetings. Fewer opportunities for diplomatic training.
Djibouti		
Most exports are not affected. Increase in tariffs on exports to China (chlorides, copper) after a 3-year transition period. Possible non-LDC transition timeframe under AfCFTA depending on negotiations. Reduction in trade-related capacity-building and technical assistance, particularly from the EIF.	Possible removal from France's list of priority countries. New support would be mostly in the form of loans, but the state of Djibouti's indebtedness may exclude it from eligibility. Possibly, small adjustment in UNDP core resources.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially ITU and UPU) in the order of 83,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC).

Trade	Development cooperation	Support for participation in international forums
Djibouti		
	Climate/environment: no new funding under LDCF, possibly lower allocations from GEF in future programming periods, no new projects under the CREWS initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Less support for travel to international meetings. Fewer opportunities for diplomatic training.
Senegal		
Most exports not affected. Increase in tariffs expected on exports to the EU (including fish and seafood, fruits and vegetables, mitigated should Senegal join GSP+), United Kingdom (various agricultural products, fish, seafood), India (mostly phosphoric acid) and China (mostly groundnuts). Reduction in trade-related capacity-building and technical assistance, particularly from the EIF.	Uncertain impacts in cooperation with France. Higher interest rates on new concessional loans from Japan and Korea. In time, possible gradual shift from grants to loans from Germany (grants maintained in certain areas). Possibly, small adjustment in UNDP core resources. Climate/environment: no new funding under LDCF, possibly lower allocations from GEF in future programming periods, no new projects under the CREWS initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially peacekeeping) in the order of 50,000 dollars annually. Less support for travel to international meetings. Fewer opportunities for diplomatic training
Zambia		
Most exports are not affected. Increase in tariffs on exports to China (copper; MFN tariff is 2 per cent; a 3-year transition period). Possible non-LDC transition timeframe under AfCFTA depending on negotiations. Reduction in trade-related capacity-building and technical assistance, particularly from the EIF.	Higher interest rates on new concessional loans from Japan. In time, possible gradual shift from grants to loans from Germany (grants maintained in certain areas). Possibly, small adjustment in UNDP core resources. Climate/environment: no new funding under LDCF, possibly lower allocations from GEF in future programming periods, no new projects under the CREWS initiative. Technology Bank, UNCDF, ISP/LDCs available for 5 years after graduation.	Based on 2022 budgets, no change in mandatory contributions to the UN regular budget. Additional mandatory contributions to some other UN system budgets (especially peacekeeping, ITU, UPU) in the order of 127,000 dollars annually (ITU council may authorize a graduated country to continue to contribute as an LDC). Less support for travel to international meetings. Fewer opportunities for diplomatic training

It is also important to take note of what will not be affected by graduation. This includes:

- Trade to countries that do not provide LDC-specific preferences, or where the LDC-specific preferences are not already extended to the graduating countries' exports, or where the alternatives (regional or bilateral agreements) after graduation are equivalent in terms of preferential treatment, or where exports are duty free under MFN terms. This is the case for a significant share of exports of the five countries, with the exception of Cambodia;
- Special and differential treatment under the WTO that will have been phased out before graduation, or that applies to all developing countries;
- Financing and other forms of assistance from the World Bank, IMF, Global Fund, GAVI, the Vaccine Alliance, the African Development Bank, and several bilateral partners;
- A significant proportion of support from the United Nations system that is not contingent specifically on LDC membership.

Table of Contents

COMMITTEE FOR DEVELOPMENT POLICY

Chapter I

BACKGROUND

Since the establishment of the least developed countries (LDC) cat

The report aims to identify the LDC-specific measures and the provisions for LDCs in trade and development programmes and policies, and what the implications are of no longer benefitting from them.

Two introductory notes are important in framing the report. First, graduating from the LDC category must not be confused with meeting other milestones such as achieving middle-income status or graduating from the concessional windows of multilateral development banks. The timeframes for these different "graduations" can be similar, as they all ref ect advances in a country's development, but the criteria and consequences are different. For example, graduating from the LDC category will have no impact on a country's status with the World Bank group's International Development Association (IDA).

Second, none of the f ve countries will graduate before 2027, and it is not possible to fully anticipate changes in the international support measures for LDCs up until the date of graduation or beyond, or the country-specif c conditions that would def ne the extent to which countries would benefit from these measures. The assessment provided here is based on current rules, policies, practice, strategic priorities and the current situations of each country with regard to the main trade and development partners, products they export, relative performance on indicators adopted to def ne mandatory contributions to UN budgets, etc. It provides a general view of where the most important impacts are, that governments would have to address in collaboration with trade and development partners as they work on their smooth transition strategy.

Box 1

The LDC graduation process: situation and next steps for Cambodia, Comoros, Djibouti, Senegal and Zambia

After the CDP’s recommendation, the Economic and Social Council (ECOSOC) must endorse the rec-

Chapter II

IMPACTS OF LDC GRADUATION ON TRADE

LDC-specific international support measures in trade consist of: (i) preferential market access for goods; (ii) preferential market access for services; (iii) special and differential treatment under the WTO agreements; (iv) special and differential treatment and additional flexibilities under certain regional agreements; and (v) capacity-building, training and technical assistance related to trade. After graduation, countries no longer benefit from these measures. Some, but not all, measures have "smooth transition" periods, that is, set periods after graduation during which a graduated country continues to benefit from the LDC-specific measure.

Preferential market access for trade in goods

What are the LDC-specific measures? Most developed countries and several developing countries grant either full or nearly full duty-free, quota-free (DFQF) market access to LDCs.[4] Some countries also apply less stringent rules of origin to LDCs or more lenient cumulation rules. After graduation, countries cease to benefit from those schemes. Table 1 lists the main LDC-specific schemes used by the five countries and the schemes under which they might trade after graduation.[5]

Are there smooth transition periods? The European Union's Everything But Arms (EBA), the LDC-specific schemes of Turkey and the United Kingdom, and China's duty-free treatment scheme for LDCs have smooth transition periods of three years. Other countries do not have smooth transition periods but in some casof their LDC scheme.[6] The United States' list of "Least Developed Beneficiary Developing Countries" (LBDC), which benefit from DFQF market access for 82 per cent of tarif lines, is similar to the UN's LDC list but the President may designate any developing country that is a benefciary of the GSP as LDBC, and there is no defned timeframe for removing a country from the LDBDC list.

What happens after graduation and smooth transition periods? After graduation and the applicable smooth transition (or administrative) periods, in developed country markets, former LDCs generally have access to the standard Generalized System of Preference (GSP) schemes, which apply to developing countries in general. For products that are not covered by those schemes, graduated coun-

Importing market	Coverage of LDC-specific DFQF/ preferential tariffs	Smooth transition provisions	Applicable schemes after graduation
European Union			
			Comoros ratified, in 2019, the Economic Partnership Agreement (EPA) with the EU and the countries of the Southern African Region, which ensures duty-free, quota-free (DFQF) access to the EU market regardless of LDC status.
India			
Duty-free Tariff Preference Scheme	94.1%	No smooth transition provisions.	MFN or regional agreements
Japan			
GSP - Enhanced duty and quota-free market access	97.8%	No smooth transition provisions.	Standard GSP or regional agreements. Japan has preferential tariffs for ASEAN Japan Comprehensive Economic Partnership Agreement (AJCEPA).
Republic of Korea			
Preferential Tariff for LDCs	89.9%	No smooth transition provisions.	MFN or regional agreements. The Republic of Korea also extends preferential treatment under its agreement with ASEAN and under APTA.
Switzerland			
GSP - Revised Preferential Tariffs	100%	No smooth transition undergoing multilateral debt relief are also accorded LDC treatment, even if they are not on the LDC list.	Standard GSP or MFN
Thailand			
Duty-free treatment for LDCs	71.1%	No smooth transition provisions.	MFN
United Kingdom			
Comprehensive Preferences under the new Developing Countries Trading Scheme - DCTS, starting in 2023	99.8%	Smooth transition period of	Standard Preferences, Enhanced Preferences or MFN. The new DCTS, which enters into force in 2023, makes it easier for graduating countries to accede to the Enhanced Preferences regime (zero tariff on 85% of tariff lines)
United States			

Importing market	Coverage of LDC-specific DFQF/ preferential tariffs	Smooth transition provisions	Applicable schemes after graduation
GSP for Least Developed Beneficiary Developing Countries - LDBDC.	82.3%	No smooth transition provisions. The LDBDC list matches the LDC list for the most part, but the U.S. GSP statute authorizes the President to designate any developing country that is a beneficiary of the GSP as an LDBC. There is no defined timeframe for removing a country from the LDBDC list for purposes of GSP benefits.[8]	Standard GSP or MFN Comoros, Djibouti, Senegal and Zambia can export under the African Growth and Opportunity Act (AGOA), which grants duty-free, quota-free access to 97 per cent of tariff lines

Sources: -
tial market access for goods" on the LDC Portal, https://www.un.org/ldcportal/content/preferential-market-access-goods-2.

What would this mean in practice? For any graduating country, losing LDC-specifc preferential market access can mean the loss of an important instrument in efforts towards economic diver-

Cambodia[9]

Most of Cambodia's exports are to countries that provide LDC-specific preferential market access. Cambodia is, in fact, one of the countries with the highest rate of utilization of LDC-specific preferences. The main impacts are expected to be in the European market, and especially in the garment industry. The situation in each of its main markets (see Figure 1a) is as follows:

- The European Union has been the destination of approximately a quarter of Cambodia's recent exports (Figure 1a), Cambodia currently benefits from the EBA. However, preferences over a significant number of products (equivalent to about a fifth of exports) were withdrawn by the EU in August 2020 due to serious and systematic concerns related to human rights. The EBA is currently under revision. Under the current scheme, Cambodia would continue to export under the EBA (with limitations related to the withdrawal, depending on future developments in this regard) for three years after graduation. After that, it would export under the standard GSP, unless it accedes to the GSP+ scheme (see Table 1). Cambodia has not ratified two of the conventions required to be able to apply to the GSP+. The human rights concerns raised by the EU, that motivated the partial withdrawal of EBA preferences, would need to be addressed in the context of an application to the GSP+ scheme.

Exporting under the standard GSP would result in higher tariffs and more stringent rules of origin. Cambodia's most important exports to the EU are garments (conversely, the EU has been the largest market for Cambodia's garment exports). Most garments would face a tariff of 9.6 per cent under the GSP. Moreover, to benefit from GSP or GSP+ tariffs, Cambodia's garments would need to meet the "double transformation" requirements in order to comply with the rules of origin. This means that products need to undergo two stages of transformation (for example, produce the fabric and sew) as opposed to the "single transformation" rule applicable to LDCs, which enables garment exporters to take advantage of preferential tariffs for garments produced from imported fabric. Cambodia's garment industry is mostly based on a "cut-and-sew" model, and producers might face difficulties in meeting the double transformation rule.[10] MFN tariffs for most garments are 12 per cent. The industry is an important source of regular, formal employment, particularly for women.

---

9 See also WTO/EIF (2022), Trade impacts of LDC graduation – Cambodia. Available at https://www.un.org/ldcportal/content/trade-impacts-ldc-graduation-cambodia-wto

10 See EIF, ITC, UNDESA, UNCTAD and WTO (2022), Textiles and clothing in Asian graduating LDCs – challenges and options, available at https://www.wto.org/english/res_e/publications_e/textcloth2022_e.htm.

- Similar impacts are expected in Canada and the United Kingdom:
    - The United Kingdom has enacted a new Developing Countries Trading Scheme (DCTS). The new scheme makes it easier for graduated countries to accede to the intermediary regime (“Enhanced Preferences”), as it does not require the ratification or implementation of international conventions (though the United Kingdom may suspend a country on the grounds of human rights and labour violations). This would ensure continuing DFQF market access for most of Cambodia’s exports to the United Kingdom. However, like in the EU, Cambodia would have to comply with more stringent rules of origin, which may be a challenge for the clothing industry.[11]
    - Canada, the country in which Cambodia has most expanded its market share in textiles and clothing, has, in the past, kept on the list of beneficiaries of the LDC preference scheme countries that have graduated but remain within the World Bank’s low or lower middle income categories.

- In most other markets, including the United States, impacts would be limited:
    - Most of Cambodia’s exports to the United States, including garments, are not covered by the LDC-specific scheme. Cambodia would retain LDC preferences until the United States removes it from its list of Least Developed Beneficiary Countries (LDBDC).
    - Due to its ASEAN membership, Cambodia will retain equivalent or almost equivalent market access terms in several countries, including Thailand,a member of ASEAN, Japan, China, India, the Republic of Korea, Australia and New Zealand, which have free trade agreements with ASEAN. Additionally, Cambodia and the Republic of Korea signed a free trade agreement in October 2021; Cambodia and China signed a free trade agreement which entered into force on January 1, 2022. The Regional Comprehensive Economic Partnership (RCEP) is expected to further reduce tariff and non-tariff barriers among participants.

Cambodia’s Trade Integration Strategy 2019-2023 points out that the country will need to address both market access and other

11 Razzaque, Mohammad (2023), What the UK’s New Developing Countries Trading Scheme means for Least Developed Countries Including the Graduating Ones, consultancy report. Available upon request.

competitiveness factors as it transitions out of the LDC category. Reforms in several areas are already underway.[12]

Comoros

Most exports will not be a f ected by graduation:

- The European Union is Comoros's largest trade partner, having accounted for approximately 44 per cent of exports from 2016 to 2020 (Figure 1b). Comoros ratified, in 2019, the Economic Partnership Agreement (EPA) with the EU and the countries of the Southern African Region, which ensures DFQF access to the EU market regardless of LDC status.
-

Djibouti[13]

Most of Djibouti's exports will not be afected by graduation. The main exceptions are exports to China, particularly of chlorides and copper:[14]

- Based on mirror data available for 2016-2019 (Figure 1c), Saudi Arabia, Ethiopia and other markets that do not grant LDC-specific preferences account for approximately half of Djibouti's exports from 2016 to 2020, though Saudi Arabia's share fell sharply after 2019, while Ethiopia's (as well as China's) have increased.
- A significant share of Djibouti's exports to other markets enter duty-free under MFN terms. This was the case, according to WTO data, for 82 per cent of exports to the European Union, 57 per cent of exports to the United States, and virtually 100 per cent of Djibouti's exports to Australia, Canada, and the Republic of Korea in 2020.[15] For those products that are not duty-free under MFN:
    - In the United States, over half of recent imports from Djibouti have entered on an MFN duty-free basis. In addition to the GSP for least developed beneficiary countries (LDBCs), Djibouti is a beneficiary of AGOA and the Trade(A an gE.294 Td6

- On the other hand, according to WTO data, almost all of Djibouti's exports to China in 2020 benefited from LDC-specific preferences. LDC treatment is expected to be observed for three years after graduation. After that, most of the products Djibouti currently exports to China (chlorides, copper) would face tariffs between 1 and 5 per cent.

Senegal[17]

Most of Senegal's current exports will not be affected by graduation. The most significant impacts would be in the European Union, India, China and the United Kingdom:

- More than half of Senegal's exports are to countries, mostly in Africa, that do not provide LDC-specific trade preferences (Figure 1d).
- Most exports to Switzerland are gold and other products for which the MFN tariff is zero.
- In the United States, Senegal is a beneficiary of AGOA.
- In the European Union, according to WTO data, approximately a third of Senegal's exports to the EU are duty-free under MFN terms and would not be affected by graduation. Other products, including fish and seafood, fruits and vegetables could be subject to tariffs under the standard GSP, after the three-year smooth transition period. Alternative scenarios include accession to the GSP+ (under current rules Senegal would need to ratify the UN Single Convention of Narcotic Drugs of 1961 to be eligible) or reach a bilateral agreement.[18] Table 2 shows applicable tariffs under different regimes for Senegal's top exports to the European Union in 2021.

17

Table 2

Senegalese exports to the EU, 2021 – tariffs under GSP+ and standard GSP, selected products

	% of total in 2021	GSP+	Standard GSP	MFN
0307.52 Molluscs; octopus (...), frozen	17%	0	2.8%	8%
2615.10 Zirconium ores and concentrates	9%	NA	NA	0
0306.17 Crustaceans; frozen, shrimps and prawns (...)	8%	2.4-3.6%	4.2-8.5%	12%
0807 Watermelons	5%	0	5.3%	8.8%

Source:

- Senegal's main exports to India are phosphoric acid, for which MFN tariffs are 5-7.5 per cent, and cashews, for which the MFN tariff is 2.5 per cent.
- The main exports to China are groundnuts, for which the MFN tariff is 15 per cent. China would extend LDC-specific preferential market access for three years after graduation. China and Senegal have concluded a bilateral trade agreement, committing to provide facilitation in relevant areas.
- In the United Kingdom, Senegal would accede more easily to the "Enhanced Preferences" scheme of the new DCTS than it would have to the previous intermediary scheme, which mirrored the EU's GSP+. However, a significant share of Senegal's exports to the United Kingdom – including several agricultural products, fish and seafood, are not covered by Enhanced Preferences. It is estimated that Senegal will face higher tariffs on 42 per cent of its exports to the United Kingdom, which accounts for approximately 2 per cent of its total exports.[19]

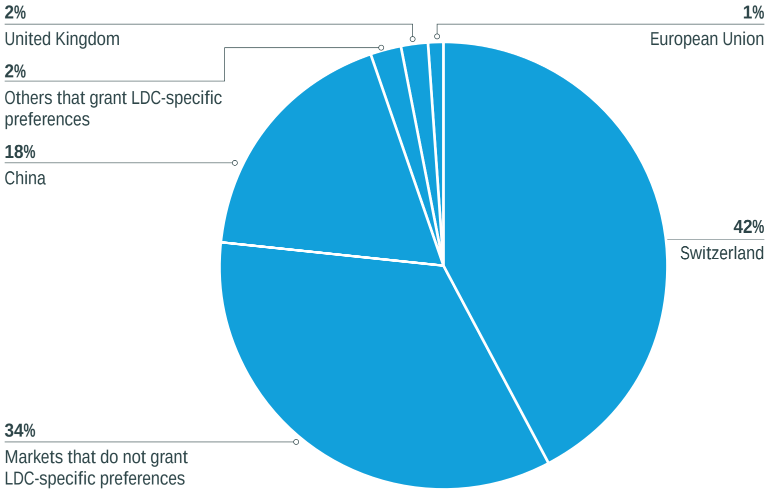
Zambia[20]

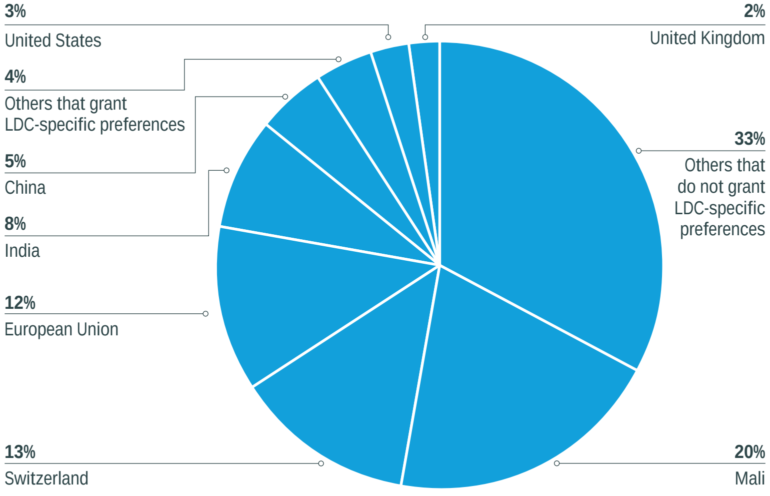
Most of Zambia's exports will not be a fected by graduation:

- About a third of Zambia's exports go to markets that do not provide LDC-specific preferences (Figure 1e), including some of its main export partners like the Democratic Republic of the Congo.

19 Razzaque, Mohammad (2023), What the UK's New Developing Countries Trading Scheme means for Least Developed Countries Including the Graduating Ones, consultancy report. Publication forth-
0.7 (Ones, 0 gsm aFTw (-)Tj0 -ET/s4epo(tn2198 665 0 10.75 0.2 0 0.49 k/TT1 1ET/s4epo72 585 0 10.75 0.2 0184.362

- Switzerland is Zambia's largest export market. Zambia exports mostly copper to Switzerland, which is either duty-free under the standard GSP or has MFN tariffs of 0.04 per cent or lower, depending on the tariff line. According to the WTO's records, in 2020 Zambia did not use LDC-specific preferences.
- Copper is also the main export product to China, where the MFN rate is 2 per cent or lower. According to WTO records, Zambia used China's LDC preferences only marginally in 2020. China will extend LDC-specific DFQF market access for three years after graduation. Zambia is one of the beneficiaries of China's new scheme for LDCs which ensures zero tariffs on 98 per cent of tariff lines. In the United Kingdom, Zambia is expected to accede to the "Enhanced Preferences" regime under the new Developing Countries Trading Scheme (DCTS), which extends DFQF treatment to several but not all of Zambia's major export products. Considering exports that are MFN duty-free and those that will be duty-free under the Enhanced Preferences scheme, 10-12 per cent of Zambia's exports to the UK are expected to face higher tariffs.
- In the EU, most exports are MFN duty-free. For other products, Zambia could apply to be included in the GSP+. Per current rules, Zambia would need to ratify the UN Single Convention on Narcotic Drugs.


2%
United Kingdom
2%
Others that grant LDC-specific preferences
18%
China
34%
Markets that do not grant LDC-specific preferences
1%
European Union
42%
Switzerland


3%
United States
4%
Others that grant LDC-specific preferences
5%
China
8%
India
12%
European Union
13%
Switzerland
2%
United Kingdom
33%
Others that do not grant LDC-specific preferences
20%
Mali

Preferential treatment for services

What are the LDC-specific measures? The main LDC-specific market access preferences in services are those granted under the decision adopted by WTO Members in 2011 known as the "services waiver".[21] The decision allows WTO Members to grant to LDC services or service suppliers preferential treatment that would otherwise be inconsistent with Article II (MFN) of the GATS. The WTO has received notifcations from 25 developed and developing country WTO members, covering 86 per cent of global services trade.

Is there a smooth transition period? There is no smooth transition period for the services waiver.

What happens after graduation? Upon graduation, countries would no longer have access to preferential treatment under the services waiver.

What would this mean in practice? The practical implications are expected to be limited. According to study by the WTO and EIF, the conclusions regarding the impact of no longer benefting from the services waiver were as follows: "The desired impacts of preferences granted under the services waiver has not yet been realized. In many cases, notified measures reflect the applied MFN regime. Moreover, some notified measures reflect commitments found in preferential trade agreements that also reflect the applied regime. And opportunities have been limited under Mode 4 (presence of natural persons), which has been the single most modal focus of the LDC Group. In addition, a growing body of research suggests that weak domestic supply-side capacities constitute major constraints for LDCs to increase their participation in international services trade. In view of these factors, in the present circumstances, graduating LDCs are unlikely to lose much in services preferences" after graduation.[22]

Special and differential treatment under the WTO agreements

Among the fve countries, Cambodia, Djibouti, Senegal and Zambia are members of the WTO. Comoros is in the process of accession.

21 Preferential Treatment to Services and Service Suppliers of Least-Developed Countries, WT/L/847, 19 December 2011.

22 See WTO and EIF (2020), Trade impacts of LDC graduation, available at https://www.wto.org/english/res_e/publications_e/ldc_graduation_e.htm

The situation of WTO members

What are the LDC-specific measures? LDCs that are members of the WTO benefit from special terms for their implementation of WTO rules. A number of provisions specifcally dedicated to LDCs were time-bound and have already expired.[23] Among the remaining ones, some are administrative (such as simplifed procedures or more flexible notification requirements).[24] Others consist of the encouragement of other WTO member states to consider the special situation of LDCs.[25] Capacity-building and technical assistance measures are discussed in section 2.5 below. The main remaining LDC-specifc substantive provisions under WTO agreements and/or related decisions are as follows:

- Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement:
    - LDCs benefit from a longer transition period to implement the TRIPS agreement. The period has been extended, most recently until 1 July 2034. Also, in line with the Doha Ministerial Declaration on TRIPS and public health, LDCs benefit from a special transition period for pharmaceutical products, most recently extended until 1 January 2033. LDCs are exempt from providing protection for pharmaceutical patents, from providing the possibility of filing mailbox applications and from granting exclusive marketing rights.
    - Developed country members are required to provide incentives to enterprises and institutions on their territories to promote the transfer of technology to LDCs (Article 66.2), on which they report annually.
    - The TRIPS amendment, which entered into force in 2017, allows the use of compulsory licensing for the export of pharmaceuticals to countries with limited manufacturing capacity (Art. 31 bis). LDCs have the following advantages:
        - Notification requirements and proof of limited manufacturing capacity: To use compulsory licensing, mem-

23 For example, LDCs were granted flexibilities on their obligations under the Trade-Related Investment Measures (TRIMs) Agreement, but all measures incompatible with the agreement were to be phased out by 2020.

24

bers need to i) notify an intent to use the system; and ii) show that manufacturing capacity is limited. LDCs are deemed to have limited manufacturing capacity and therefore only need to notify intent.

- Notification requirements for members of regional trade agreements (RTAs) where half the members are LDCs: a developing country member or LDC that produces or imports pharmaceuticals under compulsory licenses, and which is a party to an RTA in which at least half of the members are LDCs, can export the pharmaceuticals to other members of the RTA that share the same health problem without any further notification.

- Agreement on Agriculture and related decisions: Under the Nairobi Decision on Export Competition (2015), LDCs and Net food importing developing countries (NFIDCs) were allowed:

  - A longer timeframe within which to phase out certain agricultural subsidies (2030);

  - Longer repayment terms for the acquisition of basic foodstuffs;

  - To monetize international food aid to redress food deficit requirements or address insufficient agricultural production that gives rise to malnutrition.

- Agreement on Subsidies and Countervailing Measures (SCM):

  - WTO members are not allowed to use non-agricultural export subsidies. LDCs are exempted from this prohibition (as are a group of members identified in the list of Annex VII (b) of the agreement, until their income per capita reaches US$ 1,000 in 1990 constant dollars for three consecutive years).

- Dispute Settlement Understanding (DSU): LDCs benefit “from special considerations under the Dispute Settlement Understanding (DSU). The DSU requires WTO members to exercise due restraint in bringing cases involving LDCs. LDCs are also eligible to request the good offices of the WTO Director-General or the Chair of the Dispute Settlement Body before the establishment of a panel.

- The Trade Facilitation Agreement (TFA) also contained special ments was 22 August 2022), with the exception of notification requirements and flexibility to shift between category B and C provisions. Categorization of trade facilitation obligations already notified under the TFA will not change due to graduation.

Are there smooth transition periods? There are currently no smooth transition periods.

What happens after graduation? After countries graduate, they cease to benefit from these LDC-specific rules.

What would this mean in practice? In its assessments of the trade impacts of LDC graduation for Cambodia, Djibouti, Senegal and Zambia (see Table 3 for a summary), the WTO Secretariat concludes there would be limited impacts given that the provisions are not used (e.g., countries could, but do not, provide export subsidies), are merely administrative in nature (e.g., notification requirements), will have expired by the time these countries graduate (e.g. TFA provisions); or were at least partially waived in the accession package (e.g., Cambodia's commitments regarding the implementation of TRIPs).

Complementing that analysis, a recent examination of the impacts of the loss of the LDC-specific provisions under TRIPs for Cambodia, Djibouti, Senegal and Zambia concludes as follows:26

- Longer transition periods:
    - Cambodia: as noted by the WTO (see Table 3), in its accession to the WTO, Cambodia committed to apply the TRIPs Agreement no later than January 1, 2007. Cambodia also agreed to introduce TRIPS plus standards of protection in some respects. However, Cambodia's legislation did enable it to use the LDC-specific transition period for pharmaceuticals. When it graduates, Cambodia will need to extend patents to pharmaceuticals. Moreover, even though it was not required to, Cambodia established a mailbox system by which pharmaceutical patent applications can be filed during the transition period, to be examined once the period is over (i.e., at graduation) and acceded to patent treaties (including with the European Patent Office), which would enable many of the applications in the mailbox to be granted patents based on the validation of patents granted in other jurisdictions. Therefore, Cambodia could already have a number of pharmaceutical products

26 Nirmalya Syam, Impact Assessment of TRIPS Implementation upon LDC Graduation of Cambodia, Djibouti, Senegal and Zambia. Consultancy report. February 2023. Available upon request.

CHAPT

Table 3

WTO secretariat/EIF conclusions on impacts of graduation on matters related to WTO Agreements (substantive provisions)

Subsidies and Countervailing Measures (SCM): exemption from prohibition of non-agricultural subsidies			
The impact of graduation is expected to be limited, as Cambodia has not made use of non-agricultural export subsidies.	Djibouti does not appear to have made use of non-agricultural export subsidies.	The last notification from Senegal under the SCM Agreement was made in 2014, indicating that for the year 2013 Senegal did not provide any subsidies under the SCM Agreement. Senegal is also included in the list of members under Annex VII (b) of the SCM Agreement. Following graduation, it will remain eligible to provide non-agricultural export subsidies until its GNI per capita reaches US$ 1,000 in constant 1990 dollars (per WTO methodology) for three consecutive years.	In 2015, Zambia notified that it neither provided nor introduced any non-agricultural export subsidies.
Agreement on Agriculture/Nairobi Decision on export subsidies in agriculture: longer timeframe to phase out agricultural subsidies.			
The impacts of graduation for Cambodia would be limited. During the accession negotiations, Cambodia committed not to use agricultural export subsidies. Since then, Cambodia has been regularly notifying to the WTO that it has not been providing agricultural export subsidies.	The impact of graduation is expected to be limited as Djibouti does not provide agricultural export subsidies.	Senegal is expressly included in the NFIDC list and therefore it will continue to benefit from these flexibilities following graduation from LDC status.28 Senegal has also annually notified the WTO Secretariat that it does not provide agricultural export subsidies.	According to the latest notification, Zambia does not provide agricultural export subsidies.
Trade facilitation: extended timelines and simplified procedures			
Cambodia's graduation will have very limited impact on TFA implementation as Cambodia has already implemented most of the Agreement.	Djibouti's graduation will have limited impact on TFA implementation.	Senegal's graduation will have limited impact on the TFA implementation.	Zambia's graduation will have limited impact on TFA implementation.
Dispute settlement: special consideration and good offices			
So far, Cambodia has not made use of WTO dispute settlement.	So far, Djibouti has not made use of WTO dispute settlement.	To date, Senegal has only participated two dispute settlement cases as a third party.	Zambia has only participated in two disputes as a third party.

Source:
Excludes references to most administrative provisions.

28 LDCs were not expressly included in the list, but when the list was created in 1996, Senegal was not an LDC.

> "At all stages of the determination of the causes of a dispute and of dispute settlement procedures involving newer ASEAN Member States, particular sympathetic consideration shall be given to the special situation of newer ASEAN Member States. In this regard, Parties shall exercise due restraint in raising matters under these procedures involving a least-developed country Party. If nullification or impairment is found to result from a measure taken by a least-developed country Party, a Complaining Party shall exercise due restraint regarding matters covered under Article 17 (Compensation and Suspension of Concessions or other Obligations) or other obligations pursuant to these procedures." [29]

Is there a smooth transition period? There is no smooth transition period.

What happens after graduation? The commitment to exercise due restraint if nullification or impairment is found to result from a measure taken by Cambodia would not apply after graduation. The commitment on "particular sympathetic consideration" "at all stages of the determination of the causes of a dispute and of dispute settlement procedures involving newer ASEAN Member States" would still apply.

CHAPT

ability to access technical assistance offered by the WTO secretariat, and that special consideration will be accorded to the WTO's graduating members to ensure a smooth transition. Countries that graduate will continue to benefit from assistance provided to all developing countries. The WTO encourages countries to engage with the WTO secretariat to ensure they make the best use of the

lwDt1h

Table 4

EIF activity in the f ve countries

Country	Activities	EIF Funding (total, 2010-2021, USD)
Cambodia	EIF supports Cambodia to build its capacity to formulate, implement, manage and monitor a pro-poor trade policy. The DTIS was undertaken in 2007 and updated in 2019, leading to Cambodia's Trade Integration Strategy 2019-2023, which included an analysis of graduation. EIF has provided sector-specific support to Cambodia in milled rice, high-value silk, fisheries, cassava and hospitality. Cambodia has also used the EIF's support to set up a permanent mission in Geneva, play an active role as LDC Coordinator, prepare for the Trade Policy Review and maximize its visibility during the 11th WTO Ministerial Conference. More recently, Cambodia has been working with the EIF to develop an e-commerce strategy and help Cambodian SMEs to fully realize the opportunities offered by the digital economy.	9,067,035
Comoros	EIF is supporting Comoros to prioritize trade and is working with the Government to address the country's trade-related needs. This includes instrumental support as Comoros progresses toward WTO accession, and in-country enhancements to enable private sector development. The key agricultural sectors of vanilla, ylang-ylang and clove are being targeted for strengthening at the producer, processor and institutional levels. The DTIS was undertaken in 2007 and updated in 2015.	7,359,154
Djibouti	Djibouti's DTIS was done in 2004 and updated in 2015. Recommendations from the DTIS were incorporated into the country's first Poverty Reduction Strategy Paper in 2004. Trade enhancement efforts have and Industry and the National Investment Promotion Agency to help Djibouti enhance its human resource skills in tourism and to integrate into the multilateral trading system. In 2022, with EIF's support, Djibouti was preparing national trade and e-commerce strategies and investing in improving its business environment by strengthening SME competitiveness and supporting informal operators to move into the formal sector. In the past, Djibouti also benefitted from EIF resources for tourism development.	5,631,049
Senegal	The DTIS was undertaken in 2002 and updated in 2013. EIF support has enabled Senegal to develop an e-commerce strategy, to strengthen the competitiveness of its mango sector and to strengthen its national Aid for Trade metrology system.	6,885,277
Zambia	The DTIS was undertaken in 2005 and updated in 2014. Institutional strengthening through the EIF has helped enable planning, implementation and coordination of Aid for Trade in Zambia, the formulation and implementation of Zambia's export strategy and trade policy, and the integration of trade in its National Development Plan. These activities have also facilitated the introduction of trade and development courses in public universities. With support from the EIF, Zambia has also strengthened its productive sectors by boosting compliance with sanitary and phytosanitary (SPS) requirements and by improving the quality of honey. The government of Zambia, in partnership with the International Trade Centre (ITC) and the EIF, has been ensuring necessary training and support is provided for women entrepreneurs running agricultural and textiles-related businesses in Zambia. Zambia's new DTIS Update, to be concluded in 2023, will address smooth transition from the LDC category.	6,882,734

Sources: https://enhancedif.org; WTO/EIF, 2022a, 2022b, 2022c, 2022d; and information received from the EIF secretariat.

Standards and Trade Development Facility (STDF): allocation rule and co-financing

The STDF originated is a global partnership supporting developing countries to implement sanitary and phytosanitary (SPS) standards, especially those under the WTO Agreement on Sanitary

Chapter III

DEVELOPMENT COOPERATION

The impact of graduation on technical and financial cooperation is naturally a concern for many countries. In practice, it depends on how a country's main development partners consider the LDC category, on the extent to which a graduating country takes advantage of LDC-specific instruments, and what kind of support is in place after graduation. Although commitments have been made internationally regarding official development assistance (ODA) to the LDC category, many technical and financial cooperation programmes are neither exclusively nor primarily determined by LDC status.[31] The volume and type of assistance are usually determined based on a combination of factors related to recipients' income level, creditworthiness, population size, needs, and vulnerabilities; partners' policies and priorities; competing demands; and the broader international context. In the case of bilateral cooperation, geographic proximity and cultural and historical ties often play an important role. This section reviews (i) how the most important development partners for the five countries take (or do not take) the LDC category into account in the determination of their resource allocation or type of support provided, and the expected consequences of LDC graduation on operations in or resource allocation to the five countries (sections 3.2 and 3.3); and (ii) how the five countries have used the LDC-specific instruments. Based on this, Section 3.4 summarizes the expected consequences of graduation on development cooperation in each of the five countries.

As background, it is important to keep in mind that:

- As noted in Chapter I, graduation from the LDC category is not the same as achieving middle-income status or graduating from the concessional windows of multilateral development banks. As mentioned in the introduction, the timeframes for these different "graduations" can be similar, as they all reflect

- Several UN organizations are committed to supporting countries through a "smooth transition" out of the category and UN-OHRLLS coordinates an inter-agency task force to that effect.

Development partners that do not take the LDC category into consideration in resource allocation (graduation has no impact)

Several of the most important development partners for the fve countries, including the World Bank, the IMF, GAVI, the Global Fund, and several bilateral partners do not take the LDC category into consideration (see Tables 7 and 8).[33] They may take into consideration factors that overlap or correlate with the LDC indicators, such as per capita income, but not whether or not a country is on the LDC list. They may also have general commitments towards the LDC category and/or other categories of vulnerable countries but implement these commitments by focusing on recipient countries' characteristics and needs, and their own specializations and strategic priorities, rather than the categorization of individual countries as LDCs.[34] For these partners, LDC graduation is irrelevant. However, at around the time when countries are approaching the graduation thresholds and/or graduation itself, there might be changes in the type or volume of assistance delivered by these partners due to changes in the factors they do take into account, such as an increase in income or an improvement in health-related indicators.

33 An exception to this general rule is that the scope of eligibility for the Debt Service Suspension Initiative for the Poorest Countries (DSSI), which the World Bank and the IMF urged the G20 to set up in 2020 to respond to the COVID-19 crisis, included all IDA-countries that were on any debt service to the IMF and the World Bank and all LDCs in that situation, so that a non-IDA LDC would have benefitted whereas a non-IDA, non-LDC would not. The initiative has now expired. All five countries are IDA countries. Comoros, Djibouti, Senegal and Zambia participated.

34 For example, UNICEF is required by its Executive Board to allocate 60 per cent of its regular resources to LDCs. This is done based on a system that gives higher weight to countries with the lowest

Table 7

tries, once they have graduated, in their respective areas of specialization, based on the country's needs and vulnerabilities.

Based on the above, Figure 2 provides an indication of the relative importance, for the five countries, of partners that do not take the LDC category into account, or that would not change assistance due to graduation. The policies of the remaining partners are explained in detail in section 3.2.

- The Arab Fund: The Arab Fund's focus are Arab countries, with priority given to financing joint Arab projects. Non-LDC members have benefitted from both loans and grants.[36]

- Ireland: The focus of Ireland's development cooperation is sub-Saharan Africa. Ireland concentrates its long-term development assistance on nine "key partner countries", among which is Zambia. Not all nine are LDCs. Additionally, Ireland partners with four other countries, only one of which is an LDC. The latest available strategy paper for bilateral cooperation does not refer to Zambia's LDC status.[37]

- Italy: Several of the 20 focus countries of Italian development cooperation are not LDCs and there is no reference to LDCs in the General law on international development cooperation (2014).[38]

- Kuwait: The Kuwait Fund for Arab Economic Development assists Arab and other developing states, many of which are not LDCs.[39]

- Norway: Even though Norway is one of few countries to exceed the target of allocating 0.15-0.2 per cent of GNI to LDCs, the Norwegian Agency for Development Cooperation (NORAD)'s Strategy Toward 2030 does not refer to LDCs. In previous graduation impact assessments, Norway indicated that development assistance does not depend on LDC status.

- Switzerland: Most of Switzerland's bilateral cooperation is undertaken in a set of priority countries which include both LDCs and non-LDCs (18 LDCs out of 41 countries). These are defined in a consultative process and based on the needs of the population, the added value of Swiss cooperation, and Swiss interests (International Cooperation Strategy 2021 to 2024).[40]

- United Kingdom: The 2015 UK Aid Strategy, "UK aid: tackling global challenges in the national interest" does not refer to LDCs.[41] There have been significant changes in UK development cooperation institutions, policies and funding. Research for this

36 https://www.arabfund.org/
37 Irish Aid, "Countries Where We Work". Available: https://www.irishaid.ie/what-we-do/countries-where-we-work/
38 Italy, General law on international development cooperation (Lao no. 125 of 11 August 2014). Available: https://www.aics.gov.it/wp-content/uploads/2016/07/LEGGE_11_agosto_2014_n__125_ENG.pdf.
39 Kuwait Fund for Arab Economic Development, "Partners in Development". Available: https://www.kuwait-fund.org/en/web/kfund/home.
40 Swiss Confederation. Switzerland's International Cooperation Strategy – 2021-24. Available at: https://www.eda.admin.ch/dam/deza/en/documents/die-deza/strategie/broschuere-IZA-strategie-2021-2024_EN.pdf.
41 UK Department for International Development. UK aid: tackling global challenges in the national interest. Available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/478834/ODA_strategy_final_web_0905.pdf.

document found no indication that being an LDC would become in any way a determinant of receiving assistance.[42] The Foreign, Commonwealth & Development Office's Policy Paper for Zambia (2 September 2021) does not refer to Zambia's LDC status

Moreover, the OECD DAC data do not include concessional f nancing by all countries, and notably by China, which is estimated to have provided grants and concessional loans in significant volumes, and has informed UN DESA that it would continue to support countries beyond graduation.

Only a fraction, small for most countries, of the remaining share in Figure XX will possibly be a f ected by graduation, as explained in sections 3.2 and 3.3. below.

Development partners that consider LDC status among other eligibility factors

Formal consultations, published strategic documents, and legislation analysed for this report indicate that a relatively small number of development partners take the LDC category into consideration in ways that will, or might, mean that graduation would trigger changes in the type of assistance or quantity of resources dedicated to each country. In some cases, the changes will be marginal, or depend on multiple other factors.

Bilateral partners

France: focus on LDCs under the 2021 law on development programming

France is a major bilateral partner and especially important, in relative terms, for Comoros, Djibouti and Senegal, which in turn have been priority countries for French development cooperation. In 2021, France enacted a new law on programming of development cooperation which stipulates that it will focus its bilateral development assistance, and particularly grants, on LDCs, and especially those in sub-Saharan Africa. Assistance to middle-income countries is now to be mostly in the form of loans, in partnership with the private sector, local communities and civil society.[43] Graduating

42 For example, there was no reference to LDCs in the ministerial statement of the Foreign Secretary to Parliament on allocating Foreign, Commonwealth and Development Office ODA budget (21 April 2021).

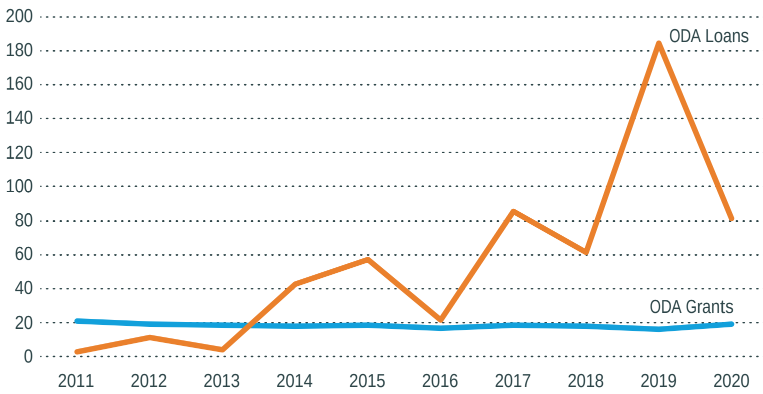
43 de développement française. Available: https://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/developpement/une-nouvelle-ambition-pour-la-politique-de-developpement-francaise/ [2021, September 20]; Ministère de l´Europe et des Affaires Etrangères, 2021, Priorités https://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/developpement/priorites-geographiques/ [2021, September 20].

LDCs can expect significant changes in the assistance they receive from France:

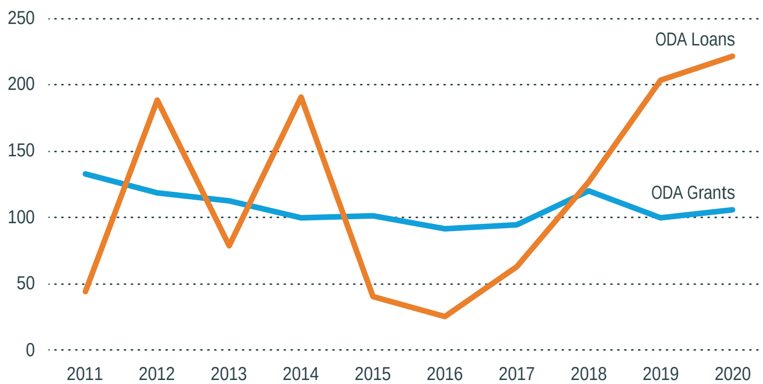
- Cambodia: France accounts for approximately 8 per cent of ODA received by Cambodia between 2011 and 2020. Cambodia is not among France's priority countries. Graduation can be expected to lead to a reduction in ODA for Cambodia. As a middle-income non-LDC, ODA can be expected to be mostly in the form of loans. While grants have been relatively stable, at around 20 million dollars a year, loans have already become an increasingly important part of total ODA from France (Figure 3a).
- Comoros: France has been Comoros' largest single development partner, accounting for about 26 per cent of total ODA to Comoros during 2011-2020. Comoros has received only grants from France since 2014. Comoros is on France's list of 19 priority countries. Currently, the 150 million Euro France-Comoros Development Plan 2019-2022 is under implementation, aimed at structuring development projects while better coordinating donors. The plan covers the areas of health; social and economic integration of youth and support to sustainable employment; education and professional training; and environment and spatial planning. While Comoros remains an LDC, it would remain a priority country for France. France has informed that graduation would lead to Comoros losing its priority status, which would mean a significant scaling down of financial and technical support.
- Djibouti: Similarly, France has been Djibouti's largest single development partner, accounting for about 22 per cent of total ODA from 2011 to 2020. Djibouti is also on France's priority list, but this would change if Djibouti were to graduate, leading to a significant reduction of financial and technical support provided by France. Moreover, the state of Djibouti's indebtedness may exclude it from eligibility for financing through concessional loans. About 10 per cent of France's ODA to Djibouti from 2011 to 2020 was in the form of loans.
- Senegal: like Comoros and Djibouti, Senegal is on France's list of priority countries, and France is the largest single development partner, accounting for approximately 19 per cent of total ODA from 2011 to 2020. Like Cambodia, Senegal is already experiencing an increase in the importance of ODA loans versus grants from France. At the time of writing, no information had been provided by France about the impacts of graduation on development cooperation with Senegal taking into account the 2021 law.

- **Zambia:** France accounts for approximately 1 per cent of ODA received by Zambia from 2011 to 2020. The loans Zambia received from France over this period, particularly between 2014 and 2017, in the order of 110 million dollars, dwarf the grants received, (around 6 million dollars). Zambia is not a priority country for France. As a middle-income non-LDC, grants could be expected to be reduced, and new loans would depend on the country's indebtedness situation.

Figure 3
Loans and grants from France to Senegal and Cambodia, 2011-2020 (millions of dollars)



Source:



Source:

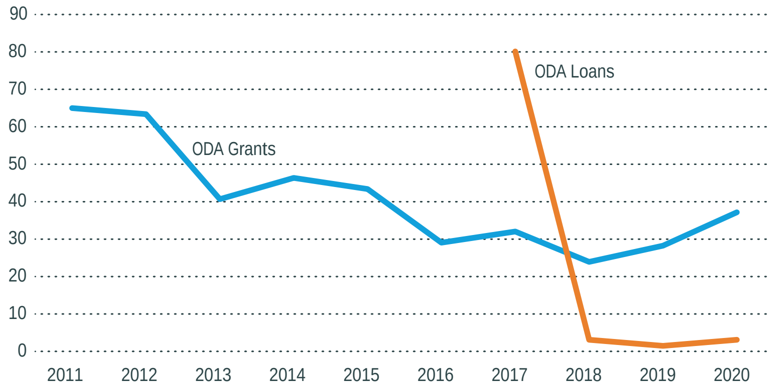
Japan: special terms on concessional loans for LDCs

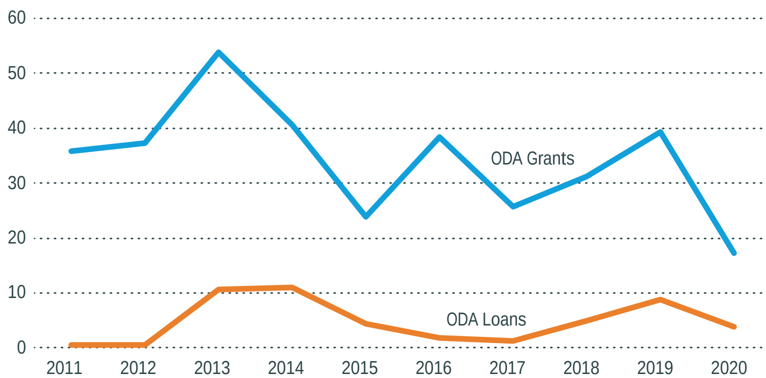
Allocation of grant aid and technical cooperation by Japan does not take LDC status into account, and these forms of assistance are therefore not expected to be affected by LDC graduation. Japan International Cooperation Agency (JICA) has concessional terms on loans for developing countries, with conditions varying according to whether a country is in the LDC category, which World Bank income group it falls into, and other criteria. Low-income LDCs have access to the most favourable terms under Japanese ODA loans, while non-LDC low-income countries and LDCs that are not low-income have access to a second category of preferential loans.294 Td[neT29

A transition period exists for low-income LDCs, that can beneft from the most beneficial terms for three years after leaving the category (either by graduating from the LDC category or acceding to the lower middle income group). None of the fve countries are in this category.

Of the fve countries,

- Cambodia is the one that received most Japanese ODA loans and for whom the loans have been relatively most important. Cambodia has seen an increase in both loans and grants from Japan in recent years, with loans having overtaken grants in 2020. Japan accounted for 16 per cent of total ODA loans received by Cambodia from 2011 to 2020, as recorded by the OECD/DAC.
- Comoros and Djibouti have received only grants from Japan, which would not b a8ants fr (e)-5 Q otet





Source:

Republic of Korea: special terms on concessional loans for LDCs

For grants and technical assistance, the Republic of Korea defines its cooperation programmes based on national development strategies, economic and social environment and other factors. These are not expected to be affected by graduation. For concessional loans, LDCs have the most favorable conditions (including lower interest rates and longer repayment periods) in the loans provided by the Economic Development Cooperation Fund of Korea, administered by the Export-Import Bank of Korea and the Ministry of Strategy and Finance. Loans taken out after graduation would be under less favorable but still concessional terms.

Saudi Arabia/Saudi Fund: LDC status is one among other factors in determining the terms of new loans and possibly future debt relief initiatives

Information is available on ODA from Saudi Arabia, which is delivered through the Saudi Fund, for 2015 onwards. The Saudi Fund categorizes countries into groups according to development needs.

remains above the 60 per c[illegible]equirement, a country's allo[illegible]n may not be affected by L[illegible]raduation. For the period [illegible]o 2025, TRAC-1 allocations t[illegible]s are 82.4 per cent of the tot[illegible]d currently the 16 countries [illegible]re at different stages of the [illegible]u-ation pipeline account for [illegible]cent.[47] If allocation is under[illegible]er cent, adjustments may ne[illegible] be made to the allocation [illegible]e resources to non-LDC co[illegible]es, including recently gra[illegible]d countries.

Additionally, one of the pr[illegible]es for UNDP resource allocati[illegible]

CHAPT

Global Environment Facility (GEF) trust fund: higher minimum allocation floors

With the exception of the LDC Fund (see Figure 3.3), funding from the GEF is available for all developing countries. The system currently in place for the allocation of the GEF Trust Fund resources for biodiversity, climate change and land degradation is called STAR (System for Transparent Allocation of Resources) and is based on indicators of “global benefits” (steering funds towards the countries where GEF investments could potentially deliver the most global environmental benefits), country performance (assessing the capacity of countries to deliver on potential benefts) and GDP (steering resources from the high-income to the lower income countries), in addition to pre-defned parameters and index weights, among other factors. After allocation based on this system, foors and ceilings are applied to make sure that no country gets too many or too few resources in each focal area. There are special foors for LDCs.

For the 8th replenishment period (GEF-8, July 2022 to June 2026), the minimum allocation floor for LDCs is 8 million dollars, and the same foor applies to SIDS. Cambodia, Comoros, Djibouti and Senegal received an initial allocation for climate change that was equivalent to the minimum allocation foor for LDCs, which suggests that the higher minimum foor for LDCs may have played a role and that if these countries were not entitled to the minimum foor, they may have received fewer resources. The same goes for Djibouti in biodiversity, and for Comoros generally.

Table 10

Minimum allocation floors for GEF-8 and initial allocations to the fve countries (millions of dollars) allocations depend not only on the country's own variables but on multiple parameters (index weights, data updates, funding available) and how other countries fare relatively against these parameters. For Comoros, a SIDS, the application of the minimum allocation f oors would not change.

There are no smooth transition periods but any changes in allocation would only apply in replenishment periods that start after graduation. For example, assuming rules stay the same, if a country graduates in 2027 (during GEF-9) it would still bene f t from the LDC f oors until the end of that replenishment period (after 2030). Changes would apply for GEF-10, and depend on the rules negotiated for that period.

Green Climate Fund (GCF): priority for vulnerable countries, including LDCs, SIDS, African States

The J0 -1.222 Td[(S)0.5 (vila[20 (aria0 (aripS)0.5 .3 (.).5 (u]TJ920 (aria0 (ar8 S)01E3

Cambodia is the only one that would not remain among the group of vulnerable countries. Allocation of new resources to Cambodia through the GCF would only change if the Fund were not meeting its LDC targets. Cambodia would still be eligible for the fund, like other non-LDC middle-income countries.

Climate Risk and Early Warning Systems (CREWS) Initiative

CREWS is a mechanism that provides funding to LDCs and SIDS for risk informed early warning systems. The implementing partners are the World Bank Global Facility for Disaster Risk and Recovery (GFDRR), the World Meteorological Organization (WMO) and the United Nations O f ce for Disaster Risk Reduction (UNDRR).

After graduation, Cambodia, Djibouti, Senegal and Zambia would no longer qualify for new CREWS projects. Comoros, as a SIDS, would continue to have access. Graduated countries other than Comoros would also not be included in new phases of current projects. Current projects include:

- Cambodia: a project for Cambodia and Lao PDR amounting to 5.5 million dollars to reduce the impacts of disasters caused by hazards through the utilization of early warning and risk information.
- Comoros: a regional project in the South-West Indian Ocean, amounting to a total of 4 million dolllars for 4 countries in the region.
- Senegal: Senegal has benefited from the West African Regional Project which seeks to establish risk-informed early warning services.

Asian Development Bank (ADB)

Of relevance only to Cambodia among the f ve countries, the ADB classifies countries into groups according to the type of financing they are eligible for. Group A receives concessional assistance only, Group C receives regular market-based ordinary capital resources (OCR) loans, and Group B receives a blend of both (see Table 11).[49] The classification is based primarily on income per capita and creditworthiness for regular ordinary capital resources (OCR) loans. The ADB considers LDC status as a secondary criterion when classifying countries. Countries that are above the per capita GNI cut-of level and are deemed to lack creditworthiness may be reclassified from group A to group B after LDC graduation;

LDC-specific instruments, programmes and funds

There are instruments, programmes and funds dedicated exclusively or primarily to LDCs. These instruments have been used to different degrees by the five countries, and their activities are not necessarily reflected in large transfers of monetary resources. While limited in terms of the financial resources they mobilize, they are important in leveraging additional resources and in building capacity. It is important for LDCs approaching graduation to consider how they can make the best use of each of them during the period in which they are still eligible. Below are brief descriptions of the instruments, programmes and funds and information on recent usage by the five countries (see section 2.5 for information on the EIF).

The LDC Fund (Climate change)

In 2001, an LDC work programme and a Least Developed Countries Expert Group (LEG) were established under the UNFCCC, and an LDC Fund (LDCF) was set up to support the work programme, including the preparation and implementation of National Adaptation Programs of Action (NAPAs) and more recently includes support to the national adaptation plans (NAPs). The LDCF is operated by the GEF. It disbursed 1.65 billion in grant financing in its first 20 years. Disbursements under the LDCF follow a principle of "equitable access" for LDC Parties, which means there are caps on the amount of funds a single country can receive in any specific replenishment period (currently USD 20 million for 2022-2026, the GEF-8 period), and a cumulative cap (currently at USD 60 million).[51] Table 12 summarizes disbursements to the five countries by the LDCF since its beginning, compared to the GCF for the period 2015-2022.

After graduation, countries are no longer eligible to receive new funding under the LDCF. There is no smooth transition period, but projects approved before and up until graduation continue to receive funding for their full implementation. The LDCF Secretariat plans to conduct targeted outreach to, and consultations with, graduating LDCs so that they can address their adaptation priorities through the LDCF before they graduate.

51 GEF Programming Strategy on Adaptation to Climate Change for the Least Developed Countries Fund and the Special Climate Change Fund for the GEF-8 Period from July 1, 2022 to June 30, 2026 and Operational Improvements.

- Capacity development and international research collaboration to support LDCs to build high-quality research capabilities and strengthen the capacity of academies of science in LDCs. New and upcoming initiatives include:
    - Science, technology and innovation capacity-building programmes in LDCs in the areas of biotechnology in partnership with UNESCO, and the World Academy of Sciences for the advancement of science in developing countries and the International Centre for Genetic Engineering and Biotechnology;
    - SDG Impact Accelerator projects, currently in Bangladesh and Uganda, in partnership with Turkey and UNDP, to unlock entrepreneurial talent and leverage emergent technologies to improve livelihoods;
    -

As of mid-2022, TNAs had been conducted for Cambodia and Djibouti and initiated for Senegal. Completed TNAs have identified the main sectors that the countries consider as priorities for national development goals. For example, Cambodia prioritized energy, agriculture and food, education, and human health; Djibouti prioritized education, health, energy, and water.

UNCDF

The United Nations Capital Development Fund (UNCDF) is the United Nations catalytic financing entity for the LDCs. In 2021, it operated in 37 LDCs, working to invest and catalyse capital to support these countries in achieving sustainable growth and inclusiveness. UNCDF aims to strengthen financing mechanisms and systems to contribute to transformation pathways such as green economy, digitalization, urbanization, inclusive economies and gender equality and women's economic empowerment. In 2021, UNCDF disbursed more than 38 million through strategic grants, loans and guarantees, which collectively unlocked 89 million in direct and catalytic financing along with an additional 37 million channeled through de-

Investment Support Programme for LDCs (ISP/LDCs)

The Investment Support Programme for LDCs (ISP/LDCs), a partnership between the International development Law Association and UN-OHRLLS, provides on-demand legal and professional assistance and training to LDC governments, and eligible state-owned or private sector entities for investment-related negotiations and dispute settlement. Its services are provided by private law-firms and other experts at no costs to LDCs. Its first engagement was in 2020, supporting the Gambia. Graduated countries remain eligible to apply for assistance under the programme for a period of five years after the date of graduation.[52] The five countries had not yet used the ISP/LDCs as of 2022.

Main impacts on development cooperation, country by country

Based on the above, the main expected impacts of graduation on development cooperation, country by country, are as follows:

Cambodia

Among Cambodia's main development partners (Figure 6), the most significant changes in terms of development cooperation are expected to be as follows (see the previous sections for details):

- At the ADB, a possible reclassification from the group that receives only concessional resources to the group that receives a blend of concessional and ordinary capital resources (OCR). Reclassification is not automatic. They are analyzed on a case-by-case basis, taking other factors into account.
- New loans from Japan and the Republic of Korea will be granted with slightly higher interest rates. Grants from these countries would not be affected. Grants accounted, from 2011 to 2020, for 67 per cent of ODA received by Cambodia from Japan and 48 per cent of ODA received from the Republic of Korea.
- France would likely reduce the volume of ODA to Cambodia, which would be mostly in the form of loans. Grants to Cambodia have been of the order of 20 million dollars a year in recent years, and loans have been on an upward trend, having peaked at 184 million dollars in 2019.

52 Investment Support Programme for Least Developed Countries. Available: https://www.idlo.int/Investment-Support-Programme-LDCs.

- The EU has alerted that while LDC graduation will not affect cooperation, as Cambodia progresses as a middle income country (which is independent of graduation), there could be a gradual shift towards other cooperation mechanisms such as concessional loans, guarantees or other risk-sharing mechanisms.

As for LDC-specific instruments, rules and priorities, if current rules apply once Cambodia graduates:

- In the allocation of UNDP's core resources, the primary factors would still be GNP per capita and population size. If, by applying these primary allocation factors, the worldwide allocation to LDCs came under the 50 per cent floor established by the Executive Board of UNDP, there may need to be adjustments to the allocation to Cambodia and to all other non-LDC benefi-

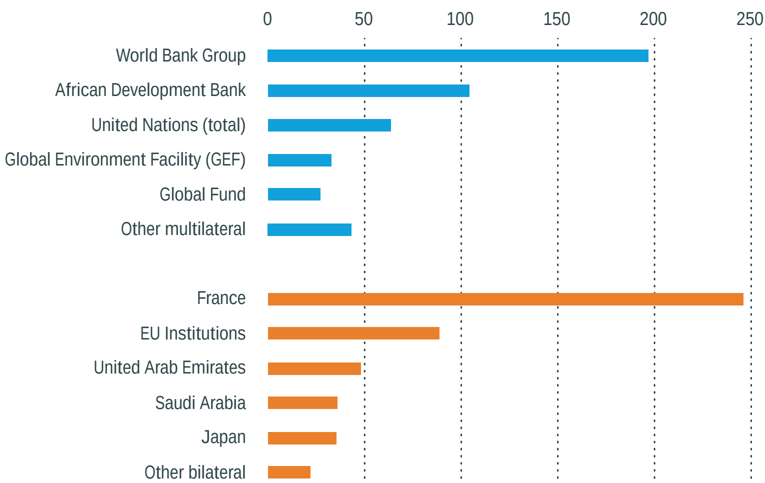
Comoros

Among Comoros's main development partners (Figure 7):

- The most significant change in terms of development cooperation is that France, Comoros' largest single development partner, which has accounted for over a quarter of ODA to Comoros in the last decade, would likely remove Comoros from its list of priority countries, which would mean a significant scaling down of financial and technical support. Support would be delivered mostly as loans.
- Additionally, the Saudi Fund would review the terms on new loans requested after graduation on a case-by-case basis. Graduation could also affect how Saudi Arabia supports debt relief in future.

Figure 7

Comoros: sources of ODA, 2011-2020, gross disbursements (millions of dollars)



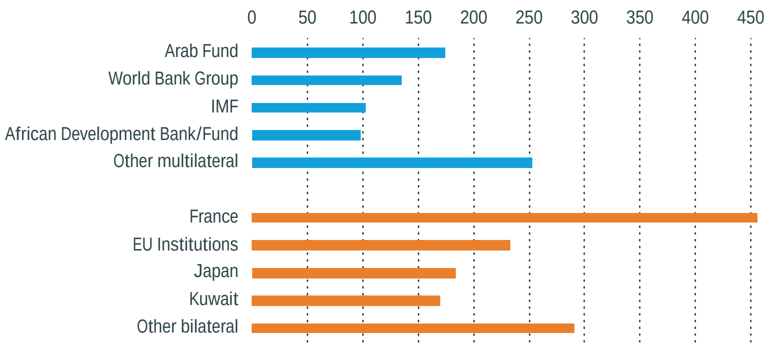
Source:

Other major partners either do not take the LDC category into consideration when determining resource allocation, or extend to SIDS the same treatment as to LDCs (namely in the ci-1.294 (e)9 (lu30me)10

COMMITTEE FOR DEVELOPMENT POLICY

- The European Union had also not, at the time of writing, responded to a request for information on prospects for development cooperation after graduation specifically with Djibouti, but responses in relation to Cambodia based on current policy and responses in previous assessments suggest graduation itself will not be the trigger of significant changes in development cooperation from the EU (though progress in general as a middle-income country might lead to changes in the nature of cooperation mechanisms).
- Other major partners do not take the LDC category into consideration when determining resource allocation. This also applies to China, not included in the OECD/DAC data, that is estimated to have provided at least 625 million dollars in grants and 1 billion dollars in concessional loans to Djibouti during 2008-2017.[59]

Figure 8
Djibouti: sources of ODA, 2011-2020, gross disbursements (millions of dollars)



Source:

As for LDC-specific instruments, rules and priorities, if current rules apply once Djibouti graduates:

-

budget is formulated after graduation. Djibouti received 1.8 million dollars in UNDP core resources in 2020.[60]

- Climate and environment:
    - Djibouti would no longer be able to receive new funding under the LDCF after graduation, though projects approved until graduation would be financed to their completion. As a reference, Djibouti has received, as of 2022, 29 million dollars under the LDCF for national projects and 9 million under regional and global projects. The LDCF secretariat plans to engage with graduating LDCs to ensure that they can address their adaptation priorities through the LDCF before they graduate.
    - As an African State, Djibouti's priority status in the GCF would not change.
    - Based on current rules and allocations, it is possible that graduation could lead to Djibouti receiving fewer funds from the GEF Trust Fund in future replenishment periods than if it remained an LDC. Djibouti's total initial allocation for GEF-8 is of 9.87 million dollars.
    - Djibouti would not be eligible for projects under the CREWS Initiative.
- Technology Bank: Djibouti would have access to the services and resources of the Technology Bank for five years after graduation. Djibouti's Technology Needs Assessment has been concluded.
- Djibouti would have access to the Investment Support Programme for LDCs (ISP/LDCs) for five years after the date of graduation.22

Senegal

Among Senegal's main development partners (Figure 9):

- The most significant changes in terms of development cooperation are expected to be in France. France is Senegal's most important bilateral partner. France had not, at the time of writing, responded, specifically for Senegal, to a request for information for prospects of assistance after LDC graduation. For other countries it has stated that graduation would lead to removal from the list of priority countries and a scaling down of financial and technical support.

60

- Canada has not responded on prospects for development co-operation with Senegal after graduation.
- The European Union had not, at the time of writing, responded to a request for information on prospects for development cooperation after graduation specifically with Senegal, but responses in relation to Cambodia and responses in previous assessments suggest graduation itself will not be the trigger of significant changes in development cooperation from the EU (though progress in general as a middle-income country might

As for LDC-specific instruments, rules and priorities, if current rules apply once Senegal graduates:

- UNCDF: After graduation, UNCDF programmes in Senegal would continue to be funded under the same conditions for three years. Assuming continued development progress, funding for another two years can be provided on a minimum 50/50 cost-sharing basis with either the Government or a third party. Once Senegal is recommended for graduation, UNCDF expects to prioritize support that helps establish sustainable financing mechanisms and solutions to diversify sources of SDG financing. In Senegal, UNCDF has a longstanding presence. Among other activities, it assists the Fonds Souverain d'Invest (sts tgu(c)-4.9 (3t5 (-0h8

Chapter IV

SUPPORT TO THE PARTICIPATION OF LDCS IN INTERNATIONAL ORGANIZATIONS AND PROCESSES

LDCs benefit from support to participate in international organizations and processes through caps and discounts on contributions to budgets, support for travel to international meetings and others.

Caps and discounts on the contribution of LDCs to the United Nations system budgets

There are two main methods for determining each Member States' mandatory contributions to the budgets of the United Nations system and LDC contributions[63, 64]:

- Most of the United Nations system budgets are based on the "scale of assessments" used for the United Nations regular budget, through which the share of the budget that each country is required to pay for, is determined based on capacity to pay, translated into indicators of gross national income, debt-burden, and per capita income, among others. The maximum rate of contribution for LDCs is, currently, 0.01 per cent. Some budgets are based on the scale, with adjustments:
    - The peace-keeping budget is based on the same scale, with discounts applying to countries at different levels of income. LDCs are entitled to the greatest discount.
    - UNIDO adjusts the UN scale to a smaller membership.
    - The International Maritime Organization (IMO) allocates classes of contribution based on the UN scale of assessments.
- A small number of agencies (ITU, WIPO, UPU) use a system based on classes of contributions. Each class of contribution corresponds to a certain share (or multiple) of a pre-determined unit of contribution. Countries decide which class they will belong to (and therefore how much they will contribute), but only LDCs can opt to contribute at the lowest levels.

63

After graduation, the LDC cap and the ability to contribute at the lowest classes of contribution no longer apply. In the case of the scale of assessments, in many cases this is irrelevant because the application of the criteria on capacity to pay will yield a rate that is beneath the LDC cap. When this rate exceeds 0.01 per cent, the impact depends on the size of the budget for each year. For entities using class-based contribution scales, the impact can be substantial unless countries already contribute, voluntary, at the higher classes.

The impact of graduation cannot be fully anticipated because budgets are not determined several years in advance. As a reference, Table 13 shows estimates of how much more countries would be required to contribute if they were not LDCs in 2022. In summary: contributions to the regular budget would not be di f erent, contributions to peacekeeping operations and international tribunals would be slightly higher (sometimes marginally) and the largest changes would occur in the organizations that adopt class-based systems, notably the ITU.

Table 13

How much more in mandatory contributions to UN budgets would the f ve countries pay in 2022 if they were not LDCs? (estimates, USD)

Entity/operation	Cambodia	Comoros	Djibouti	Senegal	Zambia
Regular budget	0	0	0	0	0
Peacekeeping operations	44,651	6,379	6,379	44,651	51,030
International tribunals	136	19	19	136	155
UN Agencies using the UN scale of assessments	0	0	0	0	0
UNIDO (adjusted scale)	1,245	0	0	1,245	2,590
International Telecommunications Union (ITU)	54,378	54,378	54,378	0a	36,252[a]
World Intellectual Property Organization (WIPO)	3,897	1,299	1,299	3,897	3,897
Universal Postal Union (UPU)	0[a]	20,976	20,976	0[a]	20,976
Estimated total	104,307	83,051	83,051	49,929	127,421

Sources:
official documents or communications with the respective organizations. Exchange rates for the first working day of January 2022. NB: These are unofficial estimates and should not be used for any purpose other than an indication of the order of magnitude of potential impacts of LDC graduation on the mandatory contributions. Numbers for ITU, WIPO and UPU assume that as non-LDCs, countries would contribute at the lowest possible category for non-LDCs with their characteristics.

a Country already contributes at a higher class. At the time of writing, at the ITU, Senegal already contributes a full unit of contribution as opposed to the LDC rates of 1/16 or 1/8; Zambia contributes at 1/8; Cambodia, Comoros and Djibouti contribute at 1/16; at UPU, Cambodia and Senegal already contribute a full unit as opposed to the LDC-specific 0.5 rate.

CHAPT

Capacity-building and technical assistance in negotiations

Several organizations have funds or special terms for LDCs in capacity-building or technical assistance programmes related to international negotiations and processes. For example, (see also ACWL in section 2.5):

- UNITAR has fellowships for nationals of LDCs to participate in its Multilateral Diplomacy Programme and core diplomatic training courses.
- The WTO secretariat conducts dedicated courses for LDC participants in Geneva. The "China Programme" at the WTO supports an internship programme; annual roundtables on accession-related themes; the participation of LDC coordinators in selected meetings; and a South-South dialogue on LDCs and development.
- The Voluntary Technical Assistance Trust Fund to Support the Participation of Least Developed Countries and Small Island Developing States in the Work of the Human Rights Council, provides training on human rights and engagement with the Council, fellowship programmes and practical induction trainings for delegates, annual briefings to delegates in New York on the engagement with the General Assembly, and regional workshops.

Other forms of support

Other forms of support to the participation of LDCs in international forums include fexibility in reporting (for example, under the UNFCCC and certain WTO agreements, as mentioned above) and fnancial support for the operational costs of diplomatic representations in Geneva, Switzerland (up to CHF 3,000 per month).

Chapter V

CONCLUSIONS

This assessment provides an overview of the main potential areas of impact of LDC graduation for each of the five countries. Each country's experience is unique, based on their partners and respective policies, their capacities and needs, and their development strategies. Once countries are recommended for graduation, or even before, it is important to engage with the relevant devel-