

LDC Graduation Process for Cambodia

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How does a country graduate from LDC status?

- Graduation from the LDC category is a **multi-year process** which formally starts when a country meets the graduation criteria for the first time at one of the Committee for Development Policy's (CDP) triennial reviews.
 - The CDP is a subsidiary body of the United Nations Economic and Social Council (ECOSOC).
- The CDP is mandated to review **every three years** the list of LDCs and to make recommendations on which countries are to be graduated from the category.
- For this purpose, the CDP has developed three specific criteria:
 - **Gross National Income per capita;**
 - **Human Assets Index (HAI); and**
 - **Economic and Environmental Vulnerability Index (EVI).**

Revised composition of the LDC graduation criteria

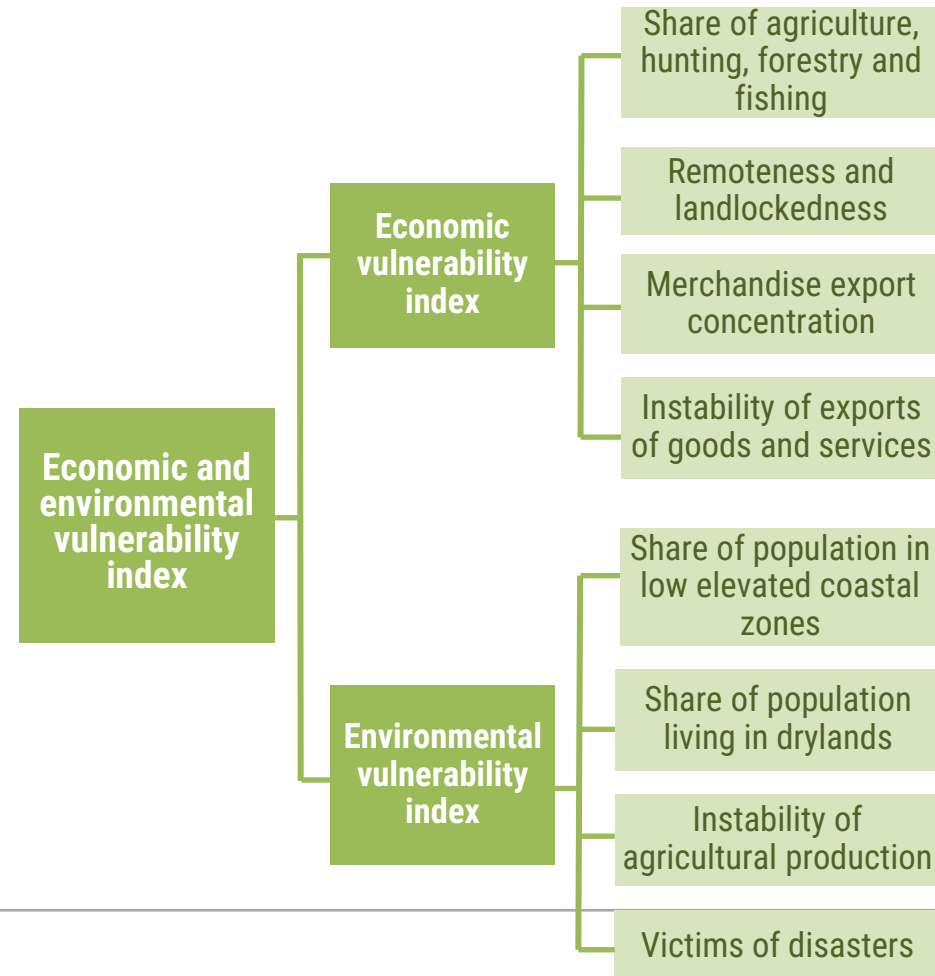
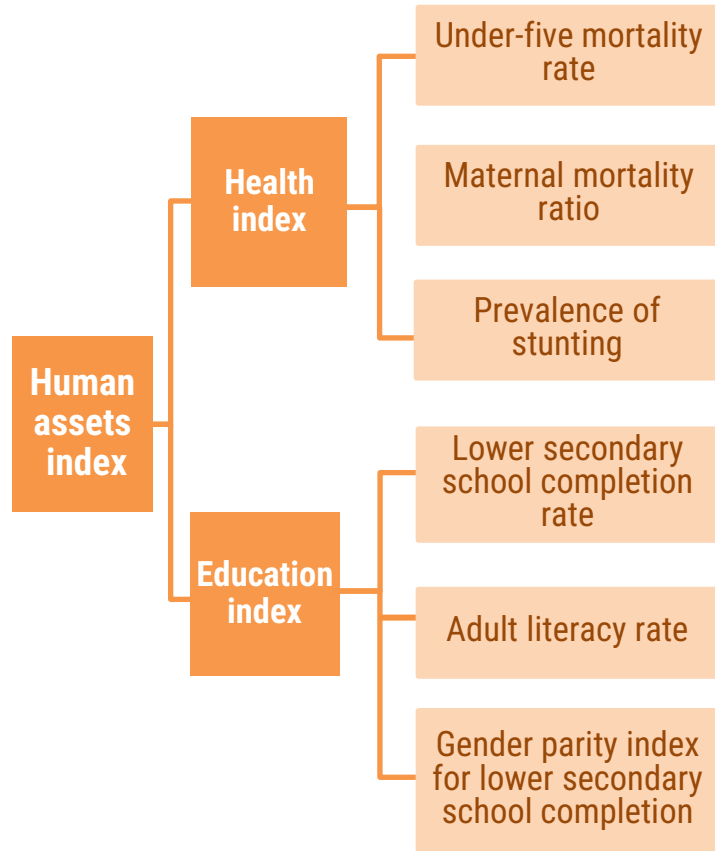
GNI per capita
\$1,306 or above

Human assets index (HAI)
66 or above

Economic and environmental
vulnerability index (EVI) – **32 or below**

All indicators have an equal weight of 1/6

All indicators have an equal weight of 1/8



Current composition of the LDC criteria adopted at the 2023 CDP Plenary

All indicators have **complete data coverage**:

- Updated regularly
- Covering all developing countries

All indicators are from **international data sources** to ensure comparability

- International sources based on national data

Data, methodologies and data sources at:

LDC homepage:
<http://bit.ly/CDP-LDCs>

LDC data page:
<https://bit.ly/LDC-data>

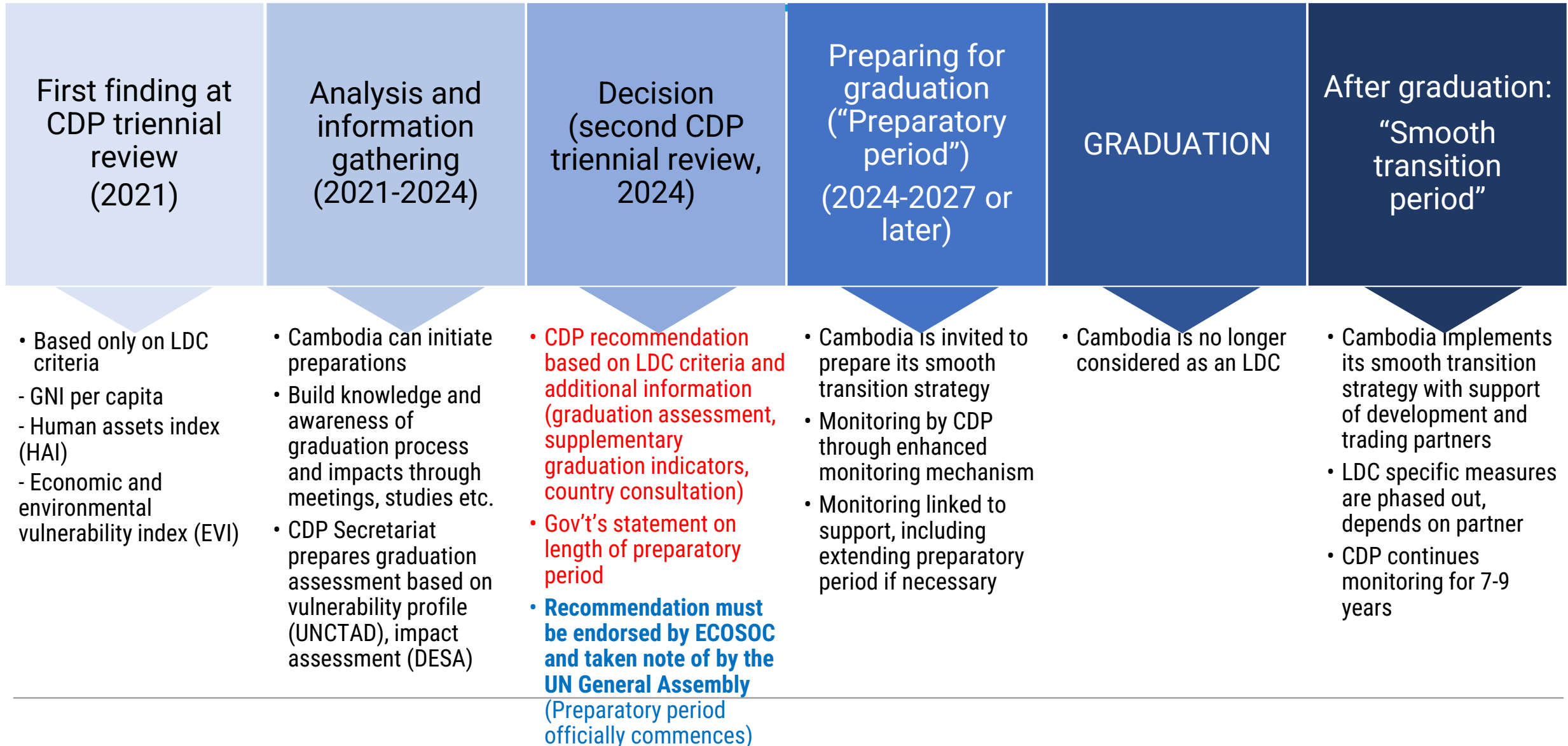
World Bank country classification

- The updated country income classifications for FY24, based on the GNI per capita of 2022 (new thresholds), are as follows:

	Low Income	Lower-middle Income	Upper-middle Income	High Income
July 1, 2023 - for FY24 (new)	$\leq 1,135$	1,136 - 4,465	4,466 - 13,845	$> 13,845$
July 1, 2022 - for FY23 (previous)	$\leq 1,085$	1,086 - 4,255	4,256 - 13,205	$> 13,205$

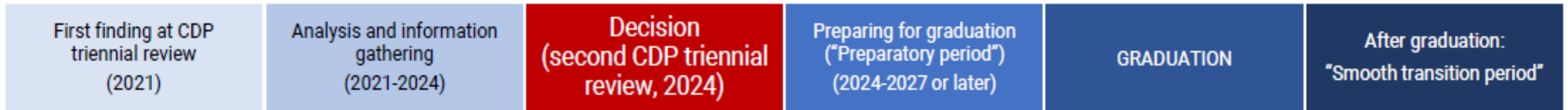
- Cambodia GNI per capita (Atlas method): \$1,690 in 2022

LDC graduation process



Preliminary graduation assessment and data

- Graduation from the LDC category is a **multi-year process** which formally starts



Cambodia's performance vis-à-vis the LDC criteria

LDC criteria	2021 Triennial review		2024 Triennial review*	
	Threshold	Cambodia's score	Threshold	Cambodia's score
Gross national income (GNI), per capita	\$1,222 or above	\$1,377 ✓	\$1,306 or above	\$1,546 ✓
Human assets index (HAI)	66 or above	74.3 ✓	66 or above	77.7 ✓
Economic and environmental index (EVI)	32 or below	30.6 ✓	32 or below	23.3 ✓

- Preliminary data, subject to update and review*

Timeline until 2024 triennial review



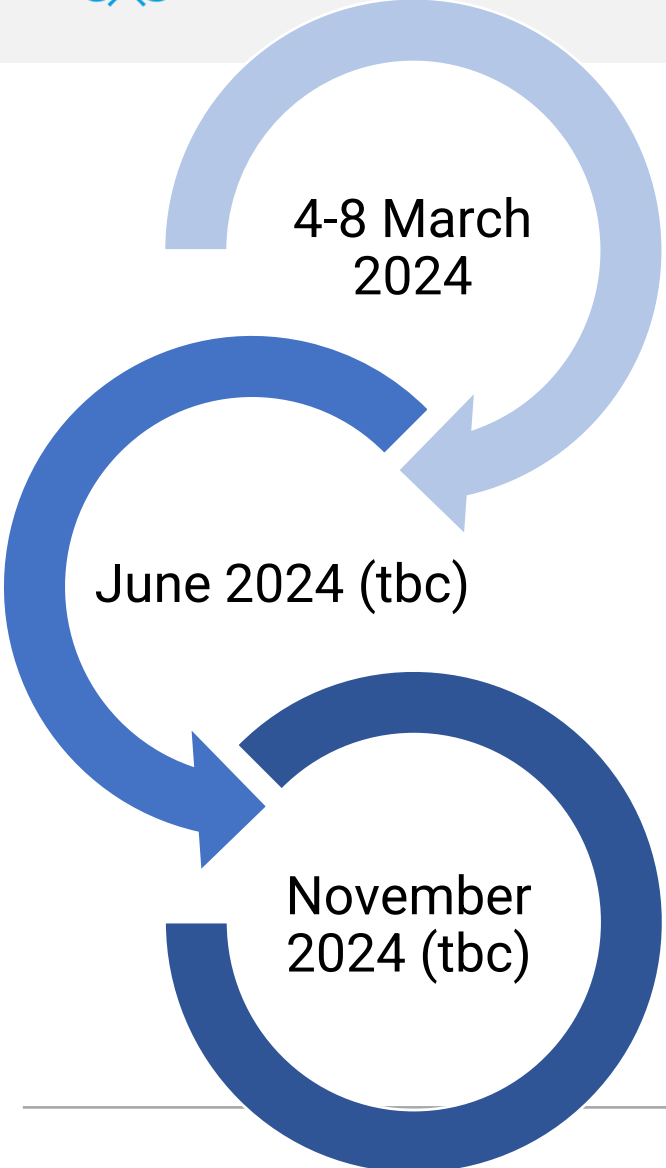
November
2023

31 January
2024

16 February
2024

- CDP Secretariat shared preliminary graduation assessment and preliminary data (LDC criteria and supplementary graduation indicators with Government)
- Cambodia provided written comments on assessment and data discrepancies and concerns.
- Virtual expert group meeting on the triennial review with the CDP subgroup on LDCs and the Government of Cambodia; Government was invited to provide its view (single statement or presentation) on graduation.
- Government submitted a written statement to the CDP Plenary regarding its view on graduation, including preferred preparatory period for graduation (with justifications).

Timeline until 2024 triennial review



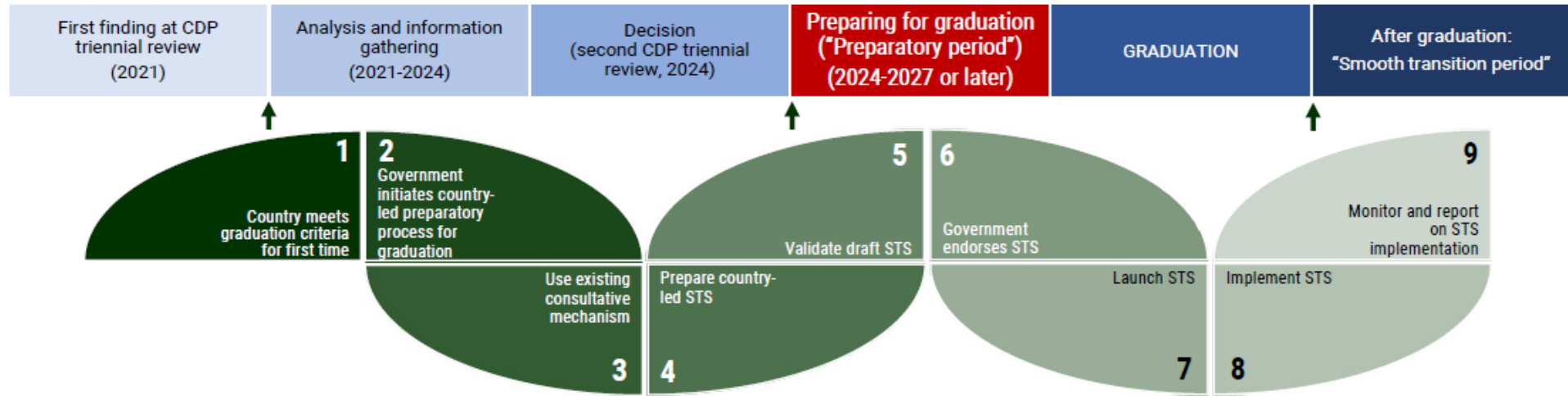
4-8 March
2024

June 2024 (tbc)

November
2024 (tbc)

- CDP Plenary finalizes its recommendation **whether Cambodia should graduate**, whether **the standard three-year preparatory period** is adequate or a longer period is required, and what **policy priorities and support needs** CDP views as important to ensure smooth transition.
- CDP informs the Government of Cambodia.
- ECOSOC adopts its annual resolution on the CDP report, including possible endorsement of graduation recommendation for Cambodia.
 - Adoption is preceded by negotiations among UN Member States in May.
- General Assembly takes note of the CDP recommendation (endorsed by ECOSOC) for Cambodia to graduate.
- **Preparatory period officially commences.**

Preparatory stage: Smooth transition strategy



What is a smooth transition strategy (STS)?

- Country-led and country-owned
- Integrated with national development strategy and planning processes
- No specified format
- Stand-alone or part of medium-to long-term development plan
- Inclusive and participatory engagement process
- Allow time for discussions and negotiations for specific graduation support
- Thorough analysis of graduation impacts and possible mitigation measures
- Resource needs to be reflected in financial frameworks, strategies and plans
- Seek synergies with other (international) policy processes
- Include brief advocacy and communication strategy
- Support is available from United Nations
- Peer learning can be very beneficial

LDCs are benefiting from a number of dedicated international support measures (ISMs) in the areas of trade, financial and technical cooperation and support for participation in international fora.

Example of trade preferences for LDCs and post graduation

	LDC Schemes	Post Graduation
Canada	LDCs enjoy duty free access under least developed country tariff (LDCT) scheme in the Canadian market; the scheme provides Duty-Free, Quota-Free (DFQF) market access for 98.9% of tariff lines.	LDCs will be entitled to Canada's generalized preferential tariff (GPT), for developing countries and selected agricultural and industrial products. Most textiles and clothing, footwear, and chemical products are not included.
China	China provides DFQF market access to 40 LDCs. China's GSP for LDCs is available for 95%-98% of tariff lines.	China has no preferential scheme for developing countries. ASEAN-member LDCs will receive preference under the ASEAN-China FTA and RCEP.
European Union	LDCs receive duty free preference under the European Union's Everything But Arms (EBA) scheme, which provides DFQF preference for all products from LDCs except arms and ammunitions.	Upon complying with 32 pre-specified international conventions, LDCs can access the GSP+ preference, which provides tariff suspensions for 66% of European Union tariff lines. Otherwise, countries will be automatically included in the Standard GSP scheme, which provides duty reductions for 66% of tariff lines. If not qualified for GSP+ or Standard GSP, textile and clothing exports will face MFN tariffs.
United Kingdom	The United Kingdom launched the Developing Countries Trading Scheme (DCTS). LDCs receive DCTS Comprehensive Preferences which grants duty free for all products excluding arms and ammunition.	LDCs can be entitled to: (a) preferential scheme under DCTS Enhanced Preferences for economically vulnerable low-income and lower-middle-income countries Zero tariffs for more than 85% of eligible lines, or (b) DCTS Standard Preferences for low-income and lower-middle-income countries, with partial or full removal of customs duties on over 80% of tariff lines . Product graduation usually at 6% of United Kingdom imports; 1% for certain sensitive products.
Japan	Japan grants duty-free access for LDC exports under its GSP scheme. Currently, 98.2% of tariff lines are duty-free for the LDCs.	ASEAN-member LDCs will continue to obtain duty- free benefit under the ASEAN-Japan CEPA and RCEP. Other graduating LDCs will be entitled to the GSP for developing countries. Most clothing and footwear items are not included in it.
Republic of Korea	DFQF is available to LDCs for 95% of tariff lines.	No scheme is available for developing countries. ASEAN- member LDCs will benefit from ASEAN-Korea FTA and RCEP.
United States	LDCs benefit from the least-developed beneficiary developing countries (LDBDCs) scheme. Cambodia is not a GSP beneficiary in the United States market. Most textiles and clothing products are excluded from United States GSP schemes.	LDCs, excluding Cambodia, will be entitled to preferential treatment under the GSP for beneficiary developing countries (BDCs). Most textiles and clothing products are excluded from beneficial treatment.

Example of potential average rise of tariffs after graduation

Product	Exporting Markets	Current Effective Tariffs	Average tariff faced (%)	
			Standard GSP/GPT	MFN
Garment, textiles, footwear, and travel goods	EU (31%)	0	8.8; (0-GSP+)	11.5
	Canada (8%)	0	16.1	16.4
	US (40%)	11.5	9.8	11.5
Bicycles and other cycles	EU (49%)	0	10.1; (0-GSP+)	14.5
	US (37%)	8	7.33	8.0
	Canada (2%)	0	8.5	13.0
Rice	EU (38%)	0	EURO175/ton and 65/ton for broken rice; (0-GSP+)	EURO175/ton and 65/ton for broken rice
	US (0.6%)	11.2 or USD140/ton, 44/ton for broken rice	5.6	11.2 or USD140/ton, 44/ton for broken rice
	Canada (0.1%)	0	0	0
All other products	EU (3%)	0	0.3; (0-GSP+)	3.0
	US (60%)	4.9	1.0	3.2
	Canada (1.4%)	0	2.4	5.5

Source: UNDP's draft report on Cambodia's graduation from LDC status – Preparedness and Smooth Transition Strategy (Sep 2023).

Example of development assistance

- **World Bank** and **IMF** do not use the LDC category to identify developing-country loan or grant recipients; they use World Bank low-income country (LIC) criteria, market access conditions and short-term vulnerabilities, to allocate concessional assistance.
- **ADB** analyzes on a case-by-case basis.
- New loans from **Japan** and the Republic of **Korea** would be likely with slightly higher interest rates. Grants would not be affected.
- **France** and **Germany** would likely reduce the volume of ODA to Cambodia, which would be mostly in the form of loans.
- **EU** has alerted that while LDC graduation will not affect cooperation. There could be a gradual shift towards other cooperation mechanisms such as concessional loans, guarantees or other risk-sharing mechanisms.
- **China** does not take the LDC category into account when determining resource allocation.
- **Global Environment Facility** (GEF) for practical programs and policy biodiversity loss, chemicals and waste, climate change, international waters, and land degradation. Currently, the minimum allocation levels for LDCs are greater than that for non-LDCs.
- **Contributions to UN system and travel support:** Pay higher contributions to the UN system and no longer benefit from some forms of support for travel to meetings.

More Information

- LDC Portal: <https://www.un.org/ldcportal/>
 - LDC Handbook:
<https://www.un.org/development/desa/dpad/publication/handbook-on-the-least-developed-country-category-inclusion-graduation-and-special-support-measures-fourth-edition/>
 - Cambodia's profile on CDP's website:
<https://www.un.org/development/desa/dpad/least-developed-country-category-cambodia.html>
 - Cambodia's page on the LDC Portal:
<https://www.un.org/ldcportal/content/cambodia-graduation-status>
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Thank you
