

LDC Graduation in Question: Diverging Paths for Bangladesh and Nepal?

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Summary

Bangladesh and Nepal appear to be mulling over the prospects of postponing their least-developed country graduation in November 2026 in view of recent developments. While there could be a justification for Bangladesh to request for a deferral, Nepal might do well in proceeding with its graduation.

After Bhutan's exit from the least-developed country (LDC) group in December 2023, three South Asian countries – Afghanistan, Bangladesh and Nepal – remain in the group along with 41 other countries. [Bangladesh](#) and [Nepal](#) are set to exit the group in November 2026 after having become eligible for the same. This would leave Afghanistan as the only LDC in South Asia after November 2026. Whether this becomes the case appears uncertain as some groups in [Bangladesh](#) and [Nepal](#) are lobbying for a deferment of their respective countries' LDC graduation.

An LDC graduates to become a developing country if it meets at least two of the [three criteria](#) with the established thresholds for graduation – per capita gross national income (GNI), human assets (HAI) and economic and environmental vulnerability (EVI) – in two consecutive triennial reviews. It is also eligible to graduate if its per capita GNI is at least double the threshold, even if it fails to meet the other two criteria.

Nepal met the HAI and EVI criteria, but not the per capita GNI criterion, for graduation in the two consecutive triennial reviews in 2015 and 2018. However, its request for a deferral in view of the lingering impacts of the devastating 2015 earthquake was then accepted. In the 2021 review, Nepal again met the same two criteria for graduation. Subsequently, it was recommended for graduation from the LDC group in November 2026 after completing the transition period that is provided to graduating LDCs to prepare for the new realities they would face upon graduation.

Unlike Nepal, Bangladesh met all the three criteria for graduation in the 2018 and 2021 triennial reviews. Thus, it is also set to exit the LDC group in November 2026. The two countries were provided a five-year transition period unlike the usual three years because of the impacts of the COVID-19 pandemic.

Owing to their low socio-economic status, LDCs enjoy special treatment in certain areas, most importantly in international trade. They face lower tariff rates and less stringent conditions in their exports. The loss of preferential treatment after LDC graduation is a major concern of many graduating LDCs, including Bangladesh and Nepal.

[Studies undertaken](#) to assess the potential trade implications of LDC graduation on Bangladesh and Nepal have found different levels of impacts in the two countries. Despite the preparations of smooth transition strategies and their implementation, mostly partially, these countries will bear at least some impacts after graduation. Unprecedented changes in global geopolitics and trade regimes and domestic political turmoil in these countries during their transition years have added to their graduation challenges. Hence, these countries, or at least some groups within them, are pushing for the postponement of their graduation. Is this justified and will they succeed?

The most important export market for both [Bangladesh](#) and [Nepal](#) in terms of LDC-specific trade preference utilisation is the European Union (EU). The export items that will be affected the most are textiles and clothing. While Bangladesh has a high concentration of these items in its export basket for the EU, Nepal's overall exports, as well as exports of textiles and clothing, to the EU utilising the preferences is exceedingly small. Therefore, without adequate preparation to address potential trade preference losses, Bangladesh could face significant impacts, whereas Nepal is likely to be less affected.

Bangladesh's desire to request for a deferral stems from the imposition of high tariffs on its exports to the United States (US) and its recent domestic political turmoil. Upon its request, the United Nations has agreed to support Bangladesh in carrying out an [independent assessment](#) of its readiness to graduate. There could be a genuine case for Bangladesh to request for a deferral if it has indeed faced serious setbacks in its economic conditions after the US' tariff policy and its own domestic political turmoil. However, the [third triennial review](#) in 2024 and the [monitoring report](#) in 2025 showing Bangladesh's continued success in not only meeting the three graduation criteria but its GNI being more than double the threshold would be an important factor to consider.

In the case of Nepal, the push to request for a deferral does not seem justified for several reasons. First, the impacts of the recent Gen-Z protests have been considered the main reason to request for a deferral. However, although the protests have undoubtedly had some impact on the economy, it is not so significant that Nepal will backslide on its progress. Moreover, it has not seriously impacted the sectors that would be affected the most by graduation.

Second, the [2024 triennial review](#), which is the fourth consecutive review in Nepal's case, still finds Nepal meeting the criteria for graduation. In addition, the [2025 monitoring report](#) shows that Nepal has now also met the income criterion for graduation. Thus, Nepal is seen to be making continued progress, albeit in small steps. Even the devastating earthquake of 2015 did not dent Nepal's graduation eligibility.

Third, more than two-thirds of Nepal's merchandise exports are destined for the Indian market. Based on the bilateral trade treaty between the two countries, Nepal's status as an LDC or a developing country does not have an influence in its exports to India. Nepal's potential [export reductions in the EU](#) after graduation will be less than five per cent of its total merchandise exports because of its low levels of exports and underutilised LDC-specific trade preferences. Moreover, Nepal can continue to enjoy the current preferences in the EU for an additional three years, that is, until November 2029.

Therefore, rather than expend its time and energy for yet another deferral, Nepal would do well to focus on preparations to fend-off the impacts of graduation. It should utilise the opportunity of exiting the LDC group to enhance its self-esteem and boost its confidence. Fighting hard for other more rightful claims, such as climate justice, is more important and meaningful.

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