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The LDC Criteria

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Outline

1. Overview of LDC criteria
2. Data issues
3. National income
4. Human asset index
5. Economic vulnerability index
6. Eligibility for graduation

Indicators of 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 costal zones**
- **Victims of natural disasters**
- Instability of agriculture production
- Instability of exports of goods and services

Data issues

- Data for all indicators are collected for (almost) all developing countries
 - LDCs are defined as particular class of developing countries
 - LDCs need to be compared to other developing countries
 - Data availability often a challenge
- Data are from international agencies
 - United Nations, World Bank, FAO, ...
 - Ensures data is consistent and can be compared

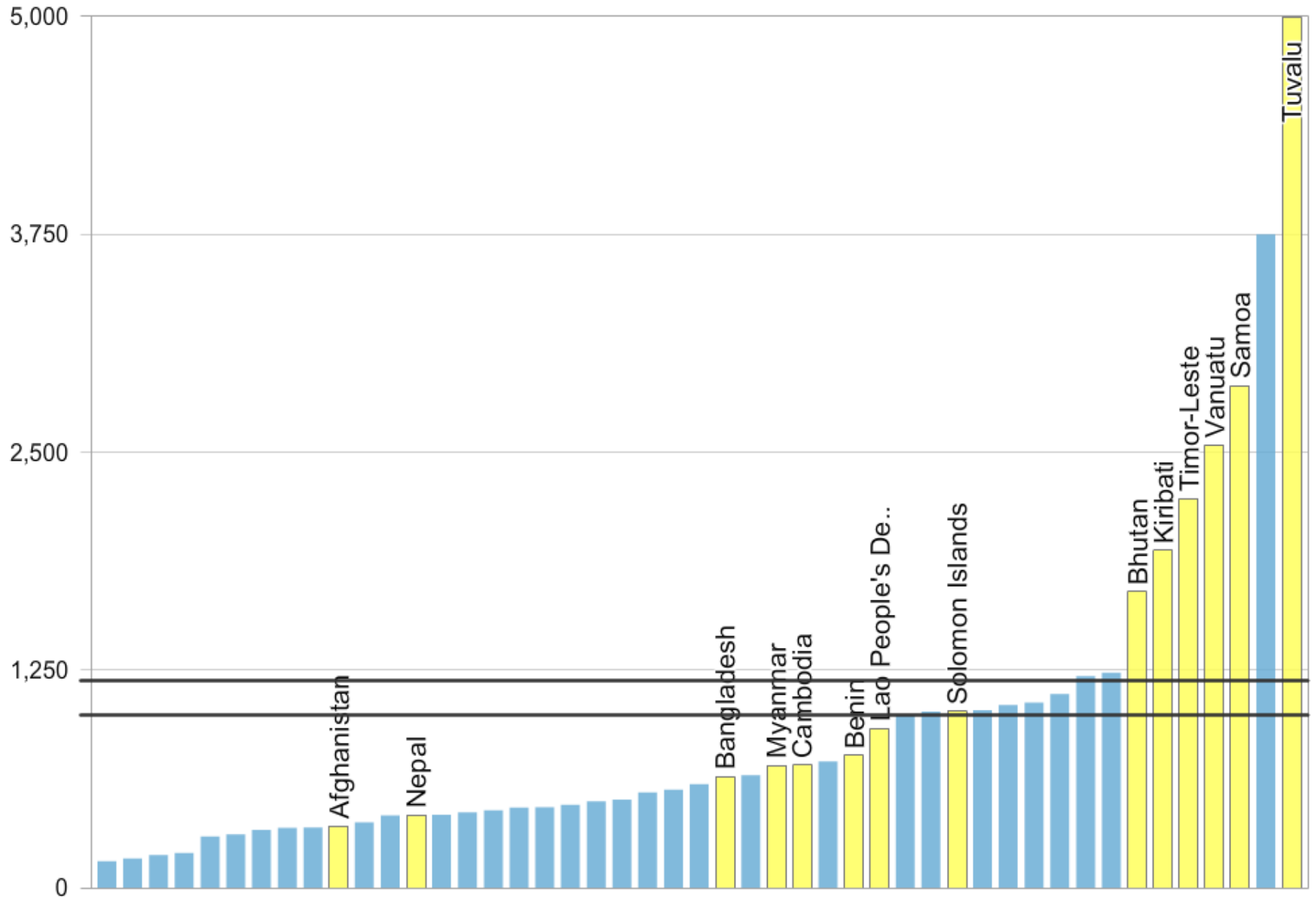
Gross national income

- Gross national income (GNI) per capita, in \$
 - measures resources available for consumption and investment
 - Informs about economically productive activities
- Single indicator
 - The level of GNI per capita matters, not the growth rate
 - Three-year averages
 - Exchange rate matters

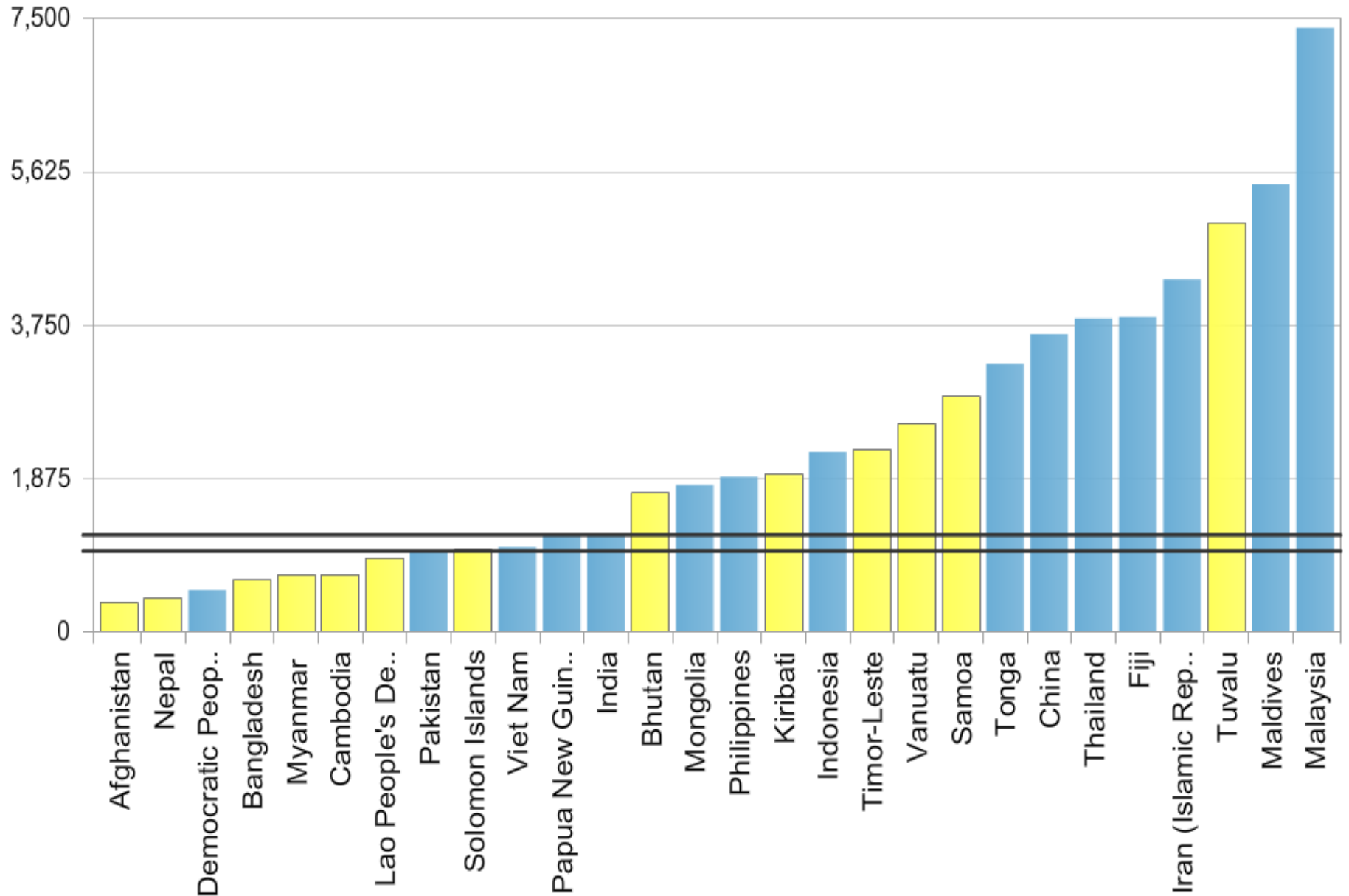
Gross national income

- CDP sets thresholds distinguish low income from other developing countries
 - Thresholds change over time!
- Income threshold in 2012: \$ 992
- Graduation threshold 20 % higher: \$1190
- 'Income only' threshold (independent of structural disadvantages): \$2,380

GNI per capita (2012)

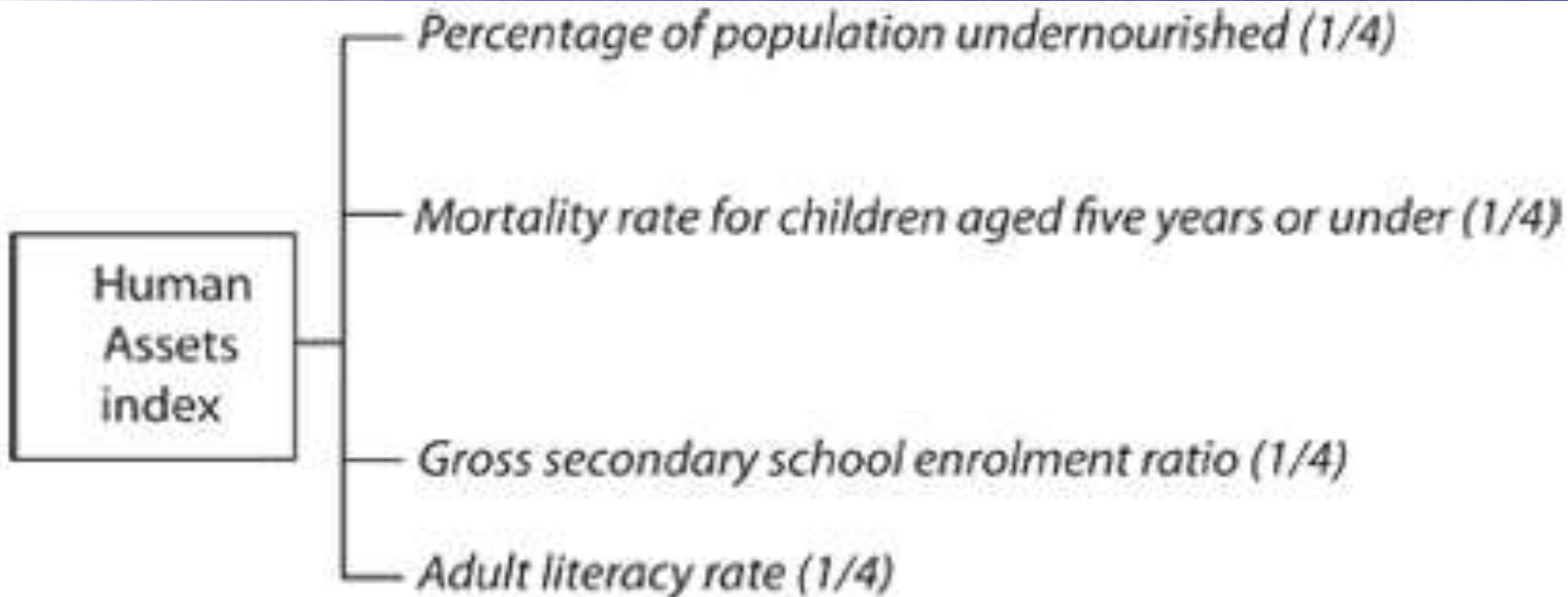


GNI per capita (2012)



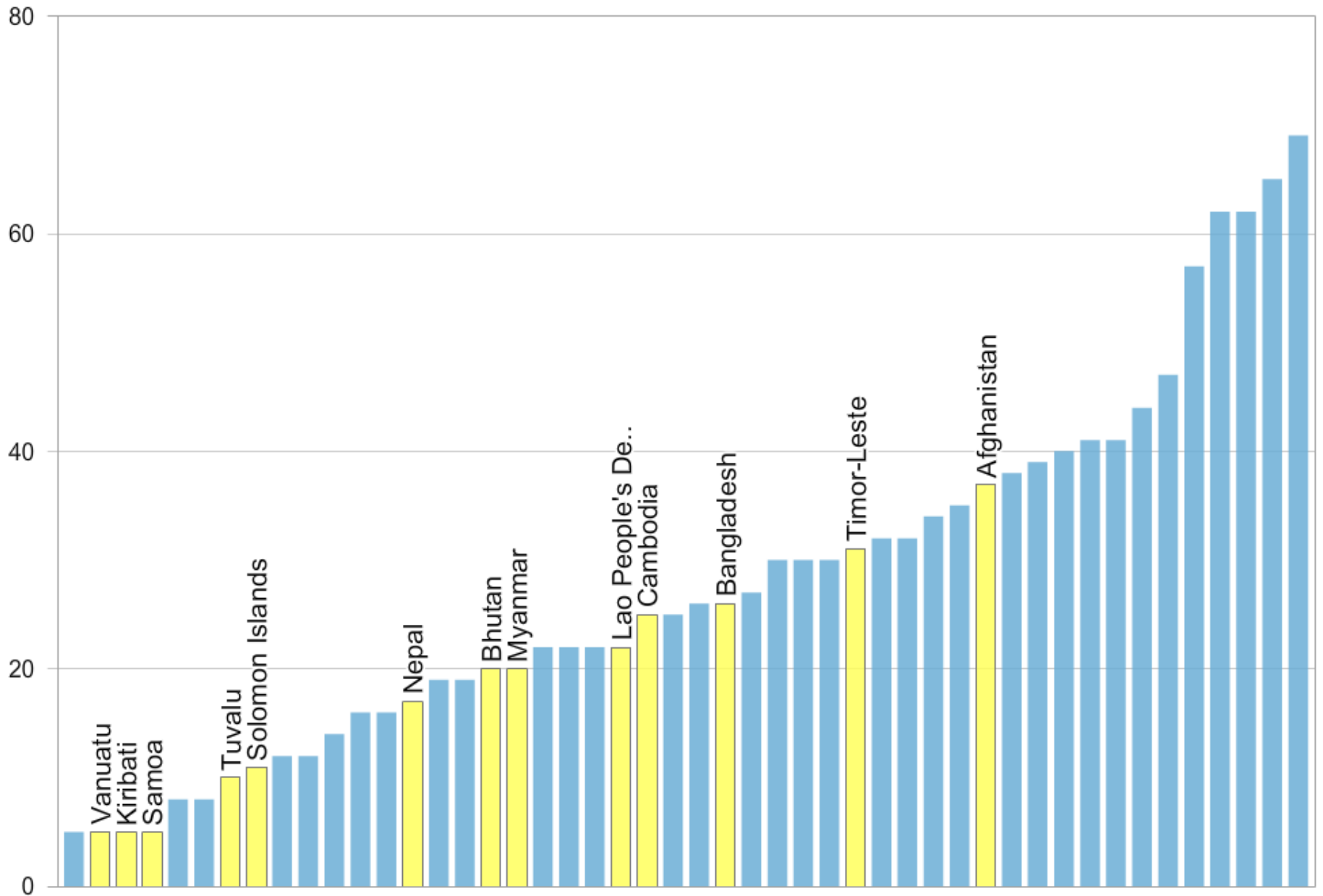
Human asset index (HAI)

- Measures human capital (health and education)

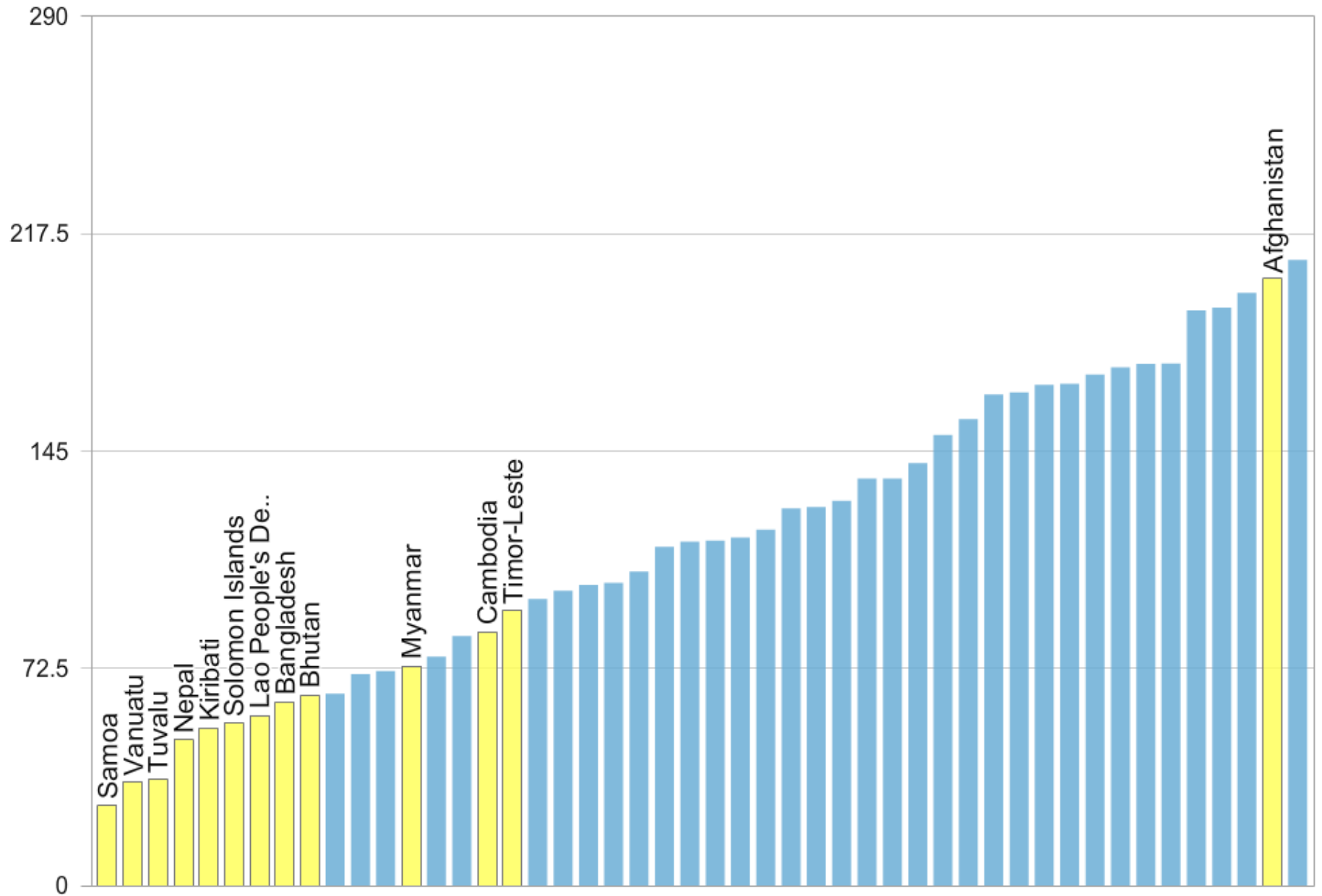


Numbers in parenthesis indicate the weight in the overall HAI.

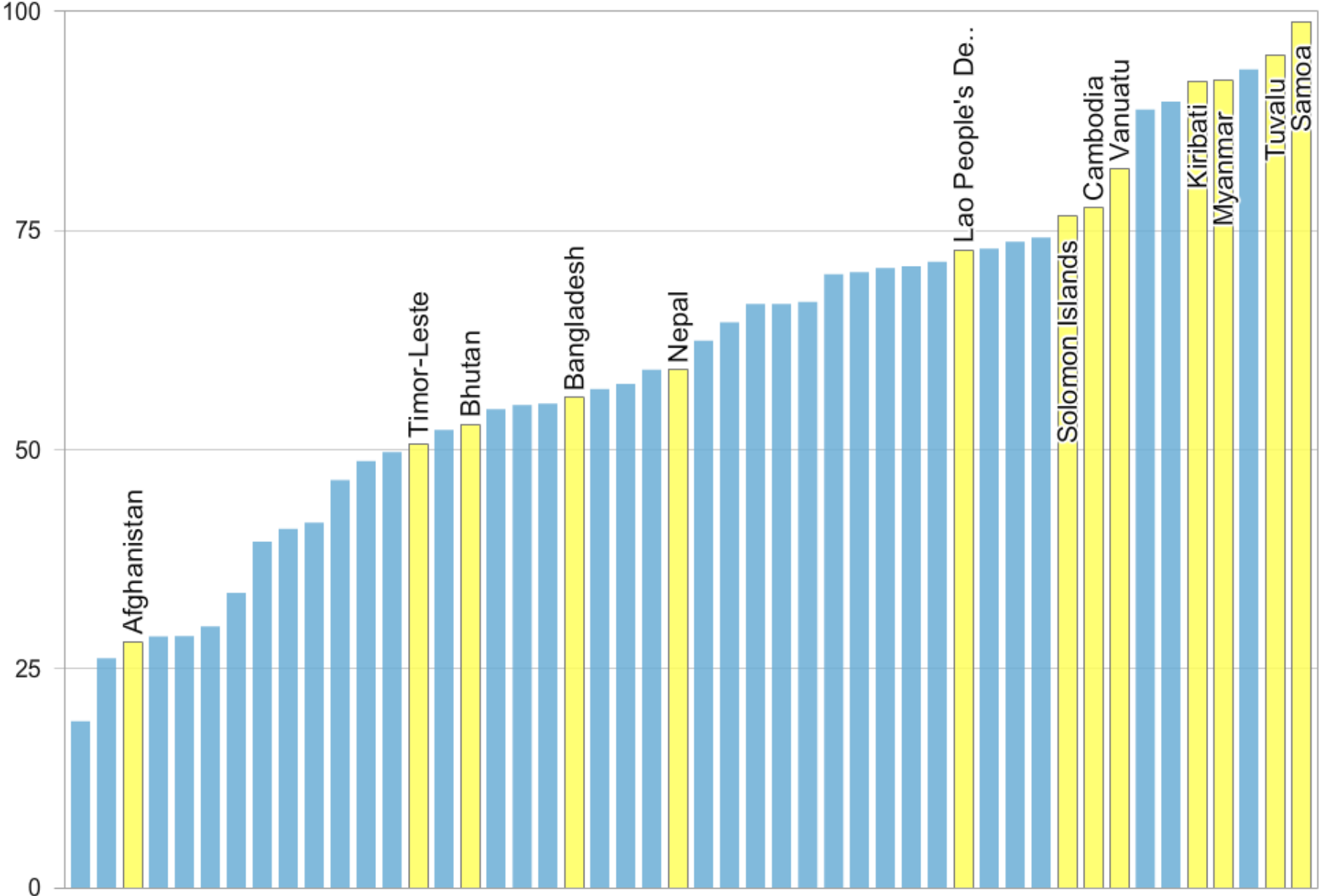
Proportion of undernourished in total population (%) (2012)



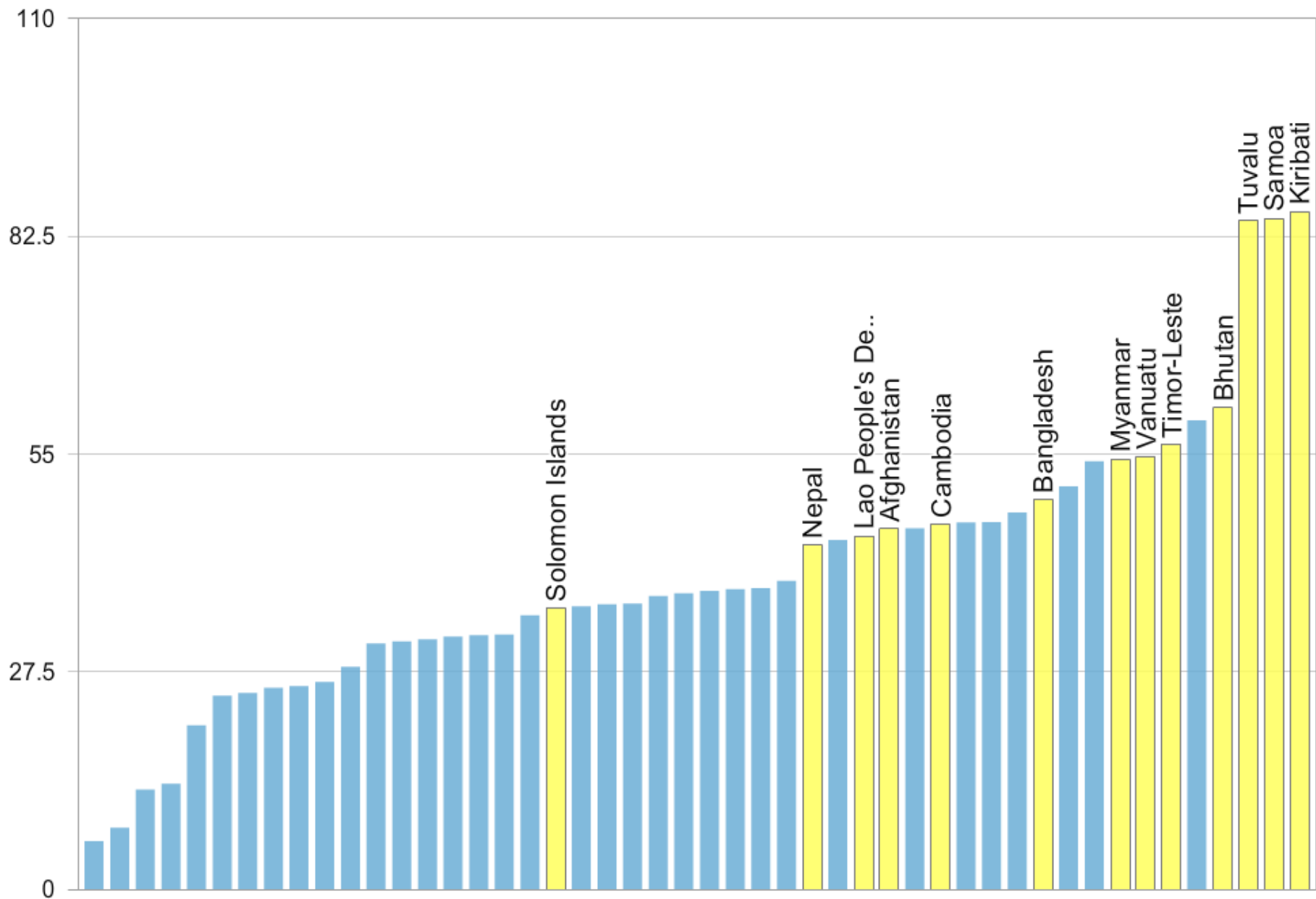
Under-5-mortality rate (per 1000) (2012)



Adult Literacy rate - 15+ (%) (2012)



Gross Secondary enrolment ratio (%) (2012)



HAI

- **HAI** is a composite index
 - Higher **HAI** scores are better
 - Indicators are converted into indices using the '**Max-min procedure**'.
 - Max and min values are based on distribution of all developing countries.
 - **Upper and lower bounds** used to reduce effect of outliers.
 - Bounds may change over time.

HAI

- Example for Max-Min procedure
 - U5MR, 2012 review, Cambodia, Samoa

Cambodia	Samoa	Lower bound	Upper bound
84.7	26.9	10	175

$$\text{Cambodia: } I = 100 \times \frac{175 - 84.7}{175 - 10} = 54.7$$

$$\text{Samoa: } I = 100 \times \frac{175 - 26.9}{175 - 10} = 89.8$$

HAI

- **HAI** score is the average of the four individual scores
 - Example: Lao PDR

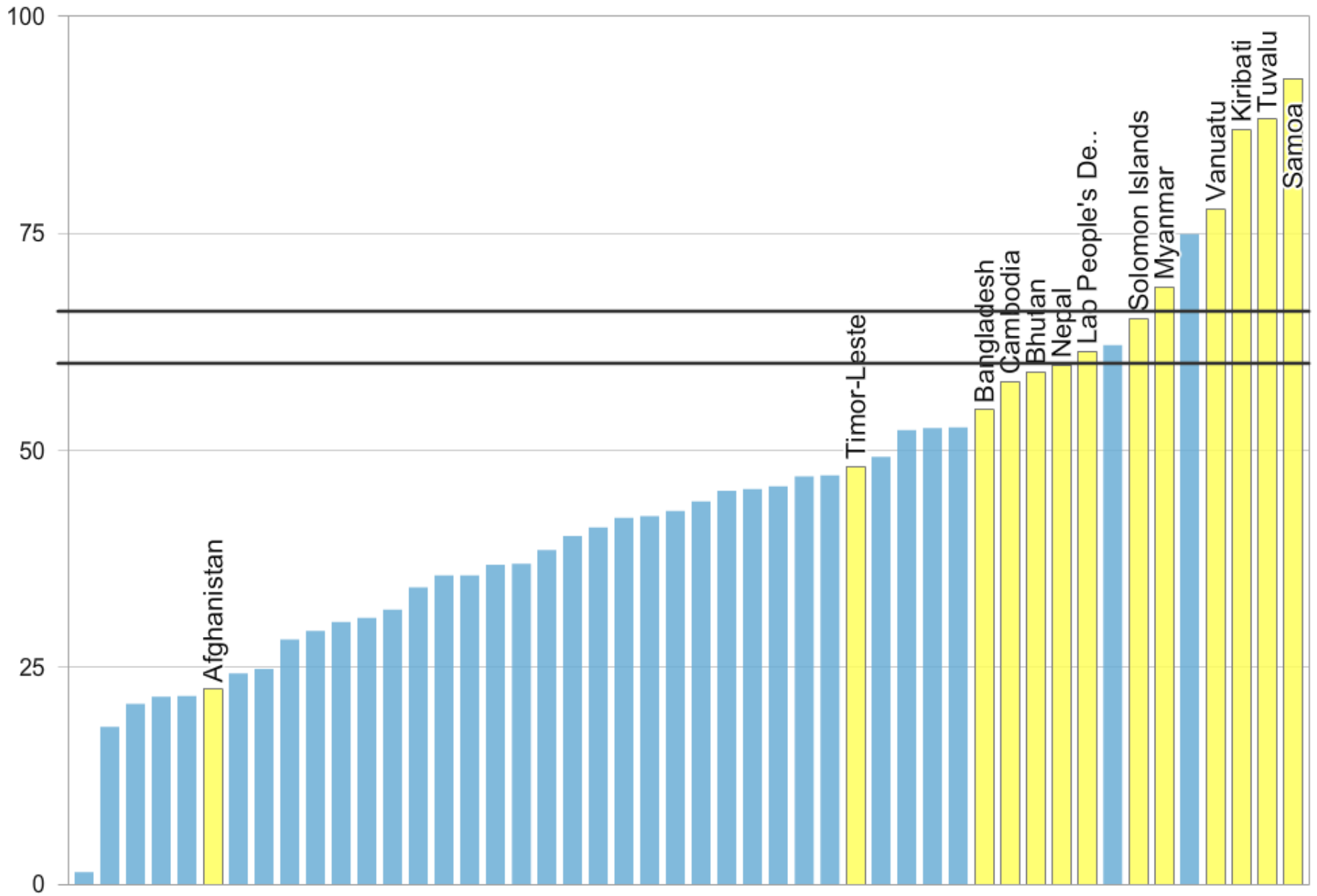
Undernourishment	U5MR	Literacy	Gross secondary enrolment
71.7	71.5	38.5	63.6

$$- \text{HAI} = 1/4 \times (71.7 + 71.5 + 38.5 + 63.6) = 61.4$$

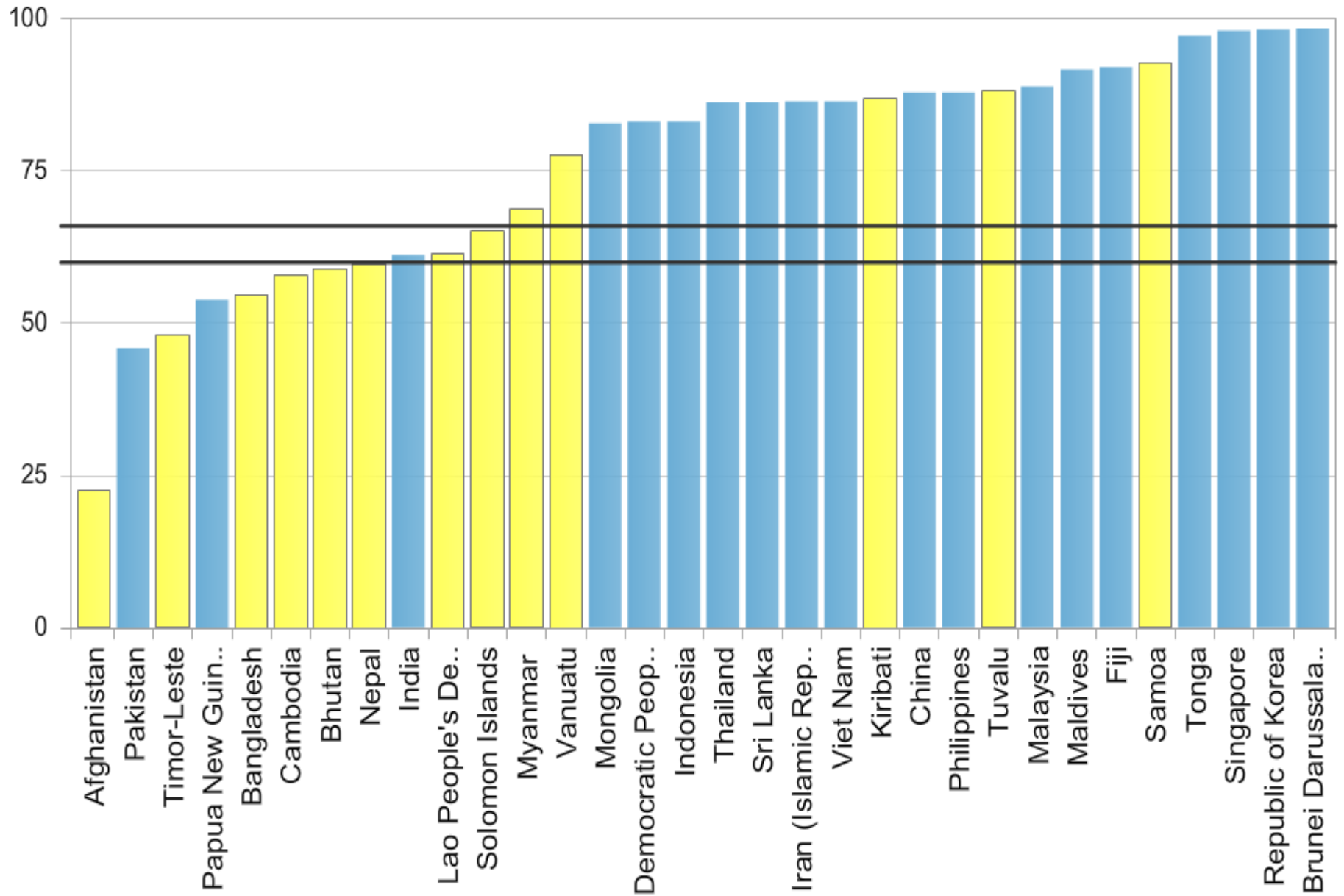
HAI

- Thresholds for inclusion and graduation depend on the distribution of HAI scores of LDCs and other low income countries.
 - Thresholds change over time
 - Inclusion threshold in 2012: 60
 - Graduation threshold in 2012: 66

Human Assets Index (HAI) (2012)



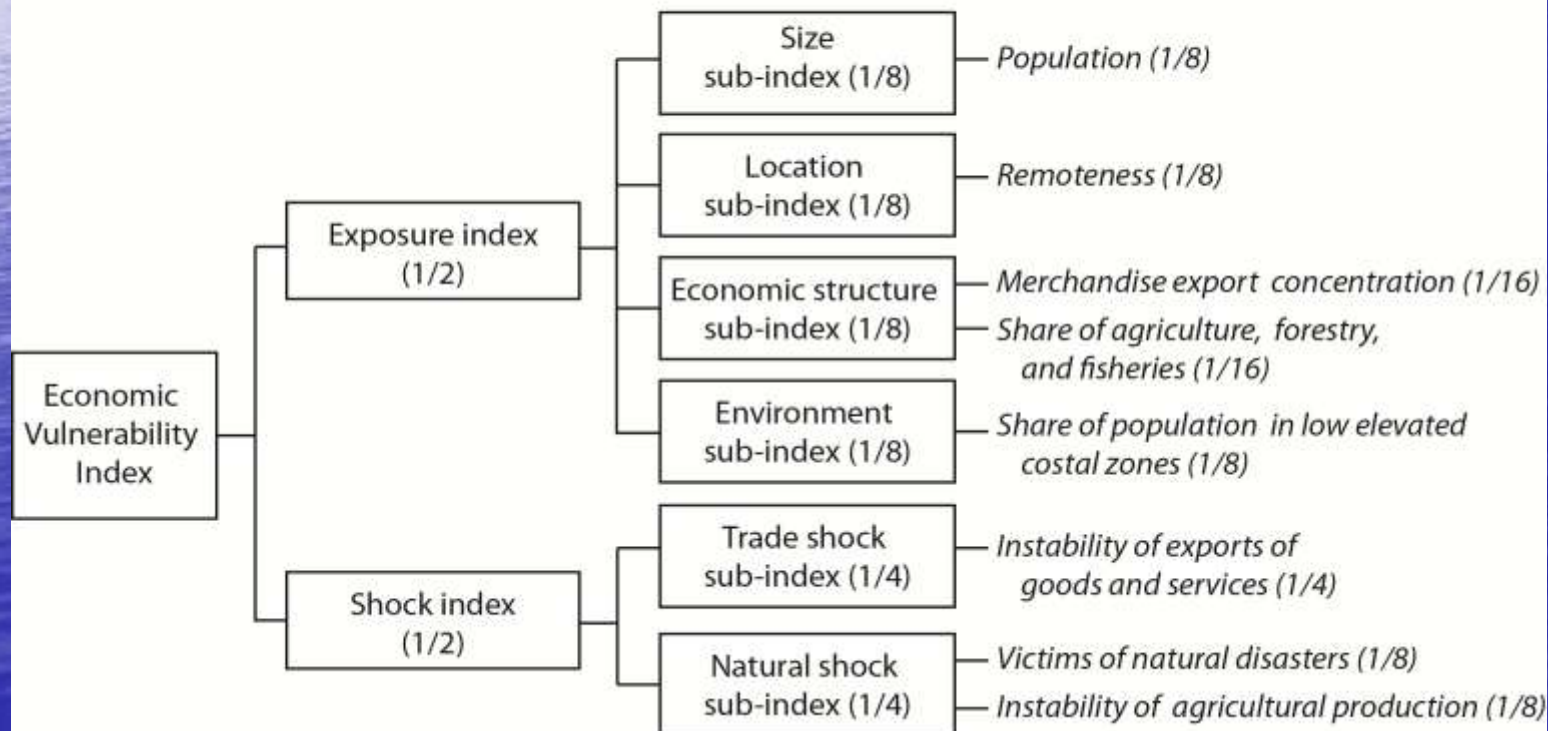
Human Assets Index (HAI) (2012)



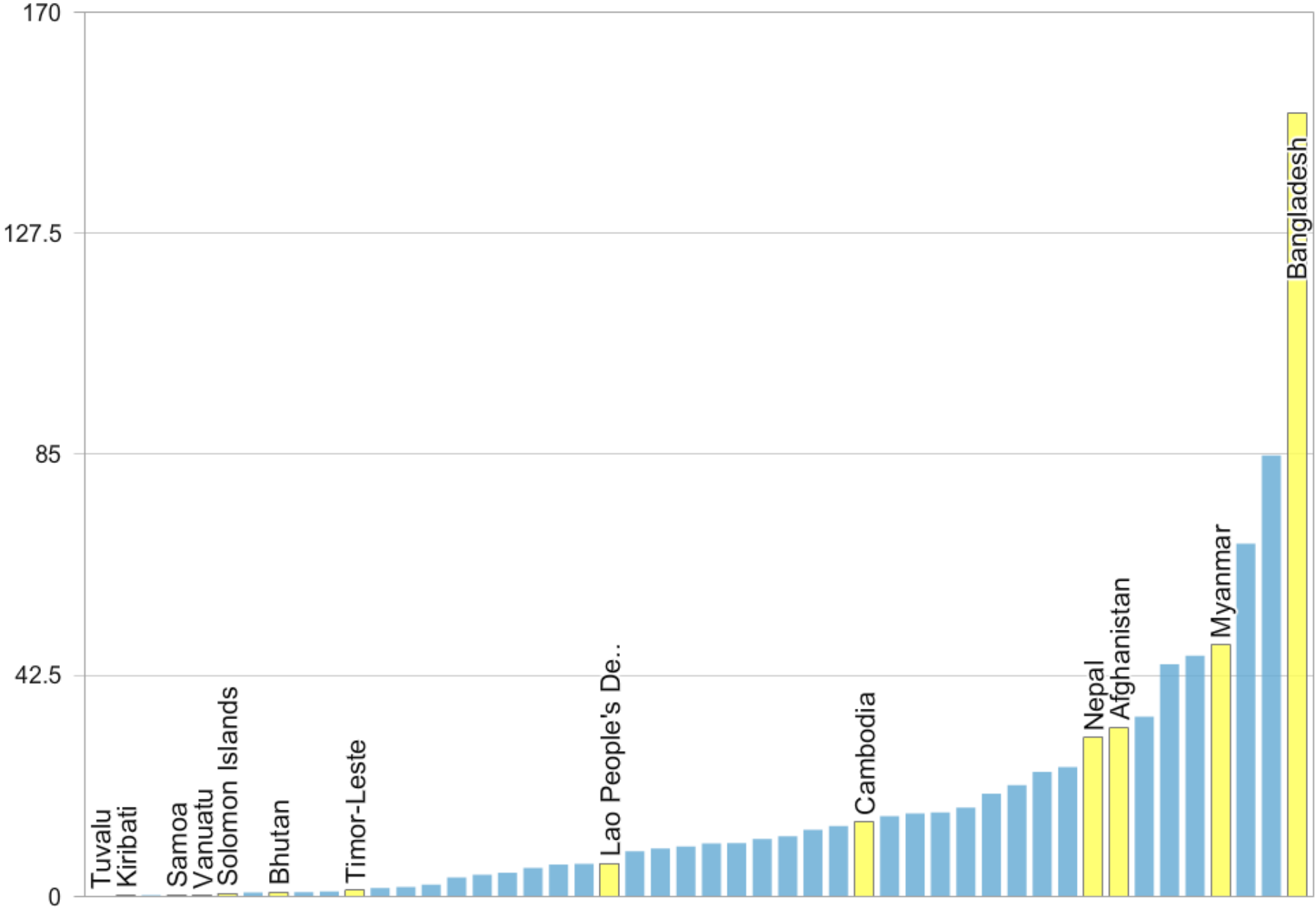
Economic vulnerability index

- Measures vulnerability to economic and environmental shocks

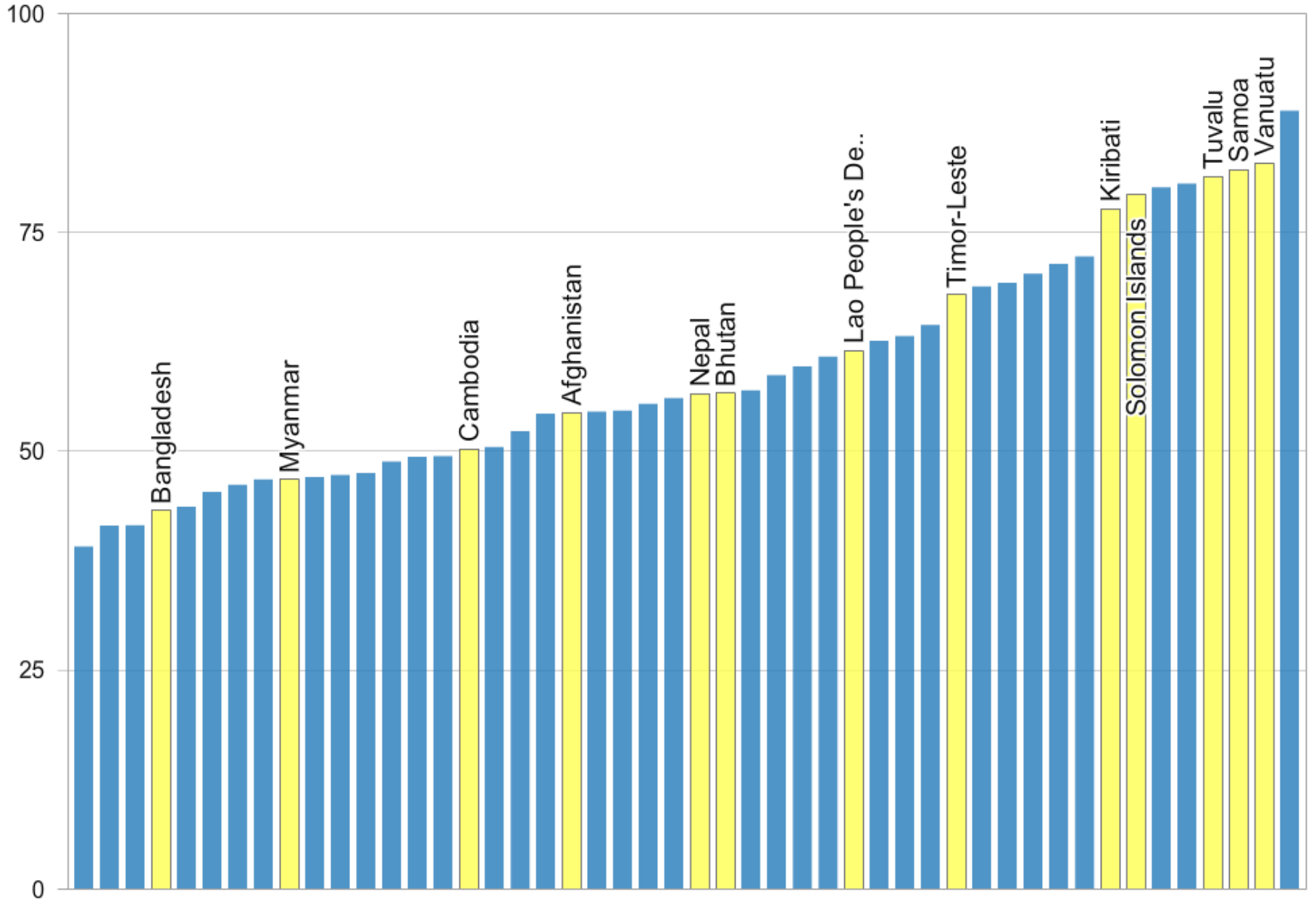
Figure 1. Economic Vulnerability Index



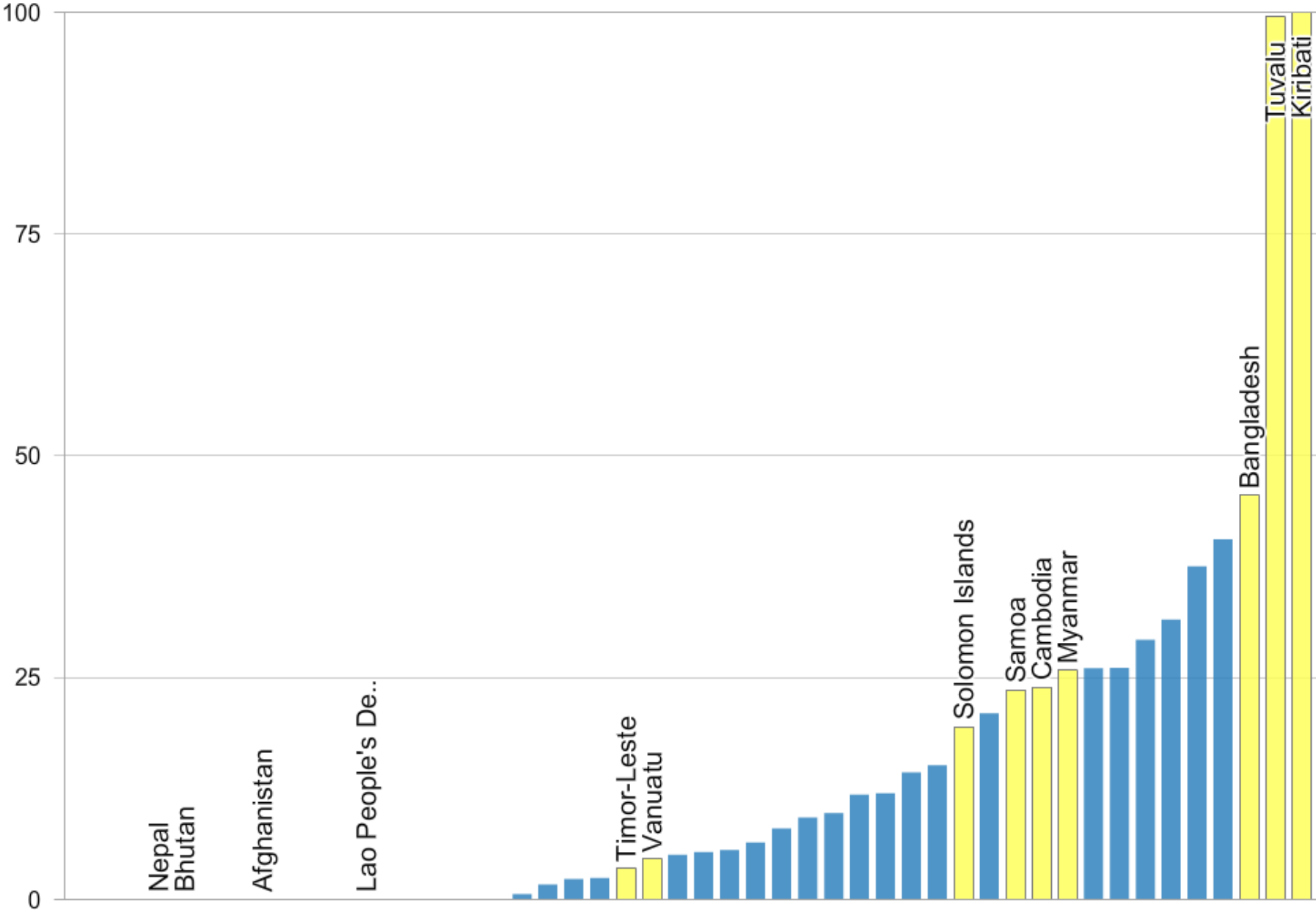
Population (million) (2012)



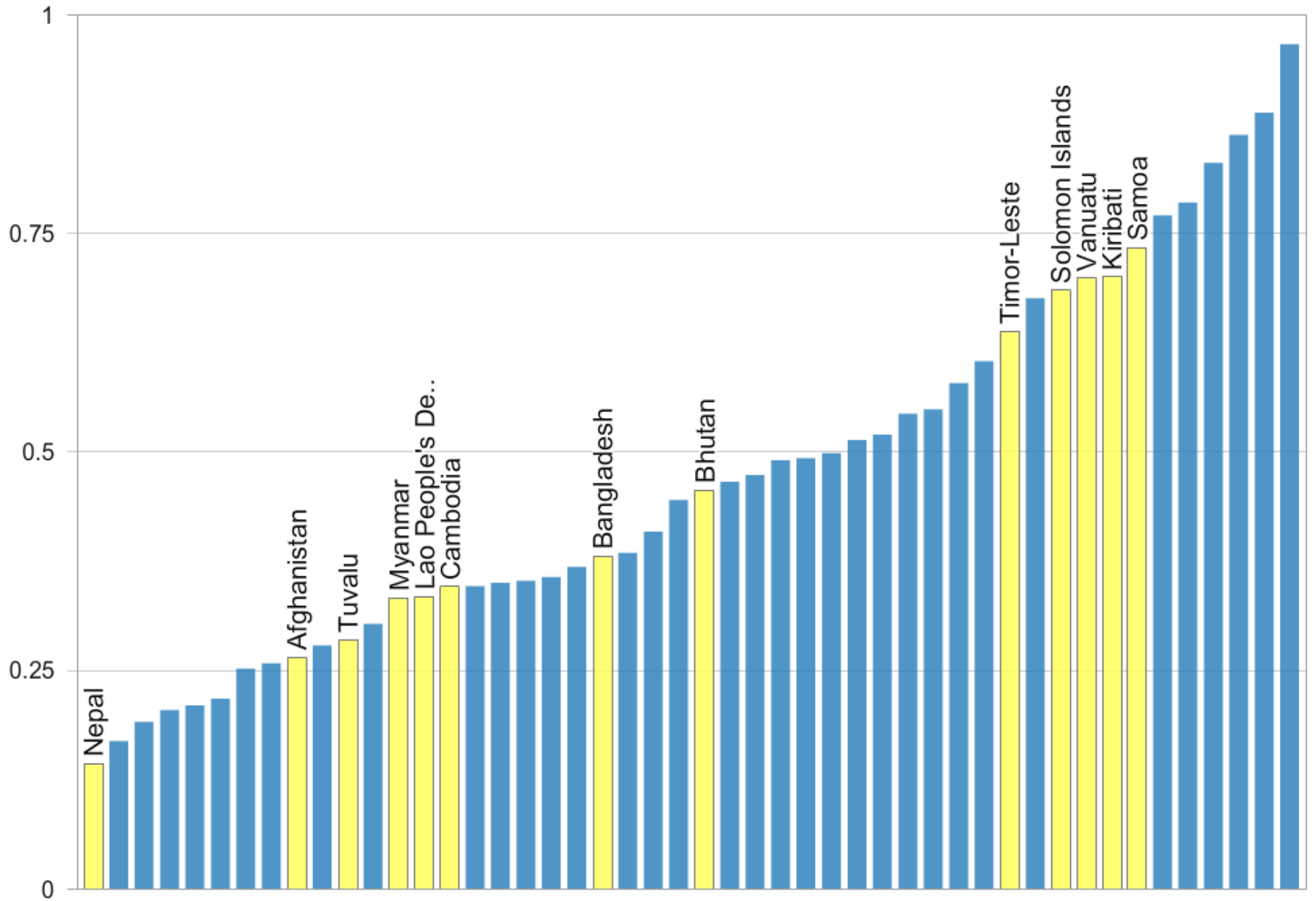
Remoteness (2012)



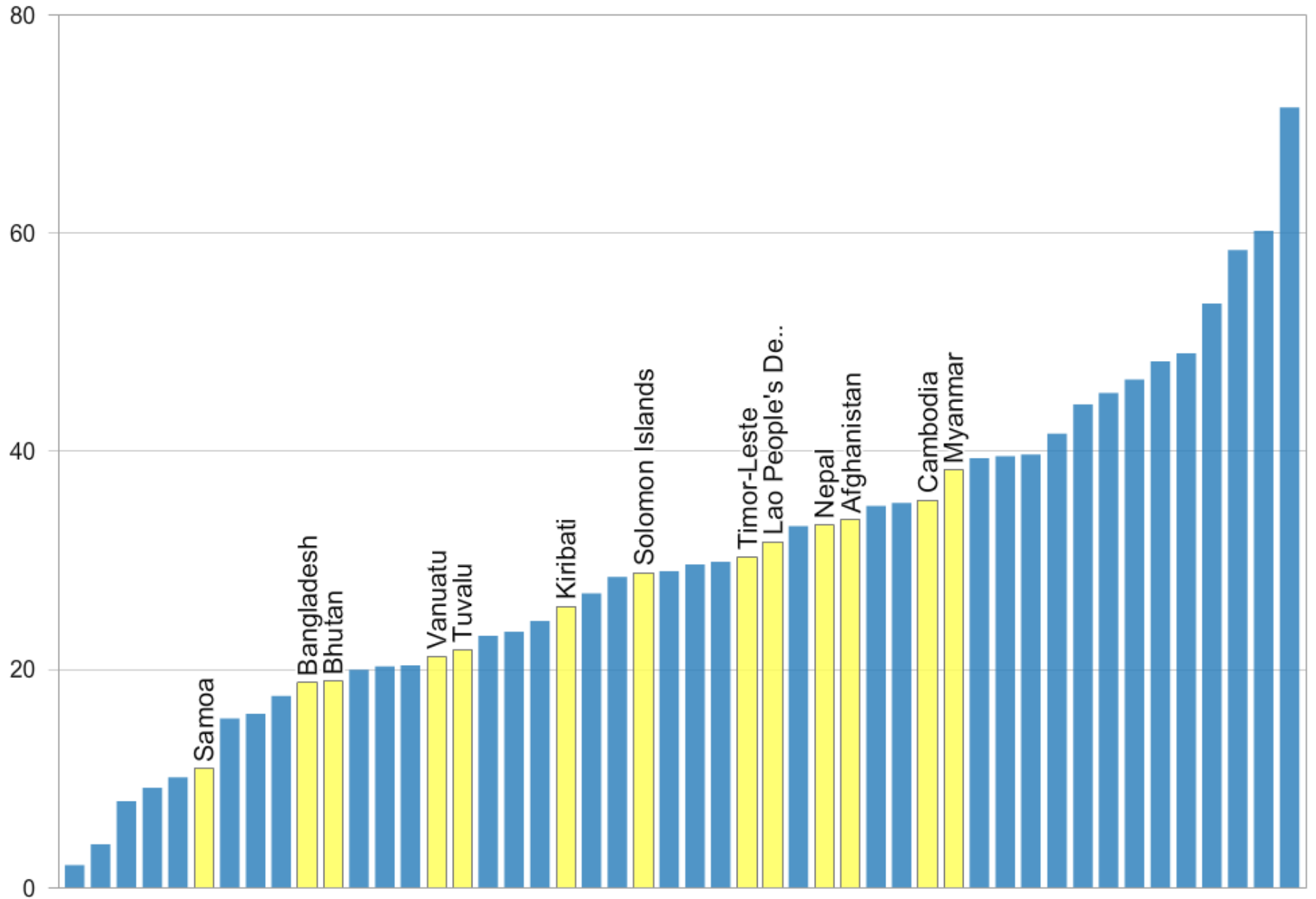
Share of population in low elevated coastal zones (2012)



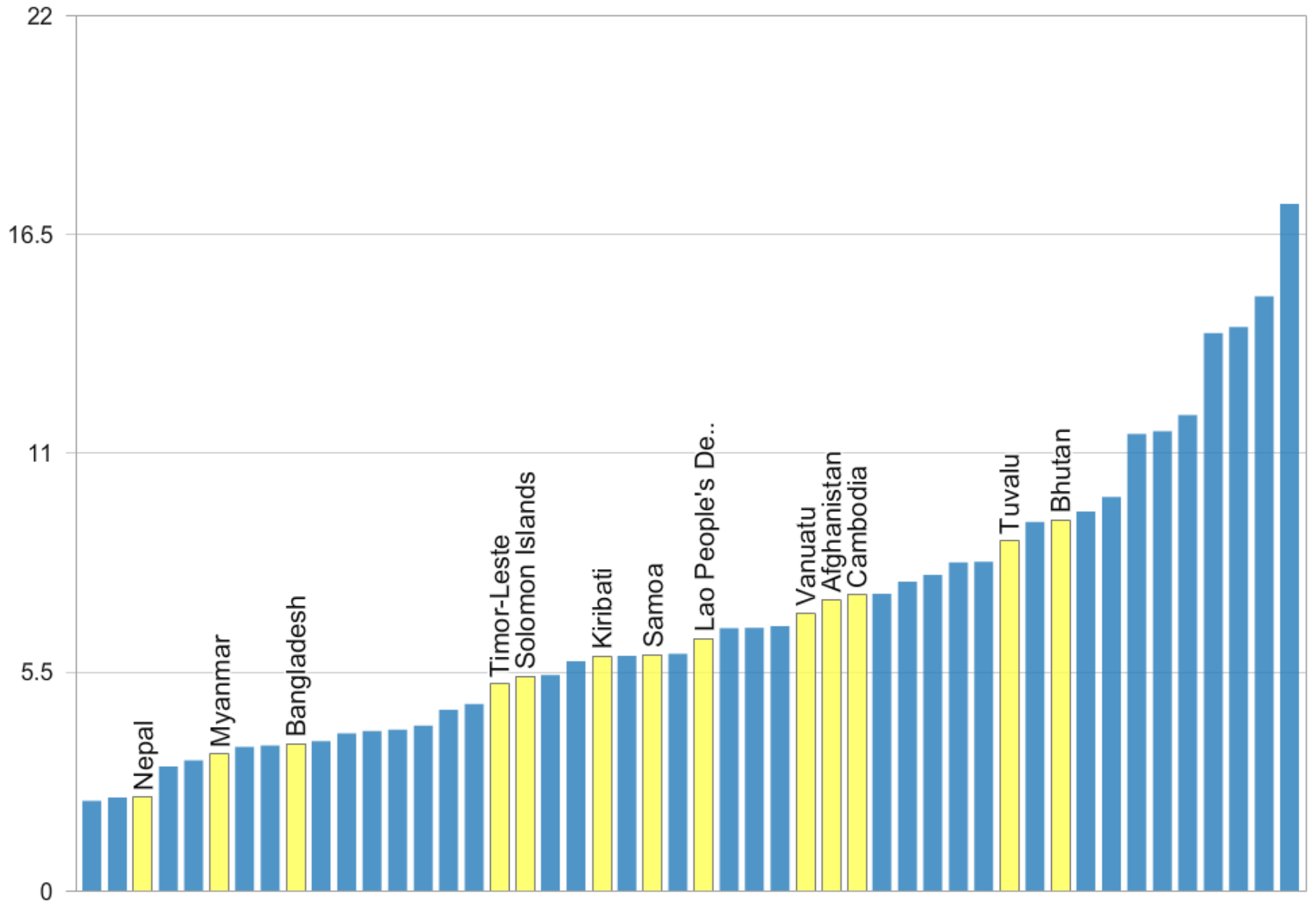
Export concentration (2012)



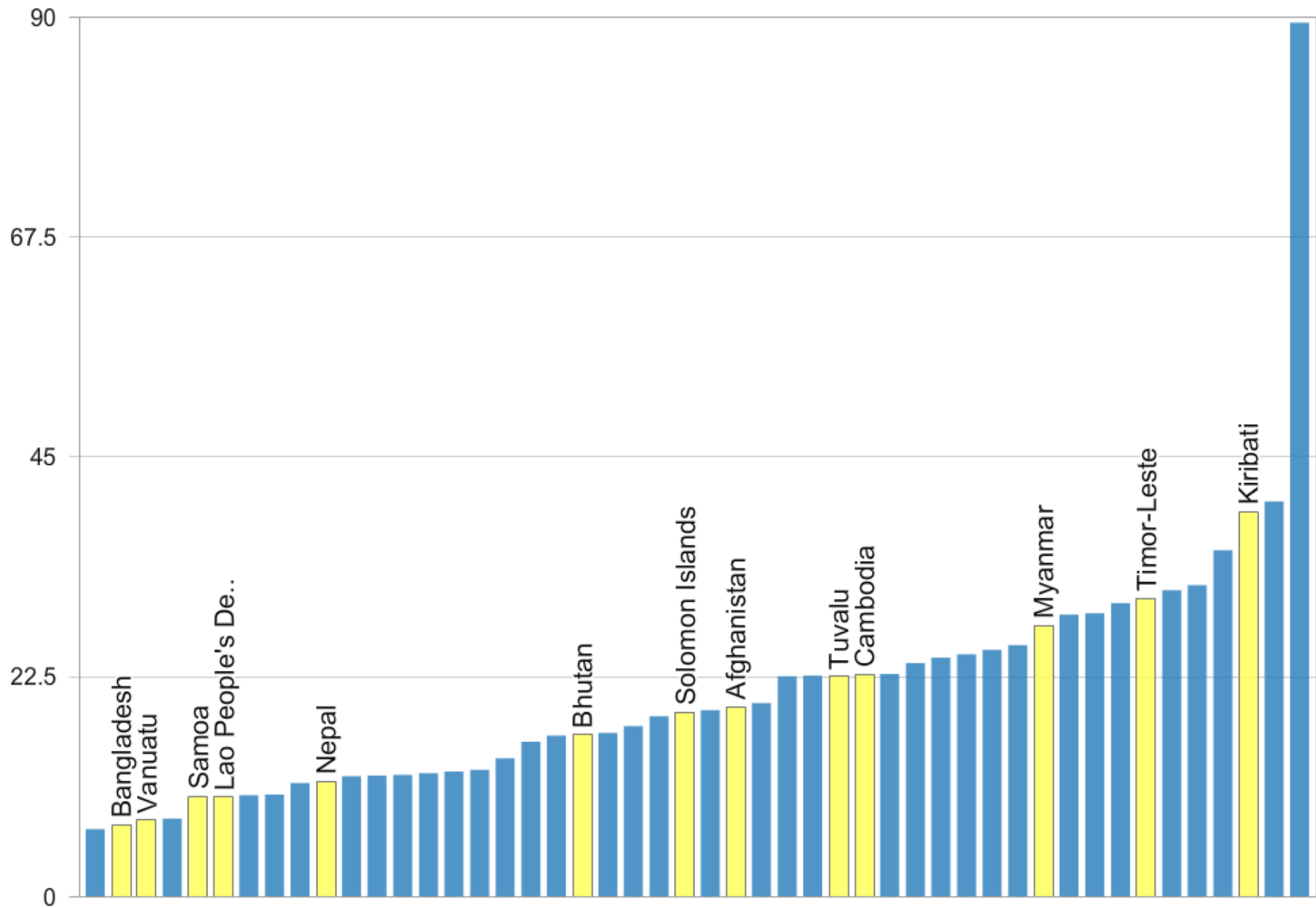
Shares of agriculture, forestry and fisheries (2012)



Agricultural instability (2012)



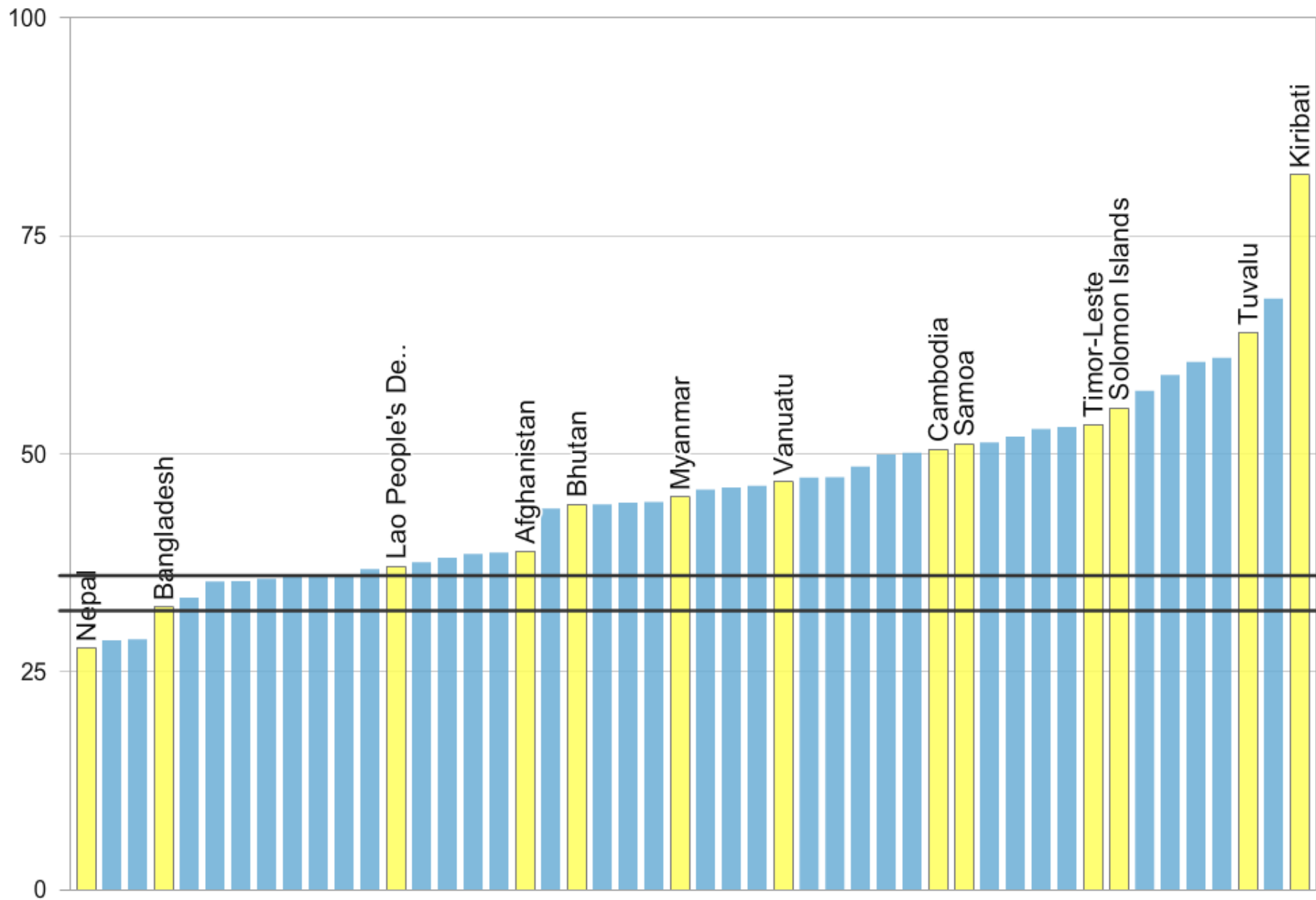
Export instability (2012)



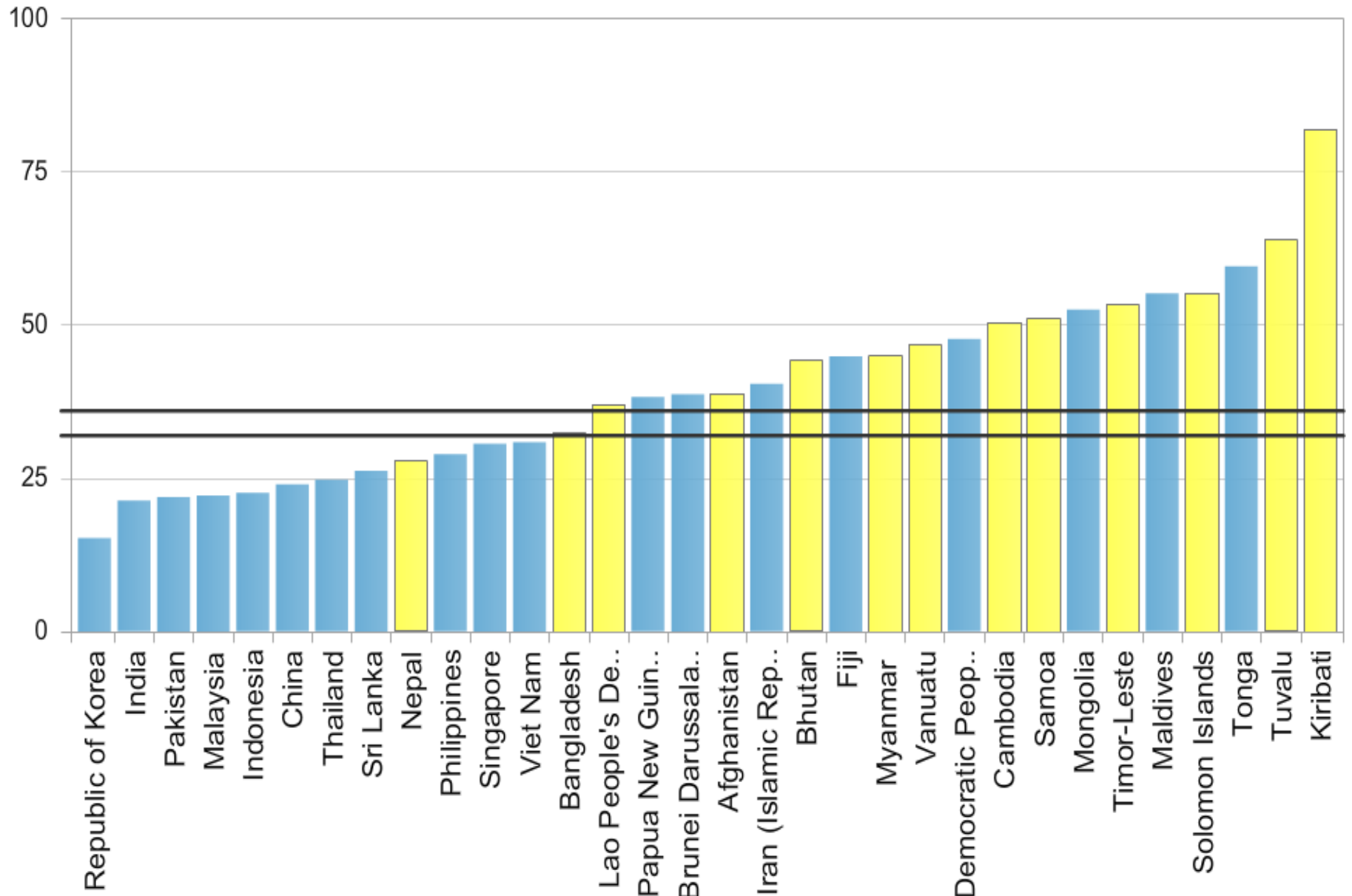
EVI

- Also a composite index
 - Higher EVI scores are 'worse'
 - Calculation follows HAI example
 - Thresholds in 2012:
 - Graduation: 32
 - Inclusion: 36

EVI (2012)



EVI (2012)



Inclusion and Graduation

- **Inclusion procedures**
 - All **three criteria** must be met, at the inclusion thresholds
 - **CDP** takes country assessment into account before making recommendations
 - No recommendation if a **country does not want** to be included
 - **ECOSOC** endorses recommendation
 - **Country** accepts
 - **General Assembly** approves

Inclusion and Graduation

- Graduation procedures
 - Country must meet **two criteria or the 'income only' criterion** at the graduation thresholds
 - Country must meet criteria in **two consecutive reviews**
 - **CDP** takes country assessments and country views into account before making recommendations
 - **ECOSOC** endorses recommendation
 - **General Assembly** takes note

Inclusion and Graduation

- **Asymmetry between inclusion and graduation**
 - Graduation criteria to be met in **two rather than one review**
 - For graduation, **two rather than one criteria** to be met
 - **Margins** between inclusion and graduation thresholds
- Avoids premature graduation and frequent movements in and out of category

Inclusion and Graduation

- Outcome of the 2012 review in the region
 - Samoa continued to meet criteria (HAI, GNI, 'income only')
 - Graduation continues as scheduled (2014)
 - Vanuatu and Tuvalu met two criteria (HAI, GNI) as well as 'income only' for the second time
 - After considering country assessments and views, CDP recommended graduation
 - ECOSOC endorsed graduation of Vanuatu, will consider Tuvalu in 2015
 - No action yet by General Assembly

Inclusion and Graduation

- Outcome of the 2012 review in the region
 - **Kiribati** met two criteria (HAI, GNI) for the first time
 - If Kiribati meets criteria in 2015 again, CDP will consider possible graduation
 - **Bhutan** and **Timor-Leste** met GNI criterion
 - **Myanmar** met HAI criterion
 - **Nepal** met EVI criterion
 - Countries are not eligible for graduation

Thank You

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