



Briefing on the

Comprehensive Review of the LDC criteria

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United Nations
CDP
Committee for
Development Policy

Background

- Standing CDP decision to review its LDC criteria periodically to reflect changes in development thinking and indicator availability

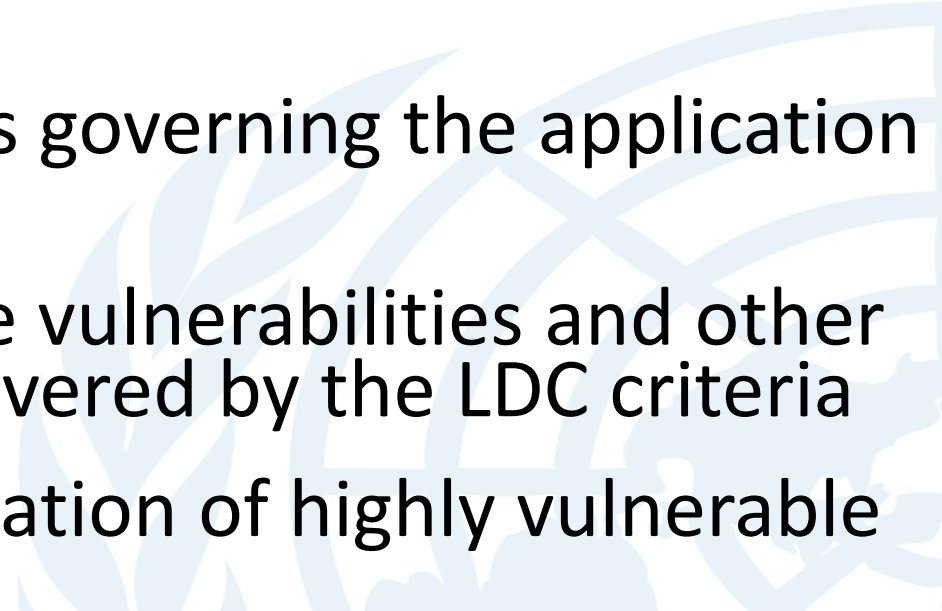
- Specific mandate by Member States in 2016

“We recognize the importance of the reviews by the Committee for Development Policy of the graduation criteria for the least developed countries. We recommend that the reviews be comprehensive, taking into account all aspects of the evolving international development context, including relevant agendas.” *GA resolution 70/294*

- In 2017, CDP decided to embark on multi-year (2017-2020) work plan for the criteria review



Scope of this multi-year programme

- 1** Assess the relevance of the LDC category in the current development thinking
 - 2** Review the concept and basic rules for LDC graduation
 - 3** Review the LDC criteria and their indicators
 - 4** Review the procedures governing the application of the LDC criteria
 - 5** Assess ways to capture vulnerabilities and other relevant factors not covered by the LDC criteria
 - 6** Review rules for graduation of highly vulnerable countries
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Principles for criteria reviews

Long-standing principles re-confirmed by CDP in 2017

Ensure inter-temporal consistency of the list and equitable treatment of countries

Don't invalidate recent decisions (concerns both LDCs and ODCs)

Ensure stability of the criteria

Change should lead to clear improvement

Ensure methodological robustness and complete data availability of indicators

Preference for well-established indicators, but data availability often key constraint

'Flexibility'

Room for additional information outside the criteria (vulnerability profiles, impact assessments, country views)



Key findings:

Relevance of category

Relevance of LDC category in SDG era

○ LDC category remains relevant in the current development thinking

- 18 SDG targets of Agenda 2030 refer explicitly to LDCs
- Current LDC criteria already cover large part of Agenda 2030, LDC indicators linked to 95 SDG targets
- LDC criteria cover also other relevant development agendas

○ Continued relevance is no coincidence

- CDP has always used multi-dimensional development concept
- LDC criteria have frequently been refined (last in 2017)

○ Relationship between progress towards SDGs and LDC graduation

Progress towards SDGs brings LDC closer to graduation

Progress towards graduation signifies progress towards achieving SDGs



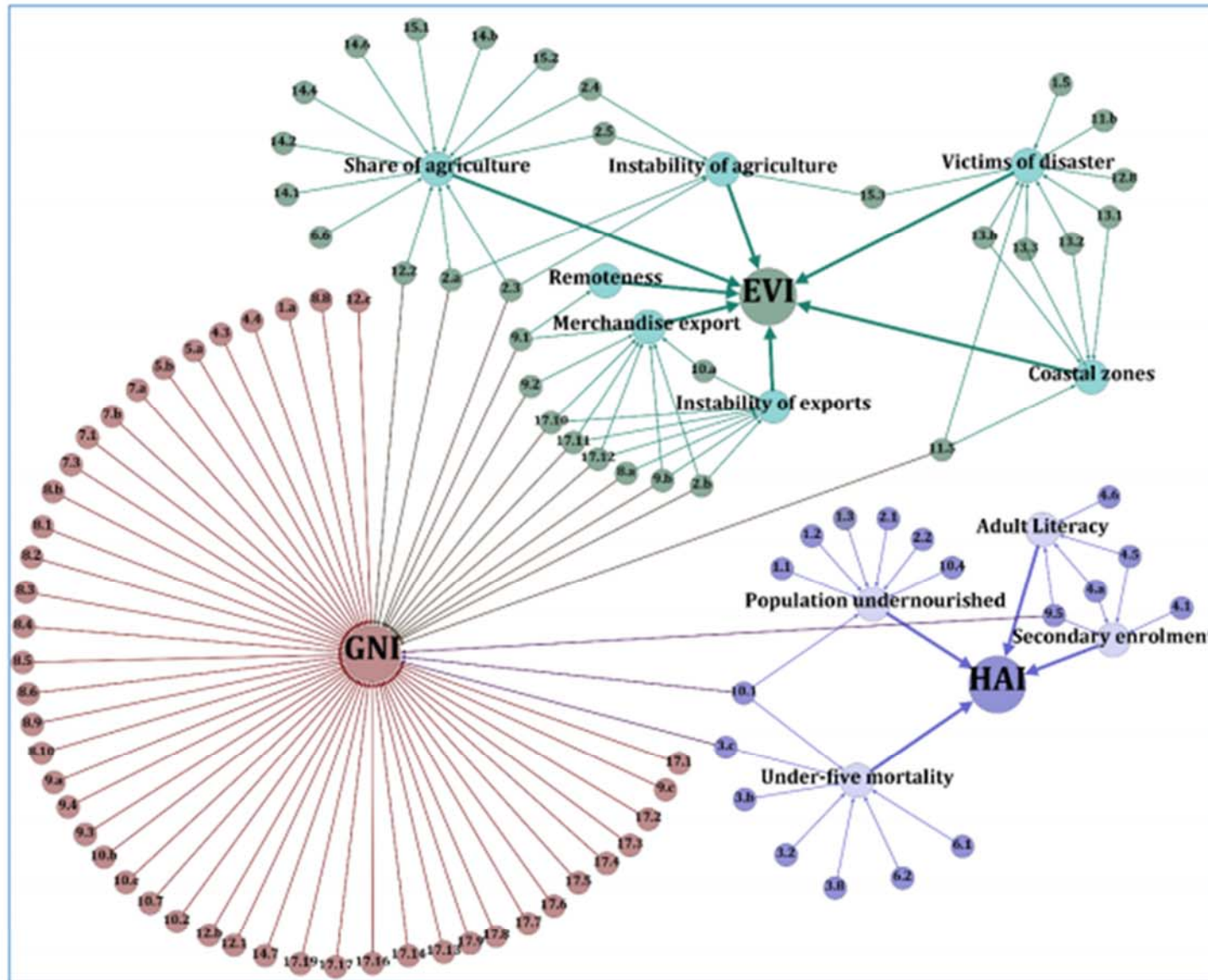
⚠ Graduation does not mean achieving the SDGs, but reaching a milestone

- LDC criteria capture progress on addressing structural impediments
- Achieving the SDGs requires to also overcome non-structural impediments and adopt improved governance and policy choices

Coverage of Agenda 2030 by LDC indicators



Linkages between LDC indicators and SDG targets

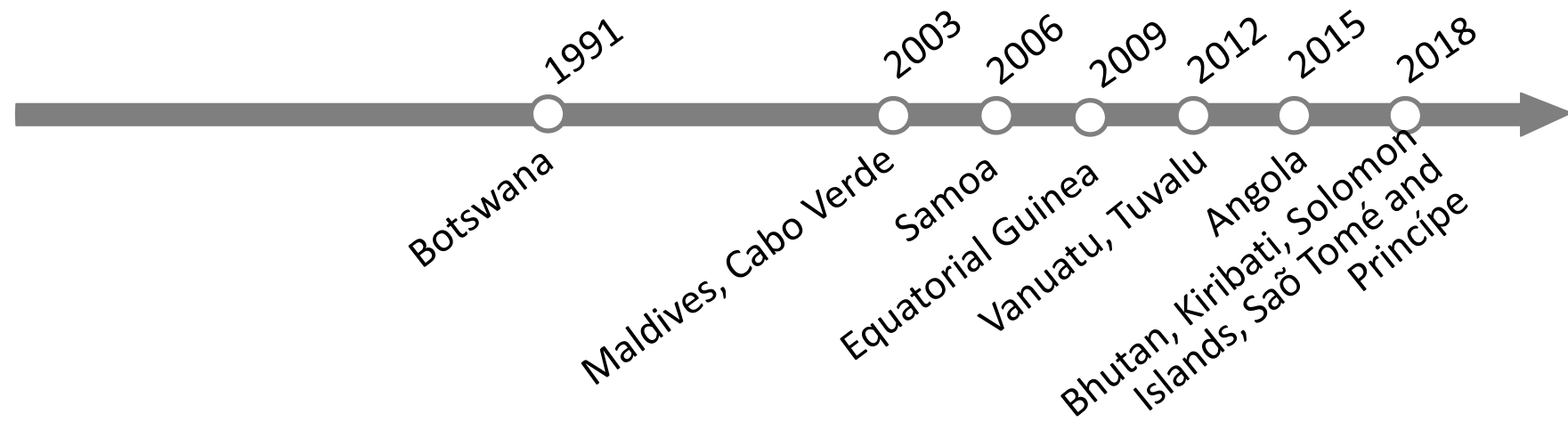


Source: Khatun F., S. Pervin and M. Rahman (2019): Bangladesh's pursuit of the 2030 Agenda, in Bhattacharya, D. (ed.): Bangladesh's Graduation from the LDC Group: Pitfalls and Promises, Routledge, 2019

Evolving understanding of LDC graduation



Timeline of graduation recommendations by the CDP:





Key findings:

Basic graduation rules
and LDC criteria

Concept and graduation rules

○ LDC definition

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

○ LDC identification criteria

The list of LDCs is reviewed triennially by the CDP using the following **three criteria**:

- Per capita Gross national income (GNI)
- Human assets index (HAI)
- Economic vulnerability index (EVI)

○ Eligibility for graduation (graduation rules)

The CDP may recommend an LDC for graduation based on the following rules:

- Graduation threshold must be met for two of the three LDC criteria at two consecutive triennial reviews (**'2 out of 3' rule**)
- Alternatively, per capita GNI is at least twice the graduation threshold (**'income-only exception'**)

No automatic application of graduation rules: Additional information to be taken into account for graduation recommendation (**'flexibility principle'**)

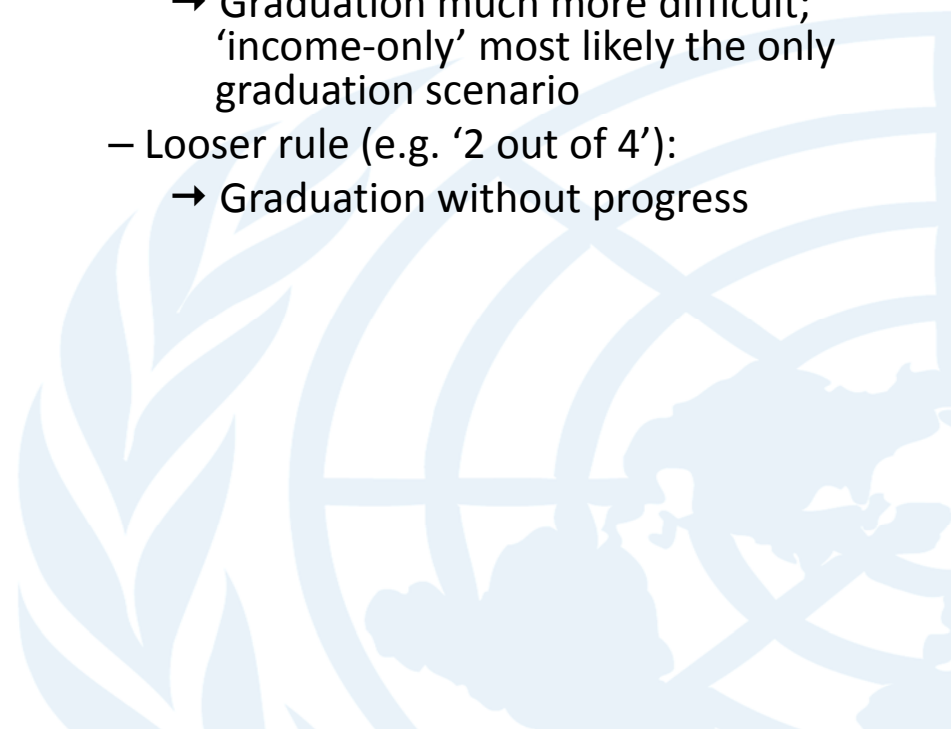
Changes to LDC criteria framework

Three criteria for LDC identification

Per capita GNI
Human assets index (HAI)
Economic vulnerability index (EVI)

Retain three criteria framework

- Three criteria highlights multidimensional definition of LDCs
- Expanded criteria framework (e.g. four criteria) not suitable for graduation because:
 - Stricter rule (e.g. '3 out of 4'):
 - Graduation much more difficult; 'income-only' most likely the only graduation scenario
 - Looser rule (e.g. '2 out of 4'):
 - Graduation without progress



Changes to basic graduation rules

'2 out of 3' graduation rule

Country must pass thresholds of *any 2 of the 3 criteria at two consecutive triennial reviews*

Strengthen '2 out of 3' rule

- Graduation for countries with highly skewed development is justified only if it has passed **both graduation thresholds with a sufficient margin**
 - provides safeguard against premature graduation
- '3 out of 3' rule (or making vulnerability a mandatory graduation criterion) unreasonable because:
 - contradicts definition
 - violates intertemporal consistency and equitable treatment of countries
 - prevents graduation of most LDCs

'Income-only' exception

Country must have an income twice the graduation threshold

Strengthen 'income-only' exception

- Requires **explicit assessment of the sustainability of the income level**
- ensures country has the means to address the impediments to its development without LDC-specific support

Improvement to application of basic graduation rules

‘Flexibility’ principle:

No automatism: **impact assessment, vulnerability profile, country views** taken into account before making recommendations for graduation

Improve application of ‘Flexibility’

Consolidated graduation assessment based on vulnerability profile, impact assessment, additional UN inputs, country views



LDC criteria and their indicators



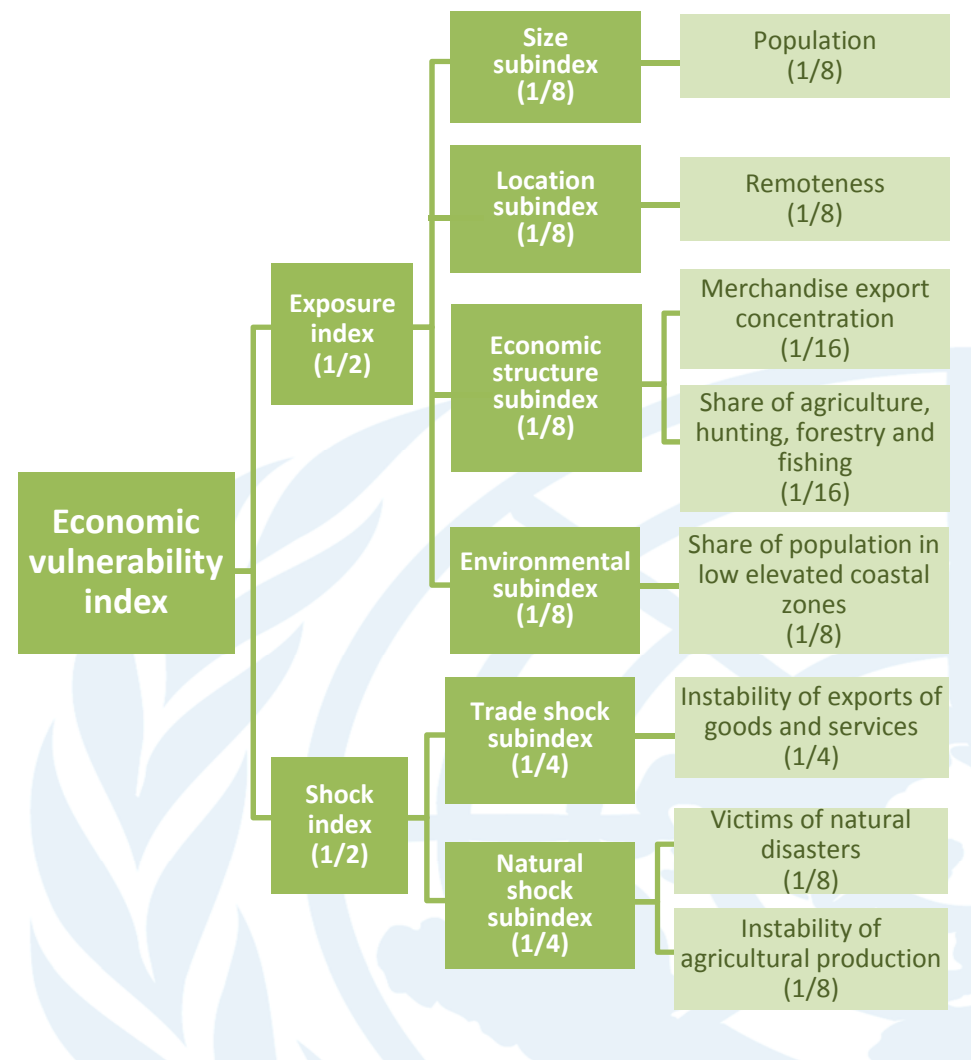
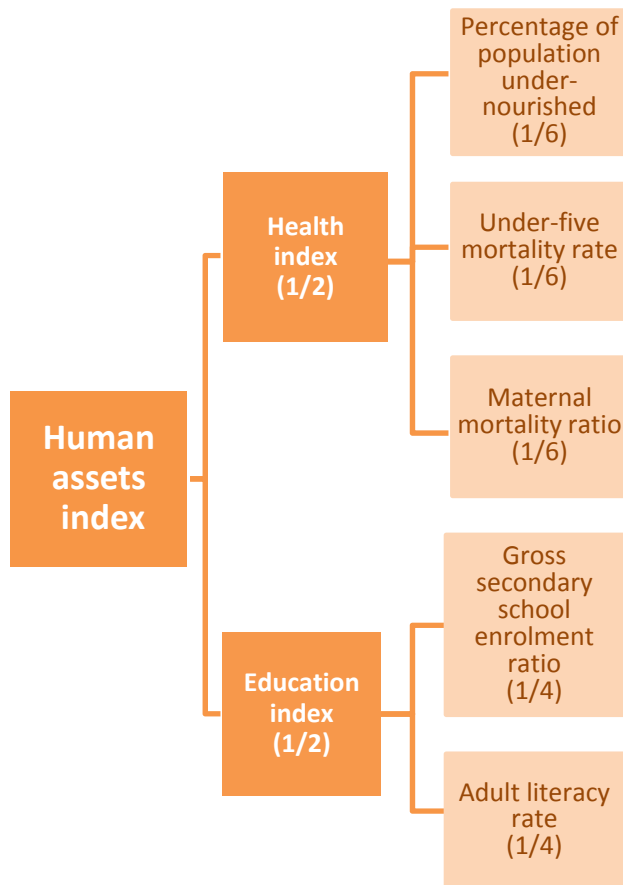
GNI per capita



Human assets index (HAI)



Economic vulnerability index (EVI)



Identifying new or alternatives indicators – guidelines and challenges

○ Guidelines for identification of new/alternative indicators

- Indicators should address **structural** constraints to development
- These structural constraints are among the **most severe** for most LDCs
- Indicators must be **methodologically robust**
- Indicators must have (almost) **complete data coverage** for all developing countries with sufficiently frequent updates

○ Data sources of new/alternative indicators (and existing challenges)

- SDG indicators:
- Many measure policy actions rather than structural handicaps
 - Almost half of the indicators are still either:
 - tier 2 indicators (existing methodology, but no data) or
 - tier 3 indicators (no methodology yet)
 - Limited data availability for LDCs for tier 1 indicators

Regularly updated databases from international organizations:

- Limited availability of suitable indicators fulfilling the identification guidelines

Changes to the criteria

Per capita GNI

Retain per capita GNI

- GNI closer to LDC definition

Human assets index (HAI)

Refine HAI

- Capture gender inequities in education
- Focus on long term malnutrition

Economic vulnerability index (EVI)

Refine EVI

- Separate into economic and environmental vulnerability sub-index
 - Applies also for small-size vulnerabilities
- Simplify structure and weights
- Broaden coverage of environmental/ climate change vulnerability

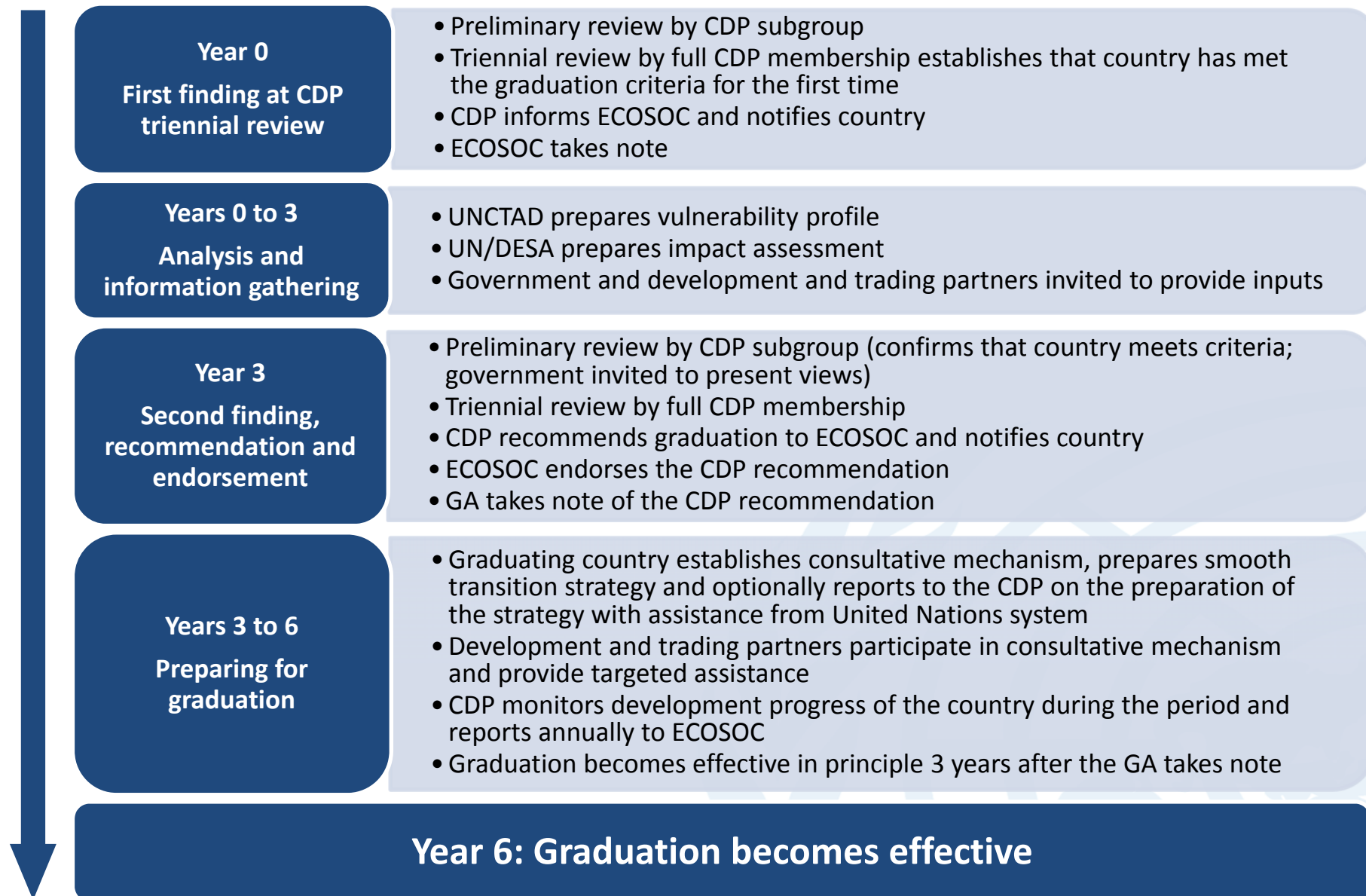
NEW PROPOSAL: Additional set of graduation assessment indicators



Key findings:

Graduation procedure
and additional information

Current graduation procedure



Improved graduation procedure – streamlining the process

Information gathering (Year 0-3)
Graduation preparation (Year 3-6)

Advance timing and better integrate the decision-making process

Information gathering and analysis:

- Starts late, finishes at the end of **year 3**
- No coordination between different UN entities during this process
- Very limited role of local UN entities
- Results shared with country very late

Graduation preparation:

- Transition strategy planning starts in **year 3**, or later

Improved information gathering and analysis:

- Starts after first finding in **year 0**
- Better coordination among UN entities
→ **Graduation assessment**
- **Better and earlier** consultation with country
- Stronger role for UN Resident Coordinator
- Strong role for Inter-agency Task Force on LDC graduation

Improved graduation preparation:

- Transition strategy planning starts at first identification **in year 0**
- Early involvement of development partners

Improved graduation procedure – the graduation assessment

Current procedure

- Individual documentation:
DESA's impact assessment
UNCTAD's vulnerability profile
Country views
- Prepared only shortly before second finding of graduation eligibility

Graduation assessment

Consolidated document prepared by CDP Secretariat based on

- UNCTAD's vulnerability profile
- DESA's impact assessment and enriched by inputs from
 - Graduating country
 - UN country team and other relevant organizations
 - Bilateral development and trading partners

Currently piloted for Lao PDR and Myanmar

Advantages:

- Serves a **dual purpose**:
 - prepares **country** better for graduation
 - improves the information basis for the **CDP** to make its graduation recommendation
- **Consolidates** information from different sources
- Prepared much **earlier**, after first finding of graduation eligibility
- Provides country with better information to **identify areas for research as well as support** needed during and after graduation
- **Dispels uncertainty** and concerns on graduation

Improved graduation procedure – length of preparatory period

Rule for preparatory period

Strict rule:

- Preparatory period is **in principle** 3 years after GA took note of recommendation ('one size fits all')

But flexible application:

- **In practice**, there have almost always been extensions (of various length)

Rules for extension:

- **No rules** exist for validity of granting initial extensions and their length, **ad-hoc** decision by GA based on country request

Emerging practice:

- In 2018, CDP commented on requests by some graduation candidates

Clarification of the rule

- Proposal: **3 years standard period**, additional **2 years** in exceptional situations
- **CDP statement** on length of preparatory period based on planning capacity and overall situation of country regarding graduation as part of the CDP graduation recommendation
- **Eliminates discrepancy** between strict rule and its flexible application
- **Removes confusion** about the overall process
- **Tailors** preparatory period **to country situation**
- **Codifies** recent practice

Improved graduation procedure – New set of graduation assessment indicators

○ Wider set of additional indicators

- Online statistical annex to graduation assessments prepared for triennial review
- Contain methodological sound indicators covering most LDCs and other developing countries
- Relevant for graduation, but not requirement for graduation
- Complement the current LDC criteria
- No new indices

○ Purpose

- Cover vulnerabilities and relevant factors not adequately captured in LDC criteria
- Complement, not replace analysis of idiosyncratic vulnerabilities in graduation assessment/vulnerability profile
- Screening device for identifying discrepancies between criteria performance and broader vulnerabilities and factors
- Entry point for identifying priorities for managing graduation

Summary and implications for recommending highly vulnerable countries

○ Modified basic graduation rules

- Graduation of **highly vulnerable countries** is possible **if and only if** thresholds of the other two criteria are met with a sufficiently large margin
 - For 'income-only' graduation **sustainability of income** must be assessed
- **Explicit statement by the CDP necessary**

○ Improved support framework

CDP will utilize graduation assessment and additional graduation assessment indicators for stronger graduation narrative

- Suggestions for priorities and support needs to ensure smooth transition
 - Move graduation debate beyond pure classification
 - For highly vulnerable countries, focus graduation narrative on addressing vulnerabilities and resilience building
- Preparatory period of **up to five years** if necessary
- **Improved basis** for country to manage graduation

Additional CDP proposals for improved graduation support under development