

31 March 2020



United Nations

CDP

Committee for
Development Policy

Outcome of the comprehensive review of the LDC criteria

The identification of least developed countries (LDCs)

- The CDP reviews the list of LDCs every three years to make recommendations on the inclusion and graduation of eligible countries using the following three LDC criteria:
 - Income per capita
 - Human assets
 - Economic and environmental vulnerability
- Next triennial review takes place in February 2021

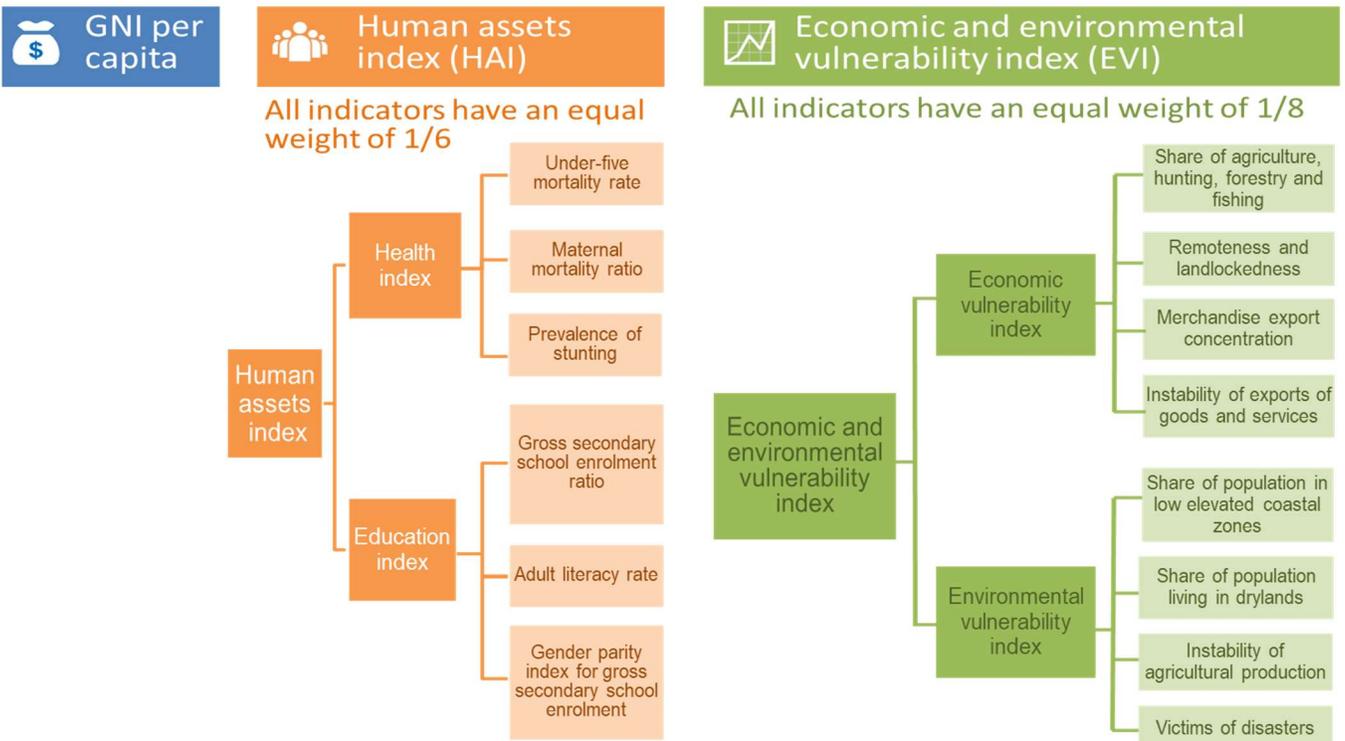
Mandates for the 2020 review of the LDC criteria

- Standing CDP decision to review its LDC criteria periodically to reflect changes in development thinking and indicator availability.
- In 2016 the CDP received a specific mandate from Member States (as contained in GA resolution 70/294 and ECOSOC resolution 2016/15) to carry out a comprehensive review of the LDC criteria, taking into account the 2030 Agenda for Sustainable Development and other relevant agendas. The CDP started the review in 2017 and completed it in 2020.

Objectives of the review of the LDC criteria

- CDP to respond to calls for taking into account the 2030 Agenda 2030 for Sustainable Development by aligning the triennial review to the sustainable development goals (SDGs) and other relevant agendas.
- Prepare for the triennial review 2021.

Composition of the LDC criteria after the comprehensive review



What changes have been made to the income criterion?

- **No changes** have been made to the income criterion, retaining the use of gross national income (GNI) per capita converted into US dollars, using the World Banks Atlas method conversion.
- ➔ *Details of the indicator can be found in the LDC Handbook¹.*

What changes have been made to the HAI?

- The HAI consists of two sub-indices, one on health and one on education with each sub-index containing three indicators.
 - Each indicator has an equal weight of 1/6.
 - The health indicator **Prevalence of undernourishment** has been replaced with the indicator **Prevalence of stunting**.
 - The education indicator **Gender parity index for gross secondary school enrolment** has been added.
- ➔ *Details of all other HAI indicators can be found in the LDC Handbook.*



Prevalence of stunting

Definition: Share of children under five years with height-for-age smaller or equal than two standard deviations below the WHO Child Growth Standards

Rationale: Replaces *Prevalence of undernourishment*, because it:

- is better suited to measure malnutrition as development handicap, and
- has superior and improving data coverage

Data source: UNICEF, WHO, World Bank: Joint Child Malnutrition Estimates



Gender parity index for gross secondary school enrolment

Definition: Ratio of girls to boys enrolled in secondary education

Rationale: Addresses gender inequities in education that have long-term negative impacts on sustainable development, in particular discrimination against girls
Has far better data coverage than gender parity indices in attendance, completion or proficiency

Data source: UNESCO

¹ CDP and UN DESA (2018). Handbook on the least developed country category, available [here](#).

What changes have been made to the EVI?

- The index for measuring vulnerability to economic and environmental shocks has been renamed **Economic and environmental vulnerability index**, but retained the abbreviation EVI.
- The structure of the EVI has been simplified and consists of two sub-indices, one on economic vulnerability and one on environmental vulnerability with each sub-index containing four indicators.
- Each indicator has an equal weight of 1/8.
- The indicator on **Population size** was removed from the EVI, as small size does not directly measure an economic or environmental vulnerability. Specific economic and environmental vulnerabilities associated or compounded by population size are captured in some of the remaining EVI indicators.
- The economic vulnerability indicator **Remoteness** has been renamed **Remoteness and landlockedness** to better reflect the fact that the indicator accounts for specific challenges of LLDCs.
- The environmental vulnerability indicator **Victims of natural disasters** has been renamed **Victims of disasters** to better align it with common United Nations terminology and to highlight that disasters are not natural.
- To broaden the coverage of environmental vulnerabilities, the indicator **Share of population living in drylands** has been added to the EVI.



Details of all other EVI indicators can be found in the LDC Handbook.



Population living in drylands

Definition: Percentage of population that lives in drylands, defined by an aridity index (ratio of precipitation to potential evapotranspiration)

Rationale: Drylands are particularly vulnerable to climate change and other shocks (desertification, land degradation, drought, wildfires, heat stress)
Drylands are globally expanding due to climate change

Data source: CDP Secretariat calculation

What are the impacts of the refined LDC criteria?

- No changes to the GNI
- Simplified structure of HAI and EVI
- Further emphasized gender inequality and malnutrition in the HAI
- Broadened coverage of environmental vulnerabilities in the EVI
- No changes in the ongoing process of graduation from the LDC category
 - ➔ Based on currently available data, all countries eligible for graduation under the previous criteria remain eligible under the refined criteria
 - ➔ Based on currently available data, all countries ineligible for graduation under the previous criteria remain ineligible under the refined criteria

Application of the LDC criteria: thresholds for the 2021 triennial review

- At each triennial review LDC criteria are applied to all countries in developing regions using established inclusion and graduation thresholds to identify countries eligible for inclusion or graduation.
- The review confirmed that established thresholds are still applicable for the 2021 triennial review and will remain as follows:

GNI per capita

Inclusion threshold will be set at the simple average of the low-income threshold established by the World Bank for the years 2017-2019. *It is expected to be slightly below the threshold of the last triennial review (\$ 1,025).*

Graduation threshold will be set 20 per cent above the inclusion threshold and the 'income-only' graduation threshold at twice the graduation threshold.

HAI

Inclusion threshold: 60 and below

Graduation threshold: 66 and above

EVI

Inclusion threshold: 36 and above

Graduation threshold: 32 and below

➔ *Details of the rules for establishing all thresholds can be found in the LDC Handbook.*

Application of the LDC criteria: inclusion and graduation rules

- The review of the criteria confirmed the basic principles for inclusion and graduation but strengthened some aspects of the assessment of the graduation eligibility.

Inclusion

'3 out of 3' rule

Country must meet inclusion thresholds for all three criteria in one triennial review

▶ '3 out of 3' rule confirmed
Limit on population size eliminated

Graduation

'2 out of 3' rule

Country must meet graduation thresholds for two of the three criteria in two consecutive triennial reviews

▶ '2 out of 3' rule confirmed and strengthened
Countries with highly skewed development are only eligible for graduation if they pass the two graduation thresholds with sufficiently high margin

'Income-only exception'

Alternatively, per capita GNI is at least twice the graduation threshold in two consecutive triennial reviews

▶ 'Income-only exception' confirmed and strengthened
Requires explicit assessment of the sustainability of the income level

- The criteria review confirmed that there is no automatic application of graduation rules and that additional information is considered before a graduation recommendation ('flexibility principle').

Additional information: country-specific information

- To enhance the graduation procedure, the preparation of a consolidated graduation assessment is being piloted.

Current procedure:

Individual documentation:

DESA's impact assessment (IA)
UNCTAD's vulnerability profile (VP)
Country views

Prepared only shortly before second finding of graduation eligibility



Pilot initiative:

Consolidated graduation assessment based on:

DESA's impact assessment (IA)
UNCTAD's vulnerability profile (VP)
Additional input from relevant UN entities
Country views



Preparation starts after first eligibility finding to support early country preparation and reducing uncertainty

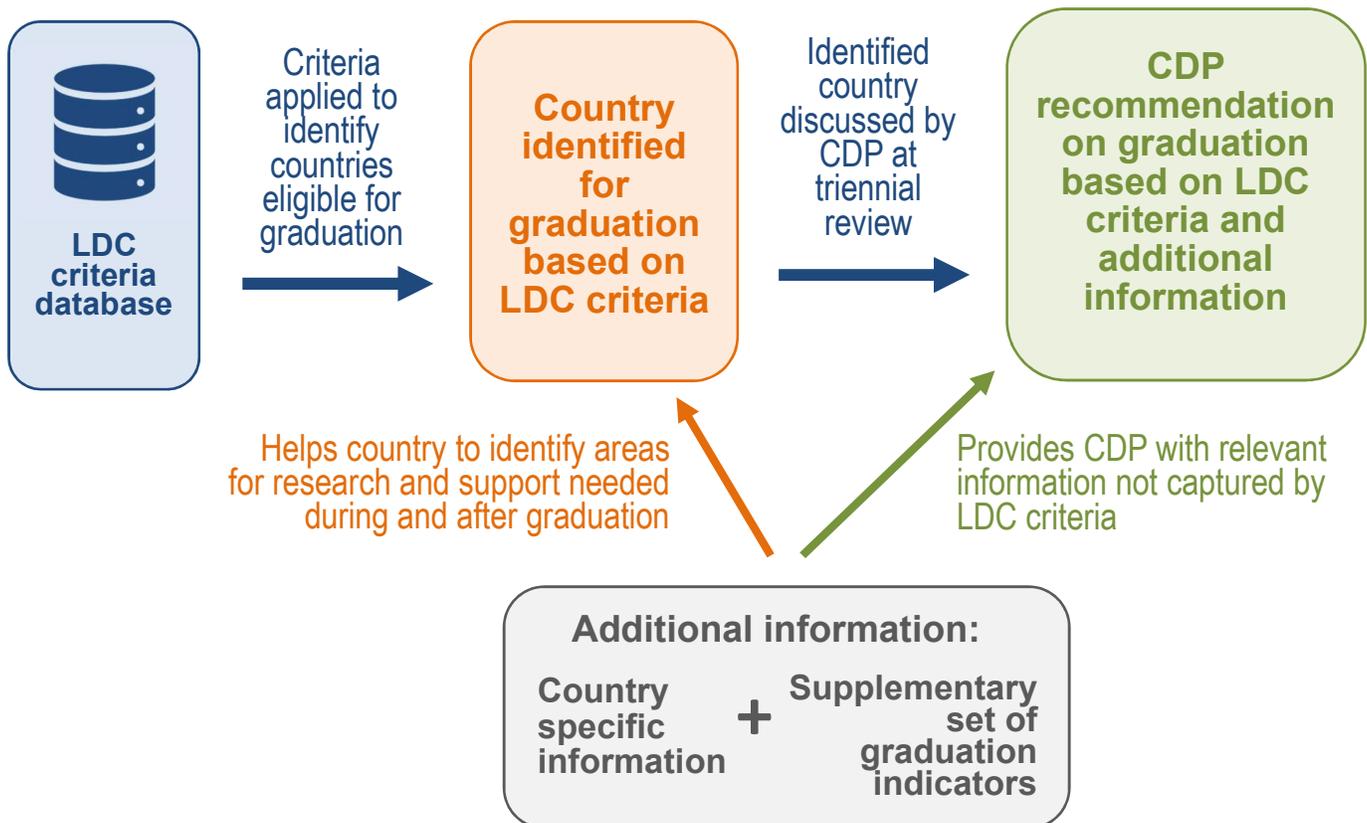
Additional information: new supplementary graduation indicators

- To enhance the graduation framework, a set of supplementary graduation indicators will be introduced for each triennial review, starting in 2021

Description and Purpose of the indicator set

- Assembled, visualized and disseminated online by CDP Secretariat for each triennial review
- Contains methodological sound indicators covering most LDCs and other developing countries
- Complements both LDC criteria and country-specific information
- Covers vulnerabilities and relevant factors not adequately captured by LDC criteria and country-specific information (e.g. inequalities, infrastructure, domestic and external financial resources, technology, conflict and violence, governance)
- Relevant for graduation recommendation, but not requirement for graduation
- Serves as additional screening tool for CDP and country to identify sustainable development challenges and to identify priorities for managing graduation
- Further strengthens alignment with 2030 Agenda for Sustainable Development and other relevant agendas:
 - ➔ Refined LDC criteria directly linked to eleven sustainable development goals (SDGs)
 - ➔ Supplementary graduation indicators cover all SDGs

The role of the additional information in the triennial review



What are the impacts of the utilization of the new set of supplementary indicators and the improved country-specific information?

- CDP has a better information basis to make graduation recommendations.
- Countries receive more comprehensive information at an earlier stage, which reduces uncertainty.
- Graduation support can be easier linked to 2030 Agenda for Sustainable Development

Improved graduation narrative

Eligibility finding and graduation recommendation

- Graduation eligibility finding will still be based on LDC criteria.
- Graduation recommendation by the CDP for eligible LDCs will be based on LDC criteria but also take into account the country-specific information (as before) and the new supplementary graduation indicators.

Statement on length of preparatory period

- CDP will include a statement on length of preparatory period based on planning capacity and overall situation of country regarding graduation as part of the CDP graduation recommendation.
 - ➔ Codifies recent practice and clarifies process

Smooth transition

- CDP will provide suggestions for priorities and support needs based on the country-specific information and new supplementary graduation indicators.

What are the impacts of the improved graduation narrative?

- Tailors preparatory period to country situation
- Provides country-specific suggestions how graduation can be managed
- For highly vulnerable countries, focuses graduation narrative on addressing vulnerabilities and resilience building
- Moves graduation debate beyond pure classification towards momentum towards sustainable development