



**Towards the 2015 Triennial Review:
Refining the Least Developed Country Criteria**
Outcome of the CDP 16th plenary session

Briefing for delegations
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Structure of presentation

1. Principles and considerations

2. The process

1. Inclusion

2. Graduation

3. The criteria

Fine-tuning: why?

- Procedures rely on best methods and information
- Incorporate new pertinent theoretical insights and developments
- Reflect updates data availability
- Improve overall soundness

Guiding principles

- Inter-temporal consistency
- Equity of treatment among countries
- Stability of the criteria
- Flexibility in the application

The LDCs

- Low-income countries facing structural impediments to sustainable development
- Identified triennially: inclusion to and graduation from the category
 1. Committee for Development Policy
 2. Economic and Social Council
 3. General Assembly

The process: inclusion

- ✓ Country satisfies the 3 LDC criteria
- ✓ Population < 75 million
- ✓ Recommended by the CDP
- ✓ Country agrees to inclusion
- ✓ Endorsed by ECOSOC and UNGA
- ✓ Effective immediately

Inclusion rules confirmed

The process: graduation

- Country meets eligibility criteria
- **Eligibility:**
 - ✓ Country no longer meets any 2 criteria; OR
 - ✓ Income > double income graduation threshold
- Not a mechanical process:
 - Country consultations
 - DESA ex-ante impact assessment
 - UNCTAD vulnerability profile

Asymmetries:

- Graduation > Inclusion
- Failing 2 rather than 1 criterion
- Eligibility ascertained twice
- Country need not to agree
- Graduation effective after 3 years

Graduation rule confirmed

Least Developed Countries = Low-income countries + facing structural handicaps to sustainable development

1. GNI per capita (as a measure of income)

Structural impediments to sustainable development:

2. Level of human development measured by the Human Asset Index (HAI),
3. Structural vulnerability to shocks proxied by the Economic Vulnerability Index (EVI)

Selecting indicators: requirements

- Relevance
- Observations
- Methodologically robust
- Comparable
- Coverage
- Frequency

The LDC criteria

*LDCs are low-income countries suffering from the most severe structural impediments to **sustainable development**.*

GNI per capita

Human Asset
Index (HAI)

- Percentage of population undernourished
- Under five mortality rate
- Gross secondary enrolment ratio
- Adult literacy rate

Economic Vulnerability
Index (EVI)

- Population
- Remoteness
- Merchandise export concentration
- Share of agriculture, forestry and fisheries in GDP
- **Share of population in low elevated coastal zones**
- **Victims of natural disasters**
- Instability of agriculture production
- Instability of exports of goods and services

Criteria – main outcomes

- **No change** in the LDC indicators
 - Criteria will be kept under review in the future
- Refined method to establish thresholds for inclusion and graduation
 - **New thresholds are absolute rather than relative**

GNI per capita

- PPP rates considered, but large swings between ICP rounds.
 - Issue to remain under study

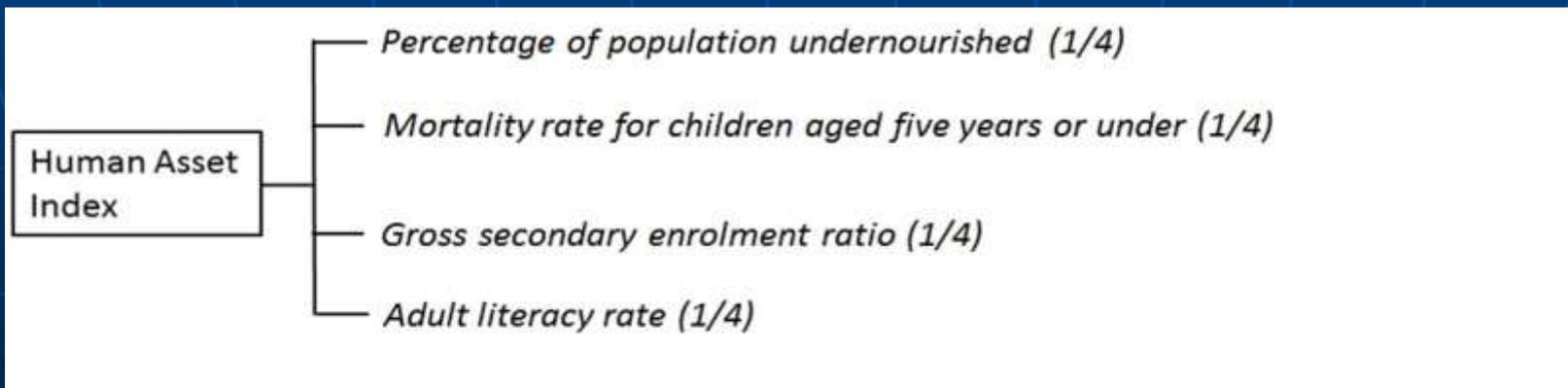
Confirmed:

- GNI = three year averages (2011-2013 for next triennial review)
- National currencies converted into US \$ using the **World Bank Atlas methodology**
 - Reduces impact of exchange rate fluctuations

HAI

- Debate on **undernourishment**
 - More an indicator on food availability than on malnutrition as structural impediment to sustainable development
 - **Stunting prevalence** as alternative; concern about overreliance on child indicators
- **Maternal mortality**: as additional indicator
 - Concern on reliability and comparability
- **Work to continue on HAI in the future**

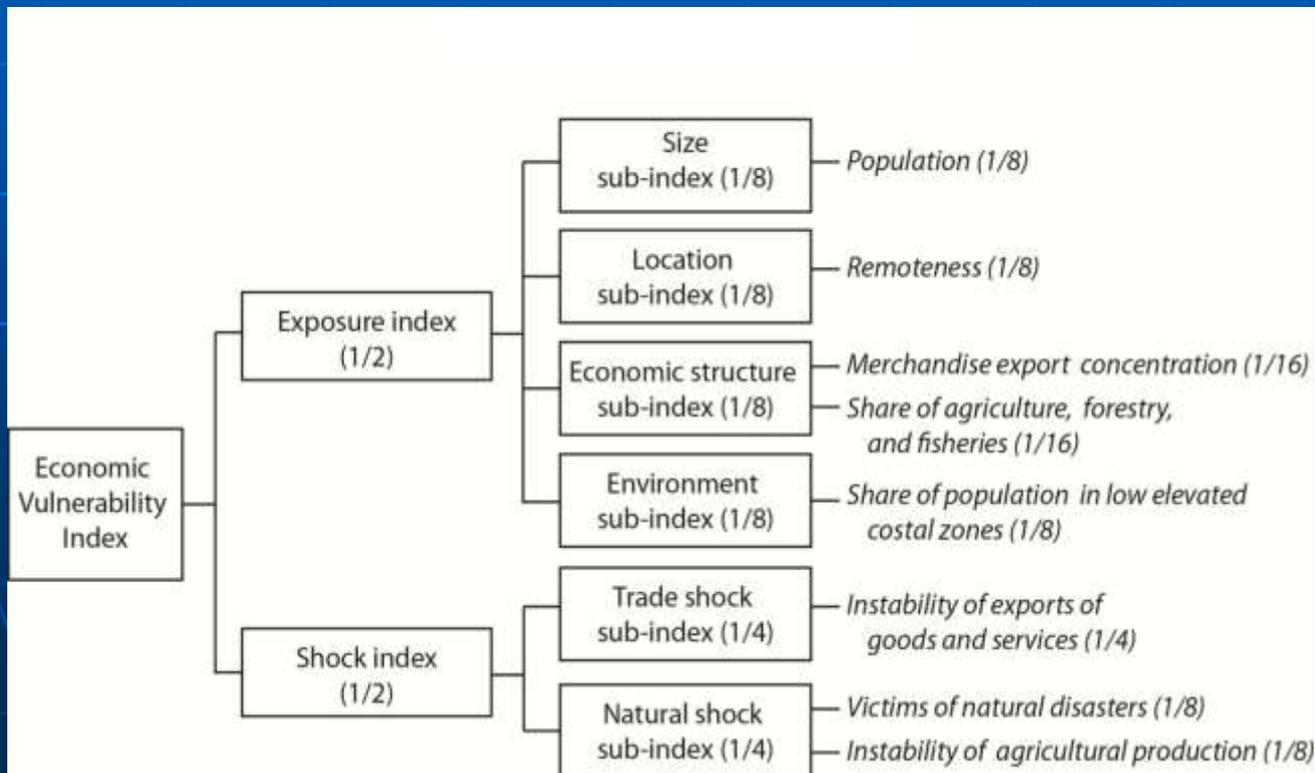
Current indicators **confirmed** for 2015 triennial review:



EVI

- EVI to be kept under review: fine-tuning indicators on vulnerability to environmental shocks

EVI indicators **confirmed** for 2015 review:



Thresholds: GNI

Confirmed methodology:

- **Inclusion:** World Bank low-income threshold (3-year average)
 - 2012 triennial review: \$ 992
- **Graduation:** 20 % above inclusion
 - 2012 triennial review: \$ 1,190
- **'Income only' graduation:** twice the above
 - 2012 triennial review: \$ 2,380

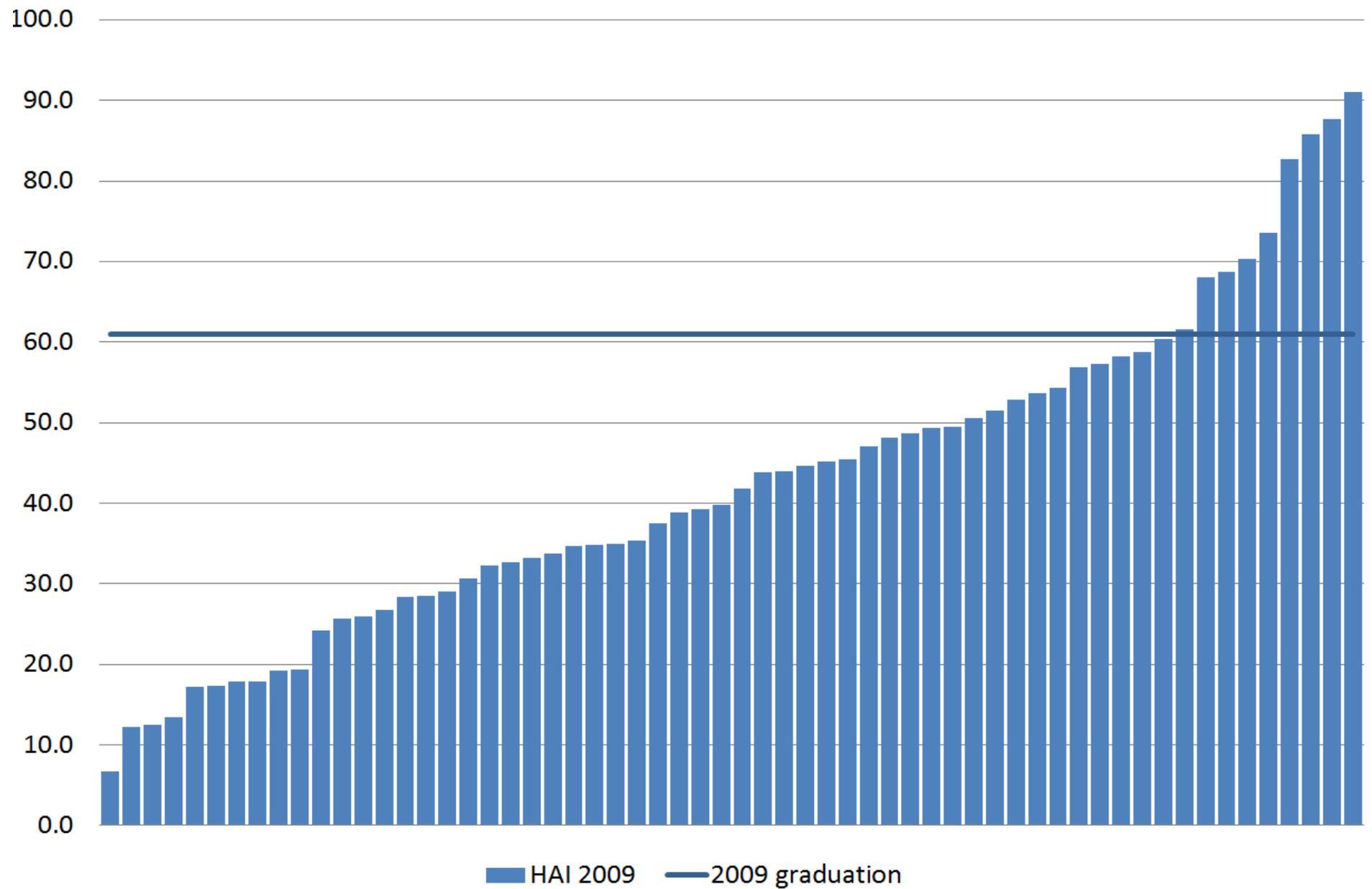
Note:

- ✓ WB thresholds are **updated with inflation**
- ✓ Thresholds **are fixed over time** in real terms

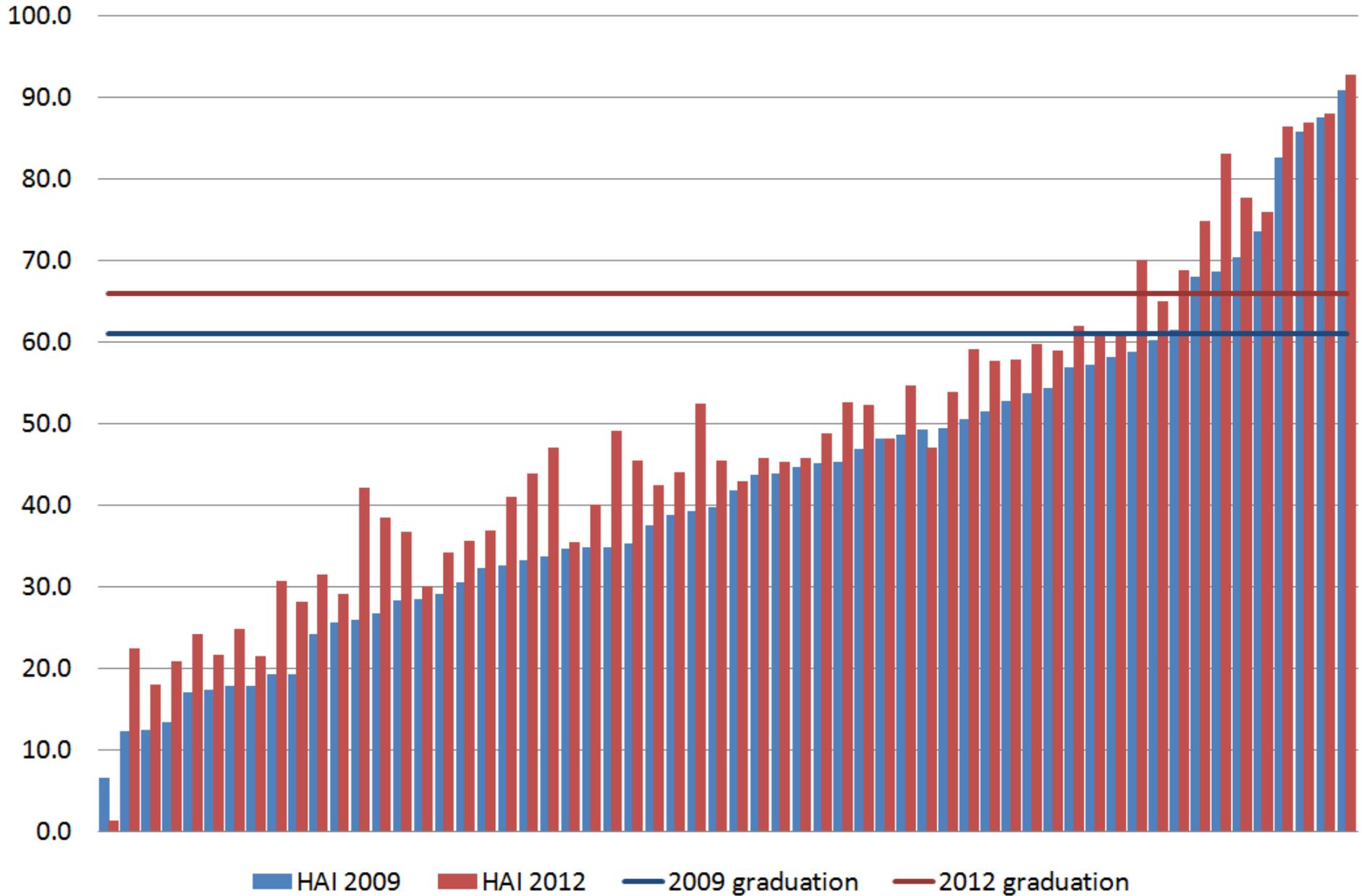
Thresholds: HAI and EVI

- Current thresholds are relative: set on basis of distribution of scores within a **reference group**:
 - LDCs and other low-income countries
 - Number of non-LDC low-income countries **shrinking**: from **25 in 2001 to 4 in 2012**
- Meeting threshold depends not only on **own** performance but also on performance of **others**
- Passing threshold difficult; may not indicate progress
- 'Income only' becomes dominant main option for graduation in the future
- **HAI and EVI could become irrelevant in the future**

HAI 2009



HAI 2009 and 2012



Thresholds: HAI and EVI

- **Thresholds will be absolute**
- Fixed at their **2012 levels**
 - Maintains continuity in the thresholds and internal consistency of the category
 - Adjustments to be done for changes in indicators or data sources
- Enables country to qualify for graduation if they make significant progress
 - Eligibility **no longer** depends on progress or regress of **other countries**
 - Increases predictability for countries

Thank You

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