

**Unclassified****English text only****18 February 2026****DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE****Draft Vision and Update on Discussions on Country eligibility and ODA  
graduation process (Workstream 3)**

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This document is submitted for DISCUSSION under item 6 of the Draft Annotated DAC Agenda [DCD/DAC/A(2026)2].

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## *DAC Review: Update on Workstream 3 – Country eligibility and ODA graduation process*

### **1. Vision Statement**

Graduation from the Development Assistance Committee (DAC) list of official development assistance (ODA) Recipients, when it reflects sustained development progress, is a significant milestone for countries. Partners have voiced concerns about the current graduation criterion –based on GNI per capita- and process, including the fact they do not sufficiently take into account context-specific, critical circumstances such as fragility, vulnerability, and access to alternative sources of finance; and that this may create risks of unsustainable graduation. In light of those, the DAC is examining options for incorporating broader considerations into the graduation framework, to inform the ODA eligibility criterion, as well as the Strengthened Graduation Process and the frequency of the review of ODA eligible countries.

### **2. Update on discussions and next steps**

The spirit of the graduation process is that countries having reached a certain level of income per capita should not need ODA anymore. The objective for members of the DAC, therefore, is to optimize their collective support to countries seeking to diversify, increase and improve the sources of finance for their development over time, until they no longer need concessional finance. This entails reserving the most concessional forms of development finance for the countries that need it the most and directing it to where it is most additional. The key to DAC members making the right decision as to when concessional finance is no longer eligible to being reported as ODA lies in their capacity to assess the “readiness” of the country to not have to rely on such finance.

Until now, DAC members have used the gross national income (GNI) per capita criterion to assess that “readiness”. When a country exceeds the high-income threshold as defined by the World Bank for three consecutive years, it is removed, subject to consensus among DAC members, from the [DAC List of ODA recipients](#) (the “DAC List”), with effect at the start of the following calendar year after the DAC decision is taken. This does not in itself prevent DAC members from continuing to provide concessional finance to the country, but it can no longer be reported as ODA. This may be a disincentive –for example for countries where domestic laws restrict certain budget lines to ODA on the basis of the DAC List, or in those that have a target for providing ODA as a share of their GNI.

While high-income countries (HICs) are implicitly expected to have access to other sources of finance – e.g. domestic revenue, international capital markets, etc. – that are diversified and sustainable enough for them not to need ODA anymore, some provider countries, partner countries, CSOs and other observers have been stressing that the GNI per capita measure does not capture the many dimensions of “readiness”. They argue that relying solely on this criterion may push countries off abrupt “financial cliffs” if they do not have viable alternative financing sources to ODA or they carry significant structural exposure to economic shocks .

Providers such as multilateral development banks (MDBs) or UN agencies, already include such additional dimensions, such as vulnerability or fragility, in their decision-making processes; and there are several examples of multidimensional indices or frameworks aiming to capture them, e.g. the UN multidimensional vulnerability index (MVI) and the Beyond GDP framework.

With a view to improving the system, the DAC adopted in March 2025 a Strengthened Graduation Process that relies on a better preparation of future graduates, a commitment reaffirmed in the Compromiso de Sevilla, Para. 38(d). This supplemented an earlier decision to allow the reinstatement on the DAC List of countries that had graduated but faced a major economic setback.

Yet, those improvements do not fully respond to the criticisms about GNI per capita as the sole criterion for graduation from the DAC List. To inform a decision to revise the process, different factors ought to be considered, assuring that the system remains rules-based and transparent, with equal treatment for all partner countries:

- The virtues of the current system include simplicity and predictability, a quasi-universal coverage and the robustness of the GNI per capita data.
- The aim is to keep the focus on development needs, including poverty alleviation, while taking account of specific vulnerabilities. Going “beyond GNI” can add to the accuracy of the development assessment.
- Any “beyond GNI” measurement will need to consider the availability of timely and comparable data across countries, which can be produced and maintained on a continuous and sustainable basis.
- The intent and application of the Strengthened Graduation Process should be systematically considered when assessing options.
- The revised process should also point towards alternative financing sources for new global challenges that affect the readiness of countries to graduate from the ODA List.
- Graduation does not mean disengagement: post-graduation considerations can also improve the framework

Guided by those principles, the DAC Review Workstream 3 Task Force started by reviewing seven options for modernising the ODA graduation criterion and process (Annex I):

1. Maintain GNI per capita & high-income threshold
2. Maintain GNI per capita + change graduation threshold
3. Add criteria (indicators) to complement the GNI per capita
4. Build a new index
5. Adopt special provisions (windows) for categories of countries
6. Allow for new, conditional transition periods
7. Adopt a “graduation readiness assessment” combining the above: keep rules and GNI per capita as trigger, use additional evidence and data to assess readiness and inform the DAC decision, adding possible transition periods.

This review led to focus in the first instance on options which maintain GNI per capita as a trigger for the graduation process, and add new criteria (indicators) to capture the critically-missing dimensions, i.e. Option #3, with Option #7 as a possible variation, while strengthening the framework through a small, rules-based set of complementary indicators.

Early discussions have emphasised the importance of first agreeing on the themes the DAC seeks to address to inform the graduation process. There is a call for a concise, non-exhaustive set of indicators focused on the themes of: climate and environmental vulnerability; structural economic vulnerability; financial constraints and market access; aid dependency; and human or social vulnerability and inequality. While there is strong support for the need to address climate and environmental vulnerability, views are mixed on the relevance of the other themes, including whether to include human or social vulnerability and inequality.

Furthermore, discussions underlined the importance of a transparent and predictable process, cautioned against reliance on complex composite indices given methodological and data concerns, and stressed the need to ensure coherence with MDB and UN approaches.

### 3. Discussion questions

At this stage, members are keen to receive the input of the Advisory Partner Group (APG) on:

1. which *thematic areas* of additional criteria (indicators) should be considered as a common set for assessing a country's readiness to graduate, including for instance:
  - Income
  - Financial constraints, market access / credit worthiness
  - Aid dependence & fiscal space
  - Structural economic vulnerability
  - Environmental & climate vulnerability
  - Human & social vulnerability and inequality
  - Fragility and conflict
  - Institutional development
2. Should the same set of indicators apply to all countries, or should there be scope for differentiation (e.g. SIDS, fragile contexts, etc.)?
3. How should data considerations be addressed?
4. Drawing on your experience with eligibility processes in other institutions, should automatic thresholds be applied to indicators to trigger a DAC decision for graduation above/below certain levels, or should indicators instead serve as supplementary information, without thresholds, to inform the DAC's decision making?
5. Are there any additional ideas, perspectives, or aspects that you feel are not addressed in this document?

## ANNEX I. Seven options for reforming the ODA graduation process (Dec. 2025)

Option	Description	Advantages	Limitations
1) <b>Maintain the GNI per capita criterion and the high-income threshold</b>	Eligible countries are all <i>low- and middle-income</i> countries based on gross national income (GNI) per capita as published by the <a href="#">World Bank</a> , except former G8 members, EU members, and countries with a firm date for entry into the EU + LDCs.	<ul style="list-style-type: none"> <li>• Simple, transparent, clear rule.</li> <li>• Quasi-universal, data available.</li> <li>• Predictable (allows for forecasts)</li> </ul>	<ul style="list-style-type: none"> <li>• does not capture structural vulnerability, climate and disaster risks, fragility, ODA dependence, or limited market access.</li> </ul>
2) <b>Maintain the GNI per capita criterion and change the graduation threshold</b>	Eligible countries are all countries <i>below a certain level</i> of gross national income (GNI) per capita as published by the World Bank (+ possibly exceptions as above).	<ul style="list-style-type: none"> <li>• Same as above, except clarity of rule.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above.</li> <li>• May be difficult to find a new consensual threshold / new rule, which may seem arbitrary.</li> <li>• Would need to be revised for each review.</li> </ul>
3) <b>Add criteria to complement the GNI per capita</b>	Capture more dimensions of readiness and move beyond the level of income. Examples: UN criteria for LDC graduation, <a href="#">UN MVI</a> .	<ul style="list-style-type: none"> <li>• Adds criteria to take into consideration the multidimensionality of vulnerability and better assess graduation readiness.</li> <li>• Responds to partners who do not think GNI captures potential fragilities / vulnerabilities at the time of graduation.</li> <li>• Could be tailored to the DAC and ODA graduation special needs – for example by introducing an “ODA dependence criterion (e.g. share of ODA on total external flows)” or “creditworthiness”, among others.</li> </ul>	<ul style="list-style-type: none"> <li>• Could be difficult to agree on a list of criteria that could quickly grow and require creating an index to weigh the different factors – see current criticisms of UN LDC graduation criteria (missing resilience pillar) that was deliberately limited to three criteria (income, human assets, economic and environmental vulnerability).</li> <li>• The multiple dimensions of vulnerability and the specificity of each country might be difficult to comprehend.</li> <li>• Difficult to combine with the DAC strengthened graduation process due to absence of forecasts for most indicators.</li> <li>• Adds to the reporting burden.</li> <li>• Challenging to ensure robust and comparable data available over several years for all countries.</li> </ul>

<p><b>4) Build a new index</b></p>	<p>Capture the multiple dimensions of readiness in one single measure.</p>	<ul style="list-style-type: none"> <li>• A possible technical solution.</li> <li>• Single criterion or index, replacing GNI per capita, that captures all or several dimensions of vulnerability.</li> </ul>	<ul style="list-style-type: none"> <li>• Extreme technical complexity to build an index, heavy recurring reporting and compilation exercises.</li> <li>• Unlikely technical capacity / resources in the DAC and Secretariat to build a technically robust and consensual index – see example of UN MVI.</li> <li>• Could take years to build – e.g. it took years in the UN with large groups of experts.</li> <li>• Would not solve the “hurdle” problem (how to decide of the threshold?) and could impose a high reporting burden.</li> </ul>
<p><b>5) Adopt special provisions (windows) for special categories of countries</b></p>	<p>Supplement the GNI per capita criterion with one or more clearly defined categories of countries to the DAC List.  Example: LDC category in DAC List, or Small Island Economies Exception for IDA.</p>	<ul style="list-style-type: none"> <li>• Could rapidly be adopted and implemented.</li> <li>• Technically simple: requires the addition of one or more categories of countries to the DAC List.</li> <li>• Existing practice in MDBs shows some flexibility and consideration for the multiple dimensions of vulnerability not necessarily reflected in the income level.</li> <li>• Would have limited impact in the case of SIDS which receive a small proportion of global ODA.</li> </ul>	<ul style="list-style-type: none"> <li>• Political decision to single out one or more categories of countries as unique beneficiaries of the solution – for example a “SIDS solution” – versus a solution available to all with vulnerability issues.</li> <li>• Responds only in part to the “Beyond GNI” asks of partners.</li> </ul>
<p><b>6) Allow for new, conditional transition periods</b></p>	<p>In addition or independently of Option 4, maintain the GNI per capita as criterion but allow for ODA under certain conditions for a transition period after graduation (or delay graduation) when certain conditions prevail.</p>	<ul style="list-style-type: none"> <li>• Reflects existing practice in MDBs.</li> <li>• Flexibility and responsiveness to countries’ readiness and special circumstances – for example credit worthiness.</li> </ul>	<ul style="list-style-type: none"> <li>• Easy to adopt as concept but the conditions attached might be more complex to agree upon: eligibility criteria (type of vulnerability or special circumstances), length of the transition (for example two years), ODA terms and conditions.</li> </ul>

	<p>Example: IDA gap and blend categories, MDBs credit worthiness concept.</p>	<ul style="list-style-type: none"> <li>• Pragmatic solution that ensures a smooth transition by allowing blending and phasing out of ODA – for example maintaining eligibility to some regional projects, specific blend terms to encourage private investment.</li> <li>• No financing cliff at graduation and could come as a recommendation of a results report of the strengthened graduation strategy / graduation readiness assessment.</li> </ul>	<ul style="list-style-type: none"> <li>• Could introduce some unpredictability and debates about whether the conditions that justified the exception are still met if the length of the transition period is not fixed – see UN LDC graduation problems once an exception is granted.</li> </ul>
<p><b>7) Adopt a “graduation readiness assessment”</b></p>	<p>Keep the current rules and GNI per capita as the trigger of the graduation process, but use additional evidence and data to assess readiness and inform the DAC decision. Eligibility does not end automatically when the high-income level is reached for 3 consecutive years, following the practice of MDBs, and the DAC could conclude to graduate a country or not depending on the readiness assessment (Option 6 could also apply for an agreement on a transition period).</p>	<ul style="list-style-type: none"> <li>• Could be immediately adopted.</li> <li>• Simplicity and flexibility: builds on and improves the current process; could use various defined indicators.</li> <li>• Responds to the “Beyond GNI” ask of partners and recognizes that multiple factors can affect readiness.</li> <li>• Prolongs the logic of the strengthened graduation process: the results report of the country-led strategy would inform the DAC graduation decision, promoting ownership and mutual accountability.</li> <li>• A new, important moment in the dialogue between the DAC and its partners, with long-term mutual benefits: countries would present the results of their strengthened graduation strategies and GRA and discuss opportunities for further partnerships beyond graduation.</li> </ul>	<ul style="list-style-type: none"> <li>• No automaticity and limited predictability and transparency.</li> <li>• As consensus may be hard to reach, the Secretariat and/or an independent panel of experts could facilitate the discussion by providing a neutral assessment of readiness based on beyond GDP evidence and data. However, the same limitations will likely apply as in option 3 above.</li> </ul>