

Championing continuity for graduating LDCs

Ensuring a smooth transition for climate adaptation

Case study

November 2023



Strengthening capacity for inclusive negotiations

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This case study is part of an ongoing series in which the Least Developed Countries share their experiences, successes and challenges in strengthening national policy and legislative frameworks to take climate action. The series offers transferable lessons and an opportunity for mutual learning to support climate ambition. Other publications in the series include:

Alcobé, F and Lwasa, J (2022) How Uganda's climate reporting is delivering national value. Lessons from the greenhouse gas inventory process. IIED, London. iied.org/21171iied

Aragon, I, Alcobé, F, Idriss, YJD, EL Wavi, SM, Oumar, F and Dah, S (2022) Meeting expectations on transparency and more. How strengthening capacity for climate reporting is benefitting Mauritania and Malawi. IIED, London. iied.org/20706iied

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01

Introduction

When a country graduates from Least Developed Country (LDC) status, this not only symbolises significant socioeconomic progress, it underscores the country's resilience in the face of numerous challenges. While such milestones exemplify emerging strength and development, there are also potential challenges to consider.

A leading concern for many graduating LDCs is the resulting fall in international support and loss of LDC benefits. This reduced support isn't just a financial backup; it's an essential lifeline, especially for many LDCs that are relying on such support to enhance their climate adaptation effort.

Countries at risk include nations like Bhutan, with its fragile ecosystems susceptible to shifting temperatures and rainfall patterns, and Angola, which is facing the dual threats of rising sea levels and increased cyclonic activity due to its vast coastline. While both nations meet the criteria for graduation from LDC status, this transition comes at a sensitive phase in

their adaptation efforts. Bhutan just submitted its National Adaptation Plan (NAP) this September,¹ marking a critical step in formalising its climate resilience strategy. Meanwhile, Angola is still in the process of formulating its own NAP. The NAPs serve as the cornerstone policy documents guiding climate adaptation, but submitting them is just the beginning. The biggest challenge lies in securing adequate funding to move from plans to implementation,² ensuring that the proposed strategies translate into tangible on-the-ground actions.

Losing LDC benefits does more than restrict funds; it threatens to reverse years of foundational work on climate adaptation,

leaving nations inadequately equipped to face the escalating challenges of the climate crisis. These potential impacts further highlight the significance of transitional support during the pivotal phase of LDC graduation. The trajectories of countries like Bhutan and Angola, which are set to graduate in the next two years, offer a lens into the complex challenges accompanying the loss of LDC benefits.

While achieving graduation status is commendable, it requires adequate transition planning. Without this, there's a genuine risk it could undo years of progress, jeopardising the sustainability of climate adaptation efforts in these countries.

BOX 1. BENEFITS OF LDC STATUS UNDER THE UN CLIMATE CONVENTION

LDC work programme (2001):

- Offers initiatives for national climate adaptation, skills training, public awareness and technology transfer

Least Developed Countries Expert Group (LEG):

- Offers technical guidance to LDCs on formulating/implementing NAPs, and
- Provides advice on accessing Green Climate Fund (GCF) resources

Least Developed Countries Fund (LDCF):

- Supports LDC projects, particularly the National Adaptation Programmes of Action (NAPAs), with a funding commitment of more than US\$1.32 billion until 2017

Support from the Green Climate Fund (GCF):

- Prioritises LDCs, small island developing states and African states in resource allocation, and
- Expedites support for LDCs for formulating NAPs and related implementations

Travel support:

- Ensures LDC representation at COP meetings and LEG training workshops

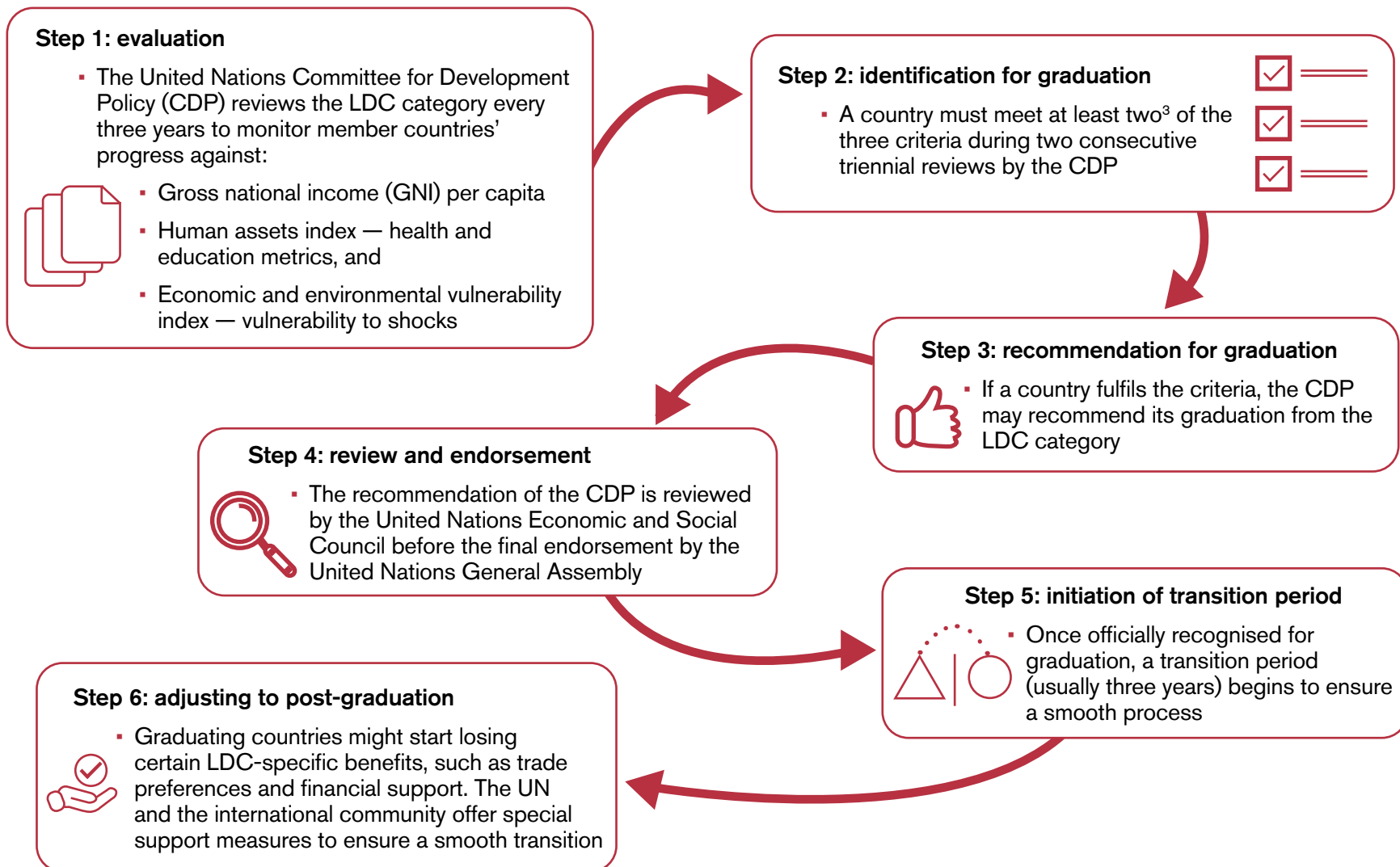
Flexibility in reporting:

- LDCs have a differentiated timetable and the discretion to report, considering their unique challenges

Financial flexibility:

- The financial contribution from any LDC to the convention budget is capped at 0.01% of the total.

FIGURE 1. HOW DOES A COUNTRY GRADUATE FROM LDC STATUS?





Bhutan is a net exporter of electricity, predominantly through hydropower projects.

02

Case study: Angola

Home to 36 million people, Angola is characterised by its vast coastline, which stretches for more than 1,600 kilometres. While this provides great benefits to trade and tourism, it also makes the country susceptible to the threat of rising sea levels — which is intensified by climate change.

Angola has a vast supply of natural resources; oil and diamonds are the country's primary economic drivers. However, the nation grapples with pressing climate adaptation challenges. Changing rainfall patterns disrupt its agriculture — a sector pivotal to the livelihood of a significant portion of its population — while increasing temperatures and severe droughts exacerbate water shortages, placing immense strain on both rural and urban populations.

A climate blindspot

Angola was initially scheduled to graduate from LDC status in February 2021. But recognising the economic challenges posed

by its commodity dependence and the aftershocks of the COVID-19 pandemic, the UN General Assembly gave the country an additional preparatory period of three years.⁴

Angola was deemed eligible to graduate from the status of an LDC largely because it met the gross national income (GNI) criteria. But according to government officials in the country, this approach reveals an oversight in the evaluation process, particularly in the context of climate change. The GNI metric alone offers an insufficient representation of the country's readiness to adapt to and mitigate the impacts of climate change.

Angola's GNI is disproportionately swelled by its oil sector, an industry that does little to address or prepare the country for the looming challenges of climate change. This over-dependence on oil not only leaves Angola susceptible to economic shocks from volatile oil prices, but also sidelines urgent climate adaptation and mitigation measures.

By not considering these climate-related vulnerabilities, relying on GNI as the predominant measure for graduation offers an incomplete and potentially misleading picture of Angola's capacity to mitigate climate change impacts. Such an approach

risks a 'premature graduation' that could have enduring negative consequences, exacerbating the country's vulnerabilities to climate change.

Economic context

Last year, Angola finally emerged from a taxing five-year recession,⁵ a downturn exacerbated by plummeting international oil prices and soaring, unsustainable debt. To help navigate this challenging local context while ensuring graduation from LDC status, the CDP of the United Nations Economic and Social Council recommended that Angola should finalise its Smooth Transition Strategy (STS) without delay. At the time of writing, the STS — a blueprint aimed at guiding nations like Angola through the graduation journey from LDC status to greater economic stability — remains incomplete. The strategy, ideally developed years prior to graduation, is intended to encapsulate and address various issues of sustainable development and climate adaptation, conforming to the priorities laid out in Angola's National Development Plan.

With Angola set to graduate from its LDC status in early 2024, the absence of a finalised STS could compromise the effectiveness of the graduation process. This is especially true given that international support for LDCs often includes development assistance, trade-related measures, and other specialised funding mechanisms.

Box 2. Understanding key terms

National Adaptation Plans (NAPs)

- **Purpose:** to guide the adaptation process in a continuous, progressive and iterative manner, integrating climate change into national development planning
- **Focus:** long-term adaptation needs and strategies, considering medium- and long-term climate change risks
- **Key features:** provides a broader perspective than immediate projects, with emphasis on strengthening institutional frameworks, identifying gaps in knowledge and ensuring sustainable development.

Smooth Transition Strategy (STS)

- **Purpose:** to facilitate a seamless transition for nations graduating from LDC status to a more economically stable position, ensuring that development gains aren't compromised
- **Focus:** broadly encompasses a range of developmental, environmental and economic concerns to ensure the nation's growth remains sustainable post-graduation from LDC status
- **Key features:** typically developed prior to graduation, aligning with the nation's broader developmental goals and often integrating with existing national plans.

National Adaptation Programme of Action (NAPA)

- **Purpose:** to address the urgent and immediate climate adaptation needs of LDCs
- **Focus:** identifying priority projects and activities that can help respond to the immediate challenges of climate change, especially in the most vulnerable sectors
- **Key features:** built on a participatory approach, often involving stakeholders from various sectors, NAPAs are action-oriented, country-driven and flexible.

Climate adaptation efforts

Climate change adaptation is a crucial issue for Angola. In recent years, it has taken steps to address this, initially through its 2011 National Adaptation Programme of Action (NAPA). This programme focused on urgent, immediate needs for adapting to climate change and was supported by short-term projects and international experts. More recently, Angola approved its National Strategy on Climate Change for 2022–2035, known as ENAC. This strategy lays the groundwork for a more comprehensive NAP, which is important for guiding the country's long-term climate adaptation efforts. However, various challenges such as insufficient funding, technical, human resources and governance issues, and the disruption caused by the COVID-19 pandemic mean this plan has yet to be finalised.

LDC graduation: the pros and cons

Graduating from LDC status is a double-edged sword, particularly when it comes to climate adaptation efforts. For Angola, such a change threatens to compromise the viability of its ENAC 2022–2035, as well as its nationally determined contributions, both of which outline the country's climate adaptation and mitigation measures. These plans largely depend on external support. Graduating from LDC status could reduce the available support and impede the country's climate resilience initiatives.

Under the United Nations Framework Convention on Climate Change (UNFCCC), Article 12 mandates that parties periodically provide detailed information about their efforts to address climate change. For LDCs like Angola, this reporting requirement is flexible to account for limited resources and capacities. The easing of these reporting burdens has been instrumental in enabling LDCs to focus more on the actual work of climate adaptation rather than the administrative aspect. Additionally, LDCs benefit from the support of the Least Developed Countries Expert Group (LEG), which offers technical guidance and capacity building for climate adaptation efforts. Graduating from LDC status could result in the loss of these vital support mechanisms, placing additional burden on Angola's already strained resources and hindering its ability to effectively implement crucial climate adaptation initiatives.

The way forward

Angola's unfolding narrative offers invaluable insights. It shows the need to balance celebrating developmental milestones with ensuring that the pressing demands of climate adaptation are neither sidelined nor compromised. It is also a reminder that the road ahead, especially in the realm of climate adaptation, requires sustained support, collaborative efforts and a vision that looks beyond immediate challenges to ensure a resilient and sustainable future.

As Angola nears its graduation date from LDC status, two critical courses of action stand out:

1. Re-evaluate the schedule for graduation and, if required, seek a postponement to allow for more strategic planning. The STS is ideally initiated years ahead of the graduation date to solidify the efficacy of national policies.
2. If extending the timeline is not possible, Angola must quickly finalise the STS, ensuring it includes targeted approaches for dealing with climate change and promoting sustainable development.

Ultimately, the focus for Angola should be a strong commitment to climate change adaptation, independent of the outcome of its LDC graduation. A resilient future for the country is contingent upon robust planning and implementation strategies, enacted with immediacy and foresight. Climate change adaptation for Angola is not a matter of choice, but a pressing necessity.



Boats on the Angolan coast. Angola has vast coastline and faces the threat of rising sea levels.

03

Case study: Bhutan

Known as the happiest place on earth due to its Gross National Happiness philosophy, Bhutan is set to graduate from the United Nations' LDCs list on 13 December 2023. This success story reflects Bhutan's exceptional socioeconomic development, backed by an innovative district development strategy that places more emphasis on Gross National Happiness than conventional GDP (gross domestic product) growth. This has helped to advance Bhutan's economic growth, while improving the quality of education and access to healthcare.

However, the expected graduation of Bhutan from LDC status is overshadowed by numerous challenges, including climate change. Bhutan is one of the world's most vulnerable countries to climate change, being at risk from glacier melt, erratic weather patterns and increased natural disasters. These climate impacts threaten Bhutan's advancement on major issues including poverty eradication, food security and economic growth. Understanding how

Bhutan has positioned itself for graduation amid a global pandemic and increasing climate impacts can offer valuable lessons.

Testing Bhutan's resilience

Bhutan's status as an LDC is based on the criteria outlined in Table 1, including income, human development and economic vulnerability. Bhutan's economic prospects have significantly improved in the last ten

years. With an estimated economic growth of 4.7% in 2022 and projected growth of 4.6% in 2023, the country has continually maintained positive GDP growth rates.⁶ This momentum was expected to continue, bolstered by multiple factors, including tourism, which was crucial to Bhutan's economy and a major source of income for the country. Before the COVID-19 pandemic, in 2019 Bhutan welcomed approximately 300,000 tourists, who brought in more

TABLE 1. BHUTAN'S PERFORMANCE IN THE CDP TRIENNIAL REVIEWS

Criteria	Graduation threshold	Bhutan's performance		
		1st triennial review	2nd triennial review	3rd triennial review
GNI per capita (income-only criteria = twice the threshold)	≥ US\$1,242 (2015) ≥ US\$1,230 (2018) ≥ US\$1,222	US\$2,277 (83.3% above threshold)	US\$2,401 (95.2% above threshold)	US\$2,982 (144% above threshold)
Human asset indicator	≥ 66	67.9 (2.9% above threshold)	72.9 (10.45% above threshold)	79.5 (20.45% above threshold)
Economic and environmental vulnerability indicator	≤32	40.2 (25.6% below threshold)	36.3 (13.44% below threshold)	25.7 (19.68% above threshold)

Source: Committee for Development Policy, United Nations

than US\$92 million. Bhutan's status as a net exporter of electricity — predominantly through hydropower projects — further added to its economic strength. However, as highlighted in the 2022 World Bank report⁷ on Bhutan's development, this growth has contracted due to the COVID-19 outbreak and elevated forecasted fiscal debts.

Climate action

Amid the backdrop of recovery from a global pandemic, Bhutan has an ambitious climate change response plan. As a net carbon sink, it has committed to ensuring that 60% of its total land area will remain forested. The country's policies on forest conservation have been highly effective in controlling

deforestation, and this in turn supports climate change mitigation action.

However, regardless of measures taken to boost green growth and sustainable development at the national level, the impacts of climate change — driven by global greenhouse gas emissions — will continue to affect Bhutan's economic growth. But as it contributes so little to those global greenhouse gas emissions, Bhutan is focusing on adaptation action to enhance its climate change resilience and boost its economy. The policies and projects are strong evidence of Bhutan's commitment to mainstreaming adaptation across sectors, including efforts to build national infrastructure such as flood protection and

early warning systems.

Bhutan has successfully executed numerous adaptation projects, thanks to both multilateral and bilateral support, including the NAPA projects. These include NAPA1, spanning 2008 to 2011, which received US\$3.4 million from the Least Developed Countries Fund (LDCF), and US\$3.48 million in co-financing. NAPA2, funded with US\$11.49 million from the LDCF and co-financing from another source, operated from 2014 to 2018. NAPA3 secured additional funding from both LDCF and the Global Environment Facility (GEF) from 2017 to 2021.

In 2019, Bhutan launched the preparation for its first NAP with a US\$2.7 million project,⁸

supported by the Green Climate Fund (GCF) and the United Nations Development Programme (UNDP). This was finalised in September 2023 and adopts a medium- to long-term perspective that analyses climate risks in seven key sectors.¹ It represents a shift from short-term, project-based adaptation to strategic, programmatic approaches that require around US\$14 billion over 15 years. Bhutan's NAP, with due consideration to graduation opportunities and challenges, integrates adaptation priorities into national, sectoral and local development plans, starting with Bhutan's Climate Change Policy of 2020 and its commitment to carbon neutrality. Updated every five years and building on past efforts, the NAP complements Bhutan's climate commitments under the Paris Agreement.

LDC graduation: the pros and cons

Bhutan's successful transition from LDC status will be a major achievement and political win for the country and its people. It will unlock promising opportunities for the nation, including attracting foreign investments, economic diversification and economic prosperity. This transition will allow Bhutan to gain greater international recognition, an enhanced global presence and renewed diplomatic and economic relationships.

However, Bhutan's transition will not be free of challenges. The impact of reduced access to grant-based and concessional

financing, as well as preferential trade agreements, will need careful consideration. This is particularly true in the context of accessing climate finance to implement climate adaptation priorities. In the past, support for Bhutan has primarily come in the form of softer programmes, such as capacity building, institutional strengthening, and technical assistance for policy and strategy development. While these resources have been more readily accessible, even as an LDC Bhutan has struggled to secure funds to implement these programmes, policies and strategies. Graduating from LDC status will make access to implementation finance even more difficult.

To facilitate this transition, Bhutan's 13th Five Year Plan that serves as the STS provides a comprehensive blueprint for Bhutan's journey beyond LDC status. Bhutan's STS outlines the graduation timeline and highlights the benefits enjoyed as an LDC along with the different impacts of graduation. It has also identified these challenges in the context of their impact level and climate change. The country has identified priority access to funding from the GEF and the GCF as a minimal impact and losing eligibility for priority support to attend global conferences — that would in turn affect global visibility — as a major impact.

The way forward

As Bhutan approaches its impending graduation from LDC status, the impact of climate change and the COVID-19 pandemic

has undeniably exerted substantial pressure on the national economy. However, it has also served as a testament to the value of investments made in building resilience, which have ultimately allowed the country to emerge even stronger. It is therefore crucial for Bhutan to continue to pursue climate change adaptation programmes. The challenge of moving toward implementation — while carefully considering the implications of graduating within this complex framework — is a crucial one for Bhutan.

Bhutan must also capitalise on the associated advantages of its prior LDC designation, which means that certain benefits can be extended for a period of three to five years. For example, the support extended to graduating countries under the UNFCCC (see Box 3).⁹

Moreover, to ensure Bhutan's seamless progression and strengthen its ability to withstand the impacts of climate change, it should focus on supporting organisations, as well as bilateral and multilateral sources, to provide support and assistance. This is vital to prevent any regression or barriers to development in the face of climate change challenges.

Box 3. Post-graduation funding landscape for LDCs

LDC fund: after LDC graduation, countries can't access new LDCF funding. Existing approved projects continue to be funded. If an LDC is set to graduate from its status, GEF helps to ensure the country uses its allocated funding fully before the change occurs.

Special climate funds: graduated LDCs can tap into the Special Climate Change Fund and the GCF. The GCF prioritises vulnerable countries, aiming to allocate at least 50% of adaptation funds to them.

Climate Risk & Early Warning Systems initiative (CREWS): if a graduated LDC is a small island developing state, it retains access to the CREWS initiative. Others lose this eligibility.

Ongoing support: organisations attentive to LDCs usually continue some support post-graduation, considering countries' ongoing needs.

Key UNFCCC conclusions* and decisions**

GEF project funding facilitation: LDC graduates with approved projects will continue to receive promised funding until those projects are completed.

Extended support: entities supporting LDC work programmes should continue to provide support to graduating LDCs for three years after their graduation date.

UNFCCC participation and budget: graduating LDCs get a three-year extension to the LDC support to participate in UNFCCC processes.

LEG support: the LEG will extend its capacity-building support for graduating LDCs for three years post-graduation.

* SBI 50: conclusions, paras 71–75

** COP25: Decision 13/CP.25, para.10

04

Policy recommendations

The transition from LDC status is a pivotal moment that comes with both opportunities and challenges for affected countries. While economic indicators may signal readiness for graduation, the unique and escalating risks posed by climate change cannot be overlooked. As nations approach this important juncture, a balanced focus on climate adaptation is critical for a smooth and resilient transition. The policy recommendations below focus exclusively on enhancing climate adaptation efforts for countries nearing LDC graduation:

1. Redefine LDC graduation metrics to include climate adaptation readiness. This could mean developing specific indices or indicators that accurately gauge a country's resilience to climate change impacts.
2. Prioritise early adaptation planning. Countries should ideally have a NAP or an equivalent strategy not just in place, but in the early stages of implementation well before the scheduled graduation.
3. Secure long-term adaptation funding by advocating for continued international financial support earmarked for climate adaptation projects even post-graduation, ensuring a sustainable and resilient transition.
4. The LEG should initiate a specific programme tailored for graduating LDCs. It should work closely with them post-graduation to ensure on-the-ground adaptation efforts are sustained and effective. This engagement can include dedicated task forces and regular review sessions to address the unique challenges faced by these newly graduated countries.



Rice fields, Bhutan. Bhutan is one of the countries in the world most vulnerable to climate change.

Notes

- 1 Royal Government of Bhutan (2023) National Adaptation Plan (NAP) of the Kingdom of Bhutan. <https://unfccc.int/sites/default/files/resource/NAP-Bhutan-2023.pdf>
- 2 Yassin, L (24 April 2023) National Adaptation Plans: LDCs need financing to turn words into reality. www.iied.org/national-adaptation-plans-ldcs-need-financing-turn-words-reality
- 3 A country may also graduate based on the income criterion alone if it exceeds twice the income threshold and satisfies an assessment that the revenue is sustainable.
- 4 UN. General Assembly (75th sess.: 2020-2021) (2021) Extension of the preparatory period preceding the graduation of Angola from the least developed country category. <https://digitallibrary.un.org/record/3901085>
- 5 The Energy Year, Angola's energy financing evolution. <https://theenergyyear.com/articles/angolas-energy-financing-evolution/>
- 6 Asian Development Bank, ADB's Work in Bhutan. www.adb.org/countries/bhutan/overview#:~:text=Bhutan's%20estimated%20economic%20growth%20in,totaling%20%241.2%20billion%20to%20Bhutan
- 7 World Bank, The World Bank In Bhutan. www.worldbank.org/en/country/bhutan/overview#:~:text=Recent%20Economic%20Developments,fiscal%20support%20to%20boost%20activity
- 8 UNDP, Bhutan pursues Climate Resilience with National Adaptation Plan. www.undp.org/bhutan/press-releases/bhutan-pursues-climate-resilience-national-adaptation-plan
- 9 UNFCCC Secretariat (2019) Report of the Subsidiary Body for Implementation on its fiftieth session, held in Bonn from 17 to 27 June 2019. <https://unfccc.int/documents/199147>

Image credits

Cover: Man working in rice field, Lunda Norte, Angola. Agriculture is pivotal to the livelihood of a significant portion of Angola's population. Credit: Yolande Conradie via Unsplash

Page 5: Daniel Grandfield via Unsplash

Page 9: Ministry of Environment, Government of Angola

Page 15: Daniel Grandfield via Unsplash

Graduating from LDC status represents a highly symbolic and positive step in a country's journey towards greater socioeconomic prosperity. However, the resulting fall in international support and loss of LDC benefits also threatens to upend their climate adaptation plans — which are vital for those countries increasingly vulnerable to climate change impacts. The trajectories of countries like Angola and Bhutan, which are set to graduate in the next two years, offer an insight into the complex challenges caused by the loss of LDC benefits. This case study outlines the opportunities and risks faced by graduating LDCs and offers solutions for ensuring a smooth transition in their climate adaptation efforts.

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