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Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures

Second Edition

United Nations

Committee for Development Policy

and

United Nations
Department of Economic and Social Affairs

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DESA

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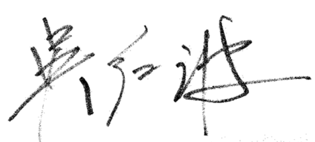
Foreword

The category of the least developed countries (LDCs) was established in 1971 as a special group of developing countries characterized by a low income level and structural impediments to growth, and requiring special measures for dealing with those problems. The Committee for Development Policy (CDP), through its predecessor, the Committee for Development Planning, was actively engaged in the establishment of the least developed country category and has since become highly recognized for its expertise in the identification of these countries.

This revised edition of the *Handbook on the Least Developed Country Category* builds upon and updates information made available in a previous edition released in 2008. It further underscores the Committee's dedication to making the methods and approaches used in the identification of least developed countries known to a wider audience of stakeholders and all those interested in finding solutions to the development challenges faced by these countries. It is hoped that the updated and revised Handbook will continue to promote a better understanding of the category and the challenges these countries confront and thus contribute to galvanizing renewed and additional support for the development efforts of the LDCs.



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July 2015

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Summary

The establishment of the least developed country (LDC) category made it possible to attract special support measures for the most disadvantaged economies, which were consistently lagging behind when compared with other developing countries. From the outset, LDCs were recognized as low-income countries which faced severe structural handicaps to economic growth and development and needed access to support beyond what was commonly available for all developing countries. The Committee for Development Policy (CDP) is the organ officially mandated by the United Nations Economic and Social Council and the United Nations General Assembly to identify and make recommendations on which countries should belong to the LDC category, whereas the United Nations General Assembly is the organ that ultimately adds countries to or graduates countries from the category. Since 1991, the CDP has conducted triennial reviews of the list of LDCs and dedicated a substantial part of its work programme to the analysis of the development challenges confronted by the LDCs.

The second edition of the LDC Handbook provides comprehensive information on the LDC category, including a description of procedures and methodologies used in the identification of these countries, and the support measures associated with it. It builds upon and updates the previous edition published in 2008. As did its predecessor, this revised edition of the Handbook aims at promoting a better understanding of the LDC category— the only country category officially recognized by the United Nations General Assembly—and the benefits derived from membership therein. Accordingly, the publication is intended for the use by government officials, policymakers, researchers and others interested in the particular development problems and challenges faced by the most disadvantaged developing countries.

The Handbook is organized as follows: After presenting a brief overview of the history of the category since its inception in 1971, chapter I provides a detailed description about the procedures for inclusion in and graduation from the LDC category, including a presentation of the main principles and approaches used by the CDP for the identification of LDCs. Chapter II presents an overview and categorization of the available international support measures (ISMs) for LDCs. ISMs are accorded by a wide range of trading and development partners in the areas of international trade, official development assistance and general support. Graduation from the LDC category implies the eventual phasing out of this LDC-specific support; a series of provisions have been adopted by the General Assembly to ensure that the development progress of countries leaving the category is not jeopardized by an abrupt withdrawal of support. Lastly, chapter III provides a detailed explanation of the LDC criteria, including composition, methodologies and data sources. In addition, the chapter presents specific examples of the application of the criteria, based on 2015 triennial review of the list of LDCs.

As measures of support, provisions, procedures and methodologies evolve overtime, the information contained in the present Handbook will be updated on a regular basis to reflect relevant developments, including the outcome of the triennial reviews of the list of LDCs. Updates will be posted at http://www.un.org/en/development/desa/policy/cdp/index.shtml. Up-to-date detailed information, including statistical data used in the most recent triennial review as well information on support measures, are also available at the CDP website.

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The following abbreviations have been used:

AMA	National Account Main Aggregates database
ATC	Agreement on Textiles and Clothing
CDP	Committee for Development Policy
CEPII	Centre d'Etudes Prospectives et d'Informations Internationales
CME	Child Mortality Estimation
DFQF	duty-free and quota-free
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms
ECOSOC	Economic and Social Council
EIF	Enhanced Integrated Framework
EU	European Union
EVI	Economic Vulnerability Index
FAO	Food and Agriculture Organization of the United Nations
GALP	Global Age-specific Literacy Projections Model
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GEF-LDCF	Global Environmental Facility-Least Developed Countries Fund
GNI	gross national income
GSP	Generalized System of Preferences
HAI	Human Assets Index
IDA	International Development Association (of the World Bank)
IF	Integrated Framework
IMF	International Monetary Fund
ISMs	International Support Measures
ITC	International Trade Centre
LDCs	least developed countries
LECZ	low elevated coastal zones
MDER	Minimum Energy Dietary Requirement
MMR	maternal mortality ratio

MMEIG	United Nations Maternal Mortality Estimates Interagency Group
ODA	official development assistance
OECD/DAC	Organization for Economic Cooperation and Development/Development Assistance Committee
SAFTA	South Asian Free Trade Agreement
SDRs	special drawing rights
SDT	special and differential treatment
SIDS	small island developing States
SITC	Standard International Trade Classification
SNA	System of National Accounts
TRAC	Thematic Resources Assigned from the Core
TRIPS	Agreement on Trade-Related Intellectual Property Rights
U5MR	under five mortality rate
UIS	UNESCO Institute of Statistics
UNCTAD	United Nations Conference on Trade and Development
UN/DESA	Department of Economic and Social Affairs of the United Nations Secretariat
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
UN IGME	United Nations Inter-agency Group for Child Mortality Estimation
UN-OHRLLS	Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNPD	United Nations Population Division (of UN/DESA)
UNSD	United Nations Statistics Division (of UN/DESA)
UNWTO	United Nations World Tourism Organization
WHO	World Health Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

Chapter I

Criteria and procedures for inclusion in and graduation from the least developed country category

A. The establishment of the least developed country category

The least developed countries (LDCs) are defined as low-income developing countries suffering from severe structural impediments to sustainable development. Indicators of such impediments are a high vulnerability to economic and environmental shocks and a low level of human assets. An appreciation of the origins and evolution of the LDC category is important in gaining a better understanding of the concerns that led to its creation. It will also contribute to a better understanding of the particular problems faced by this group of countries and the responses developed by the international community to confront the specific challenges of the LDCs.

1. Historical origins

The origins of the LDC category date to the first session of the United Nations Conference on Trade and Development (UNCTAD I), held in Geneva in 1964, when member countries recognized that international policies and measures for promoting economic development needed to take into account individual country characteristics. Special attention was to be "paid to the less developed among them [the developing countries], as an effective means of ensuring sustained growth with equitable opportunity for each developing country".[1]

In 1969, the United Nations General Assembly acknowledged the need to alleviate the problems of underdevelopment in the less developed countries to enable them to draw full benefits from the Second United Nations Development Decade (IDS-II).[2] It requested the Secretary-General to carry out a comprehensive examination of the special challenges of these countries and to recommend special measures to tackle their problems. Subsequently, the Assembly invited the relevant entities, including the Committee for Development Planning (the predecessor of the current Committee for Development Policy (CDP), see box I.1), to give high priority to the identification of such countries and to report back on their findings.

1 Final Act and Report of the United Nations Conference on Trade and Development, Annex A.I.1, United Nations publication, Sales No. 64.II.B.11, p. 11.

2 General Assembly resolution 2564 (XXIV) of 13 December 1969.

2. *The CDP and the identification of the LDCs*

In its reply to this request, the CDP indicated that there was a substantial gap between the poorest and the more advanced developing countries. The LDCs could not always be expected to benefit fully or automatically from the measures adopted in favour of all developing countries in IDS-II. They required special supplementary support to remove the handicaps that limited their ability to benefit from that initiative (see chapter II).

Box I.1
The Committee for Development Policy

The Committee for Development Planning was established by Economic and Social Council (ECOSOC) resolution 1079 (XXXIX) of 28 July 1965 as a subsidiary body of the Council. The aim was to have Committee members share their experiences in development planning and make those experiences available to the United Nations for its use in the formulation and execution of development plans and projections.

Its original terms of reference were modified on 31 July 1998 pursuant to annex I of Council resolution 1998/46, and the Committee was renamed the Committee for Development Policy (CDP). Currently, the Committee provides inputs and independent advice to the Council on emerging cross-sectoral development issues and on international cooperation for development, focusing on medium- and long-term aspects that are relevant for the implementation of the United Nations development agenda.

The Committee is also responsible for undertaking, once every three years, a review of the list of the least developed countries (LDCs), on the basis of which it advises the Council regarding countries which should be added to the list and those that could be graduated from it. Additionally, the Committee monitors the development progress of LDCs earmarked for graduation as mandated by several resolutions by the ECOSOC. It also monitors countries that graduated from the category as requested by resolutions A/59/209 and A/67/221 of the General Assembly.

The annual meeting of the Committee usually takes place in March or April and lasts five working days. During this period, the Committee discusses the agreed topics and drafts its report on the basis of inputs from members. The report is submitted to the Council at its substantive session in July and is also disseminated among the development community.

Additional information on the Committee is available from http://www.un.org/en/development/desa/policy/cdp/index.shtml.

Apart from very low levels of per capita income, which indicate severe financial constraints, the CDP identified other common features among the LDCs:

- Dominance of agriculture or primary activities in the generation of gross domestic product (GDP) and the absorption of the labour force; predominance of subsistence activities (accompanied by limited capacity for mobilizing domestic resources) with low levels of labour productivity, particularly in food production;
- Limited manufacturing and an undiversified production structure reflected in high export concentration and dependence on two or three primary commodities, and high volatility

of export earnings (upon which fiscal revenues rely); LDCs therefore are unable to benefit from trade measures for manufacturers unless these measures are accompanied by support to stimulate industrial production and diversification;

- Low level of education and an overall shortage of skills to organize and manage development; limited capacity to absorb technological advances; poor health and nutrition outcomes;
- Lack of adequate physical and institutional infrastructure for development;
- Economically small (by population or national income), undiversified natural resource base.[3]

Three indicators were selected as criteria to classify countries as LDCs:

- GDP per capita, which gives a general indication of the dimensions of poverty and overall level of development;
- The share of manufacturing in GDP, which conveys information on the extent of structural transformation of the economy; and,
- Adult literacy rate, which specifies the size of the base for enlarging a skilled labour force.

The CDP added the average rate of GDP growth (real terms) to these three indicators to facilitate decisions on borderline cases. The application of the criteria, done in a flexible manner, led to a suggested list of 25 countries, to be reviewed again in 1975.[4]

Since that time, the eligibility criteria for LDCs have been refined and evolved over the years (see figure I.1). The current criteria consist of the following (see chapter III for further details):

- Gross national income (GNI) per capita;
- A human assets index (HAI);
- An economic vulnerability index (EVI).

In addition, the Committee determined in 1991 that countries with a population exceeding 75 million should not be considered for inclusion in the list of LDCs.

B. The LDC criteria and its indicators: principles and approaches

The process of categorizing countries as least developed involves specifying the particular characteristics that define LDCs, selecting indicators that best capture such characteristics—and therefore compose the criteria of identification—and applying the criteria. To categorize countries, the CDP adopted the follow-

3 Report of the Committee for Development Planning on the seventh session (22 March-1 April 1971), *Official Records of the Economic and Social Council, Fifty-first session, 1971, Supplement No. 7.*

4 Despite the tentative nature of the list, the Committee stressed its belief in the list's validity and noted that "by any set of classification criteria the countries included in this list would surely be considered as least developed". See the Report of the Committee for Development Planning on the seventh session, ibid., para. 69. The Committee's list was approved by both the Council in its resolution 1628 (LI) of 30 July 1971 and by the General Assembly in its resolution 2768 (XXVI) of 18 November 1971.

Figure I.1

LDC criteria over time, as of the 2015 triennial review

2011 — **LDCs are low-income countries suffering from the most severe structural impediments to sustainable development**

- **GNI per capita**
- **Human assets 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

2005 — **LDCs are low-income countries suffering from low levels of human resources and a high degree of economic vulnerability**

- **GNI per capita**
- **Human assets 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**
  - **Homelessness due to natural disasters**
  - Instability of agriculture production
  - Instability of exports of goods and services

2002 — **LDCs are low-income countries suffering from low levels of human resources and a high degree of economic vulnerability**

- **GNI per capita**
- **Human assets index (HAI)**
  - Average calorie intake per capita as a percentage of the requirement
  - Under-five mortality rate
  - **Gross secondary enrolment ratio**
  - Adult literacy rate
- **Economic vulnerability index (EVI)**
  - Population size
  - Export concentration
  - Share of manufacturing and modern services in GDP
  - Instability of agricultural production
  - Instability of export of goods and services

1999 — **LDCs are low-income countries suffering from low level of human resources and a high degree of economic vulnerability**

- **GNI per capita**
- **Augmented physical quality of life (APQL)**
  - **Average calorie intake per capita as a percentage of the requirement**
  - **Under-five mortality rate**
  - Combined primary and secondary school enrolment ratio
  - Adult literacy rate
- **Economic vulnerability index (EVI)**
  - **Population size**
  - Export concentration
  - **Share of manufacturing and modern services in GDP**
  - **Instability of agricultural production**
  - **Instability of export of goods and services**

1991 — **LDCs are low-income countries suffering from long-term handicaps to growth, in particular, low levels of human resource development and/or severe structural weaknesses**

- **GNI per capita**
- **Augmented physical quality of life (APQL)**
  - **Per capita calorie supply**
  - **Life expectancy at birth**
  - **Combined primary and secondary school enrolment ratio**
  - Adult literacy rate
- **Economic diversification index (EDI)**
  - **Export concentration ratio**
  - Share of manufacturing in GDP
  - **Share of employment in industry**
  - **Per capita electricity consumption**

1971 — **LDCs are countries with very low levels of per capita gross domestic product facing the most severe obstacles to development**

- **GNI per capita**
- **Adult literacy rate**
- **Share of manufacturing in GDP**

Source: CDP secretariat.

Note: **Bold** type indicates new components.

ing principles and approaches: choosing indicators that are relevant, methodologically robust and available for all countries concerned; maintaining the stability of the criteria; ensuring equitable treatment among countries over time; using an asymmetric approach between inclusion and graduation criteria; and applying the criteria in a flexible manner.

In its choice of statistical indicators, the CDP attempts to identify those that most closely reflect or capture the features of relevance for the classification of countries as LDCs. In this regard, the indicators comprising the LDC criteria should be **measures of long-term structural handicaps**. The Committee also takes into account the robustness and soundness of the methodologies underlying the production of the indicators and the availability of data, both in terms of frequency of updating and country coverage.

The Committee has taken all the necessary steps to ensure that the criteria are based on the best available methods and information, and has put significant effort into developing a consistent set of criteria throughout the years. However, it recognized in 1971 that, in some instances, indicators were "neither wholly reliable, nor sufficient in themselves to provide a complete picture".[5] It also acknowledged that the introduction of refinements "with respect to all countries which are candidates for classification as least developed, must await further statistical development and research".[6] Thus, occasional refinements may be introduced to the criteria to take into account new insights from research on economic development, updated information regarding the structural impediments to development and ongoing improvements in, and the availability of, reliable and internationally comparable data.

As economic theory and research on development and data availability of indicators continued to advance, a number of improvements to the criteria have been introduced since 1971 (see figure I.1). However, the underlying principle of identifying LDCs as "low-income countries that face structural handicaps" has remained.

The Committee has furthermore stressed the importance of maintaining stability in the criteria and in the application of the established procedures to ensure the credibility of the process and, consequently, of the category. Thus, in establishing which indicators to use, the CDP selected those that proved to be sufficiently stable over time to minimize the likelihood of easy reversibility of status from LDC to non-LDC, and vice versa, owing to dramatic fluctuations in any single criterion.

With the establishment of graduation rules in 1991, additional principles were adopted to ensure that graduation takes place only after a country's development prospects have significantly improved, and the graduated country can sustain its development path, therefore further contributing to the stability of graduation outcomes. In this regard, there is an intentional **asymmetry between the inclusion and graduation eligibility criteria** (see table I.1), which can be summarized as follows:

- Thresholds for graduation are established at a higher level than those for inclusion (see chapter III for further discussion);
- In order to be eligible for graduation, a country must cease to meet not just one, but two out of the three inclusion criteria.[7] If the criteria were applied symmetrically, ceasing to

5 Report of the Committee for Development Planning on the seventh session, op. cit., para. 68.

6 Ibid.

7 Unless the country's gross national income (GNI) per capita is at least twice as much as the graduation threshold and deemed to be sustainable. In this case, failing to meet only one of the three criteria would make a country eligible for graduation ("income-only" criterion), as long as that income level is sustainable above the income-only threshold.

meet one single criterion would be enough for a country to be considered eligible for graduation;

- Eligibility for inclusion is ascertained once, whereas eligibility for graduation has to be observed over two consecutive triennial reviews;
- Inclusion is immediate, while graduation takes place only after three years, in order to give the country time to prepare itself for a smooth transition from the list (see below for further details);
- Inclusion requires approval from the country concerned, whereas graduation does not (see table I.1).

Table I.1
Asymmetries between the inclusion and graduation processes

	Inclusion	Graduation
Criteria		
Number of criteria to be met	Three	Two[a]
Threshold of criteria	Established by the CDP	Set at higher level than inclusion
Population threshold	Smaller than 75 million	Not relevant
Eligibility	Determined once	Determined twice (over consecutive reviews)
Timing	Effective immediately	Preparatory period (three years)
Approval by country	Required	Not required

Source: CDP secretariat, based on various reports by the CDP.
a Except in cases where GNI per capita is at least twice the graduation threshold level.

While ensuring greater stability of the LDC category, asymmetry between inclusion and graduation also implies that the category currently includes countries that would no longer be eligible to join the category if they were not already LDCs. These countries fail one inclusion criterion, or might have already met the eligibility for graduation once and are waiting for the second findings of their graduation eligibility, or are in transition to graduation from the LDC category (see table I.2).

The Committee pays due consideration to ensuring **equal treatment** of countries over time. This implies that countries in a similar position vis-à-vis the criteria from one review to the other should be treated equally.

Flexibility is another guiding principle in the application of the criteria. The Committee believes that the criteria should not be used mechanically. Additional information contained in country notes, vulnerability profiles and ex ante impact assessments is also taken into account to support recommendations made by the Committee (see below).

Table I.2
LDCs that did not meet the inclusion criteria at the 2015 triennial review

Not meeting GNI inclusion threshold	Not meeting HAI inclusion threshold	Not meeting EVI inclusion threshold
Angola[a,b]	Bangladesh	Afghanistan
Bhutan[c]	Bhutan[c]	Bangladesh
Equatorial Guinea[b,d]	Cambodia	Benin
Kiribati[a]	Gambia	Central African Republic
Lao People's Democratic Republic	Kiribati[a]	Democratic Republic of the Congo
Lesotho	Lao PDR	Ethiopia
Myanmar	Lesotho[c]	Guinea
Mauritania	Myanmar	Haiti
Sao Tome and Principe[c]	Nepal[c]	Mali
Solomon Islands[c]	Sao Tome and Principe[c]	Myanmar
Sudan	Solomon Islands[c]	Nepal[c]
Timor-Leste[c,b]	Tuvalu[b,d]	Senegal
Tuvalu[b,d]	Vanuatu[b,d]	Togo
Vanuatu[b,d]		Uganda
Yemen		United Republic of Tanzania
Zambia		Yemen

Source: CDP secretariat.
a Countries met eligibility for graduation for the second consecutive time in 2015.
b Countries met income-only graduation criterion.
c Countries met eligibility for graduation for the first time in 2015.
d Countries recommended for graduation at the 2012 review.

In addition, the Committee may consider a country eligible for graduation if its GNI increases to a sufficiently high level—defined as at least twice the graduation threshold level—even if that country has not satisfied the graduation thresholds for both the HAI and the EVI (income-only graduation criterion). Higher levels of GNI per capita often indicate greater availability of resources for the implementation of those policies required to improve a country's human assets and confront existing economic vulnerabilities. The Committee stresses, however, that the sustainability of the GNI level must be taken into consideration.[8]

The approach (income-only and its sustainability above the threshold) was applied to the Committee's recommendation on graduation for Angola and Equatorial Guinea. Angola was recommended for graduation in 2015. The country's GNI per capita corresponded to almost four times the income graduation threshold established at the 2015 triennial review. It was deemed to be sustainably above the income-only threshold, even in the case of a prolonged period of low oil prices.[9] Similarly, Equatorial Guinea's per capita income was also about four times the graduation threshold when the country was recommended

8 Report of the Committee for Development Policy on the seventh session (14-18 March 2005), *Official Records of the Economic and Social Council, 2005, Supplement No. 33* (E/2005/33).

9 Report of the Committee for Development Policy on the seventeenth session (23-27 March 2015), *Official Records of the Economic and Social Council, 2005, Supplement No. 33* (E/2015/33).

for graduation in 2006, and GNI per capita was anticipated to remain above the income-only graduation threshold in the long run. Neither country met the HAI or the EVI thresholds for graduation.[10]

C. The triennial review of the LDC category

The CDP is responsible for undertaking, once every three years, a review of the list of LDCs, on the basis of which it advises the Economic and Social Council (ECOSOC) with regard to countries that should be added to or those that could be graduated from the list.

Inclusion in and graduation from the list of the LDCs take place in accordance with the guidelines recommended by the CDP in the report on its ninth session in 2007,[11] which were endorsed by ECOSOC.[12] Procedures regarding the graduation process are also described in General Assembly resolutions 59/209 of 20 December 2004 (annex 1) and 67/221 of 21 December 2012 (annex 2). In 2013, additional guidelines were issued by the Committee to further facilitate compliance with these resolutions.[13] These guidelines and procedures are reviewed in the sections below.

1. Procedures for inclusion

The triennial review of the list of the LDCs begins with an analysis of the economic and social conditions in all LDCs and other developing countries by an expert group meeting of CDP members, and precedes the CDP plenary meeting where the triennial review takes place. The group of experts reviews the most recent available data and the preliminary results of the application of the criteria. Subsequently, it prepares a preliminary list of countries identified for inclusion and graduation for review by the Committee at its relevant annual plenary meeting.

After the expert group meeting has identified a country for inclusion in the list, the United Nations Department of Economic and Social Affairs (DESA) notifies that country's Government of this conclusion and that the finding will be considered by the Committee at its forthcoming triennial review. DESA subsequently prepares a **country assessment note** for presentation to the Committee (see figure I.2).

The **country assessment note** corroborates the basis of the group's finding of eligibility by means of statistical evidence and incorporates other relevant information. Particular consideration is given to the reasons for the recent deterioration of economic and social conditions in the country to determine whether that deterioration is due to structural or transitory factors.

The country assessment note is also shared with the candidate country, which may submit a written statement to the CDP, expressing its views on its possible inclusion in the list, including any objections to such inclusion.

10 When making its recommendation, the Committee also noted that the level of the human assets index (HAI) in Equatorial Guinea had improved since the previous review in 2003, becoming closer to the graduation threshold: 56 for a graduation threshold of 64 in 2006, compared to 47 for a graduation threshold of 61 in 2003. See the Report of the Committee for Development Policy on the eighth session (20-24 March 2006), Official Records of the Economic and Social Council, 2006, Supplement No. 13 (E/2006/33).

11 Report of the Committee for Development Policy on the ninth session (19-23 March 2007), *Official Records of the Economic and Social Council, 2007, Supplement No. 33* (E/2007/33).

12 Economic and Social Council (ECOSOC) resolution 2007/34 of 27 July 2007.

13 See Report of the Committee for Development Policy on the fifteenth session (18-22 March 2013), *Official Records of the Economic and Social Council, 2013, Supplement No. 33* (E/2013/33).

Figure I.2
Inclusion time frame

January expert group review		Between expert group – triennial review	March triennial review				Same year or later		
CDP	**DESA**	**DESA**	**Country**	**CDP**	**DESA**	**CDP**	**ECOSOC**	**Country**	**General Assembly**
Preliminary finding: country satisfies inclusion criteria	Notifies country of preliminary finding	Prepares country assessment note	Presents written statement (optional)	Finds country eligible	Notifies country	Recommends inclusion if country has not objected	Takes action on CDP's recommen-dation	Notifies Secretary-General of its acceptance	Approves CDP's recommen-dation

Inclusion time frame – Year of triennial review

Source: Report of the Committee for Development Policy on the ninth session, op. cit.

If the Committee, at its triennial review, confirms the country's eligibility for inclusion, DESA will once again notify the country of this finding. If the country does not express a formal objection to inclusion in the list, the Committee will make an appropriate recommendation in its report to the Council. If the country has expressed a formal objection to DESA, the finding of eligibility as well as the country's objection will be recorded in the report and no recommendation for inclusion will be made.

Once the Council endorses the recommendation for inclusion—and after the country has subsequently notified the Secretary-General of its acceptance—the country will be formally added to the list immediately after the General Assembly has taken note of the recommendation.

a. Countries included in the list of LDCs

Since the establishment of the category in 1971, the number of LDCs has doubled, from 25 in 1971 to 48 in 2015 (see figure I.3). The first triennial review, however, was only conducted in 1991. In previous years, inclusion followed different procedures (see box I.2).

The list grew over the years as countries gained independence and faced severe developmental challenges which were, in some cases, compounded by the devastating effects of war and conflict. Eritrea, South Sudan and Timor-Leste are cases in point. Others were added due to a sustained deterioration in economic conditions (e.g., Angola, Liberia and Senegal).

Three countries—Ghana, Papua New Guinea and Zimbabwe—were considered by the CDP to be eligible for LDC status, but declined to be included in the list. They questioned either the validity or accuracy of the data presented by the CDP, arguing that the indicators had not captured the relevant aspects of their respective economies. Additionally, the countries emphasized an improvement in their socioeconomic conditions since the time of the CDP assessment as well as the existence of significant time lags in the production of data which therefore did not capture more recent positive trends.

Figure I.3
LDC category timeline, as of the 2015 triennial review

2017	***Equatorial Guinea, Vanuatu***
2014	**Samoa**
2012	South Sudan
2011	**Maldives**
2007	**Cabo Verde**
2003	Timor-Leste
2000	Senegal
1994	**Botswana** Angola, Eritrea
1991	Cambodia, Democratic Republic of the Congo, Madagascar, Solomon Islands, Zambia
1990	Liberia
1988	Mozambique
1987	Myanmar
1986	Kiribati, Mauritania, Tuvalu
1985	Vanuatu
1982	Djibouti, Equatorial Guinea, Sao Tome and Principe
1977	**Cabo Verde**, Comoros
1975	Bangladesh, Central African Republic, Gambia
1971	Afghanistan, Benin, Bhutan, **Bostwana**, Burkina Faso, Burundi, Chad, Ethiopia, Guinea, Haiti, Lao People's Democratic Republic, Lesotho, Malawi, **Maldives**, Mali, Nepal, Niger, Rwanda, **Samoa**, Somalia, Sudan, Uganda, United Republic of Tanzania, Yemen

Source: Report of the Committee for Development Policy, various issues.

Note: Countries in bold have already graduated from the list; those in bold italics are scheduled for graduation. Green arrows indicate inclusion; blue arrows indicate graduation.

Box I.2
Inclusion in the LDC category: the early years

Between 1975 and 1991, there were no systematic reviews of the list of least developed countries (LDCs). After an initial review of the original list in 1975, conducted on the basis of a revision of the original criteria and data, decisions of inclusion followed an assessment of specific countries—on the base of the established criteria—but which was initiated by a request from the country itself through the Economic and Social Council or the General Assembly.

Not all countries forwarded for consideration by the Committee for Development Policy (CDP) were found eligible for inclusion at first, either because they did not meet the criteria or because the Committee was unable to make a decision in view of lack of corroborating data and opted to defer its decision. Most of these countries eventually were included in the list (Angola, Cabo Verde, Comoros, Djibouti, Equatorial Guinea, Guinea-Bissau, Kiribati, Liberia, Mauritania, Mozambique, Myanmar, Sao Tome and Principe, Sierra Leone, Togo, Tuvalu and Vanuatu). Conversely, other countries that were explicitly referred to the CDP never became LDCs (Antigua, Dominica, Namibia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent, Seychelles and Tonga).

Source: CDP reports to its plenary sessions, various issues.

b. International support measures for LDCs

Countries belonging to the LDC category have access to a series of measures of support that go beyond what is generally available for other developing countries. When proposing the list of LDCs in 1971, the CDP indicated the need for a balanced, country-by-country approach covering both social and economic constraints to development and which would require coordination of actions at both the national and international levels. Three main areas of support are suggested: (i) technical cooperation to improve countries' capacity to widen its development efforts; (ii) financial assistance at appropriate terms (long term, grace period and concessional rates of interest); and, (iii) international trade measures and regional cooperation to allow for the expansion of the production base in the countries given their limited domestic markets.

The large number of international support measures (ISMs) for LDCs is a testament to the recognition of the special needs of the LDCs and, indirectly, to the effective manner in which LDCs and others have presented their case to the international community. Most new multilateral agreements pertaining to development make reference to these special needs and usually indicate an intention to give the LDCs particular attention (in relation to other developing countries) in one form or another.

The ISMs and policy initiatives have been introduced specifically to promote the development of the LDCs. These measures broadly fall into the three main areas where additional support is needed, as indicated by the CDP. Thus, bilateral donors that are members of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC) have set specific targets for official development assistance (ODA) flows that should be allocated to LDCs. Additionally, OECD/DAC has established specific targets related to the conditions attached to ODA flows, which carry greater concessionality than those flows to other developing countries.

Multilateral international organizations provide LDC-specific financial and technical assistance through several channels. These include: (i) substantive support (research and policy analysis) and advocacy for LDCs; (ii) allocation of a given share of the organizations' budgets to LDCs programmes; (iii) targeted funds and technical cooperation programmes, financial support for participation in United Nations meetings; and (iv) caps on contributions to the budgets of international organizations.

Trade ISMs aim to ensure that international trade for LDCs becomes more equitable by offering LDCs the requisite flexibility in fulfilling their international trade commitments, taking into consideration their levels of development as well as their economic and financial needs. These measures include: less stringent obligations than those imposed on industrial and developing-country members of the World Trade Organization (WTO); granting LDCs longer transition periods in the fulfilment of WTO obligations (most of which have lapsed by now); providing improved market access by non-reciprocal preferential arrangements; and granting LDCs the necessary technical cooperation and financial assistance to ensure that they are able to benefit from the opportunities special and differential treatment measures offer. ISMs are described in greater detail in chapter II.

2. Procedures for graduation

The CDP reviews all LDCs with regard to meeting the eligibility criteria for graduation. In its report, the Committee will notify the Council of all LDCs that meet these graduation criteria, and which of those countries being confirmed eligible for the second consecutive time are recommended for graduation.

As in the inclusion process, DESA will inform the country concerned of the findings of eligibility for graduation after the first review (see figure I.4). Subsequently, UNCTAD will prepare a **vulnerability profile** of that country and DESA will prepare an **ex ante impact assessment** in the year **preceding** the next triennial review.[14]

The vulnerability profile aims at giving an overall background of the country's economic and development situation. In addition, it will compare the values of the indicators used in the CDP criteria with relevant national statistics. It will further assess other vulnerabilities that the country is facing which are not covered by the EVI (e.g., instability of ODA flows and other sources of foreign currency, such as proceeds of wealth funds and fishing licenses), as well as other structural features of the country that are of relevance for the graduation decision (e.g., possible concentration of export of services, high transportation costs due to geographic dispersion in the case of archipelago countries, current impacts of climate change).[15]

The **ex ante impact assessment** considers the possible implications of graduation, in particular with respect to those special support measures related to development finance, international trade and technical assistance that are available to LDCs on an exclusive basis (see chapter II). The effective imple-

14 The concept of a vulnerability profile was defined by the Committee in 1999. See the Report of the Committee for Development Policy on the first session (26-30 April 1999), *Official Records of the Economic and Social Council, 1999, Supplement No. 13* (E/1999/33), chap. III, section F.

15 Report of the Committee for Development Policy on the tenth session (17-20 March 2008), *Official Records of the Economic and Social Council, 2008, Supplement 13* (E/2008/33).

Figure I.4
Graduation time frame

Year 0 (first triennial review)	**CDP** Finds country eligible (first finding)
	DESA Notifies country
Between years 0 and 3	**UNCTAD** Prepares vulnerability profile **DESA** Prepares ex ante impact assessment (both reports circulated to country for comments)
Year 3 (second triennial review)	**Graduating country** Oral presentation at preparatory EGM; written statement to CDP plenary (both voluntary)
	CDP Confirms eligibility criteria (second finding); reviews reports and country inputs; recommends graduation
	ECOSOC Takes action on CDP recommendation
	General Assembly Takes note of CDP recommendation
Between years 3 and 6	**Graduating country** Establishes consultative mechanism; prepares transition strategy; reports to CDP on preparation of strategy (voluntary)
	UNDP Facilitates consultative group; provides support (if requested)
	UN system Provides targeted assistance and capacity-building (if requested)
	Development and trading partners Participate in consultative mechanism
	CDP Monitors development progress during the period, reports to the Council
Year 6	**Graduation becomes effective**
After year 6	**Graduated country** Implements and monitors transition strategy; voluntarily submits concise annual reports (for the first 3 years after graduation) and triennial reports to CDP (at 2 CDP triennial reviews)
	Development and trading partners Support implementation of transition strategy; no abrupt reduction of LDC-specific support
	CDP Monitors development progress; reports to the Council annually for the first 3 years after graduation, during 2 triennial reviews thereafter

Source: Report of the Committee for Development Policy on the fifteenth session (18-22 March 2013), *Official Records of the Economic and Social Council, 2013, Supplement No. 33* (E/2013/33); and General Assembly resolution 67/221 of 21 December 2012.

mentation of the impact assessment relies on the full cooperation of the country concerned as well as its development and trading partners, in particular with regard to the sharing of information on the specific support provided and possible policy approaches towards the country following its graduation from the LDC category.[16]

Countries that have been found eligible for the first time will be provided with a draft of the vulnerability profile and the ex ante impact assessment in the year prior to the next triennial review before the finalization of these reports. This allows countries to make comments on these reports and bring additional issues to the attention of the CDP. These countries will then be given an opportunity to make an oral presentation at the expert group meeting that precedes that triennial review. Countries may also submit a written statement to the plenary of the Committee.

When a country meets the graduation criteria for the second consecutive time, the Committee—after considering all relevant quantitative and qualitative information at its disposal—may recommend the country for graduation in its report to the Council. If the Council endorses the recommendation, graduation will take effect three years after the General Assembly takes note of the recommendation, as stipulated in resolution A/59/209 (see annex 1). Thus, in the case of Cabo Verde, the General Assembly took note of the recommendation for graduation on 20 December 2004; consequently, the country's graduation became effective on 20 December 2007. However, under exceptional circumstances, the General Assembly can contemplate granting the graduating country with a longer preparatory period, on a case-by-case basis (see table I.3), even after having set a graduation date for the country. Maldives and Samoa are points in case, as both countries have been hit by a severe tsunami after having their graduation taken note of by the General Assembly. Vanuatu was granted one additional year to prepare its smooth transition strategy, while Equatorial Guinea was granted an additional six months beyond the customary three-year period.

a. Preparing for graduation

During the three-year period before graduation takes effect, the country is still an LDC and, as such, is fully entitled to all benefits associated with the category. In this period, the country concerned may prepare a **transition strategy** in cooperation with its development partners. This strategy—to be implemented after the country has officially graduated—aims at ensuring that the phasing out of support measures resulting from its change of status will not disrupt the country's continued development efforts. These procedures were established by General Assembly resolution 59/209 (see annex 1), and were further refined and complemented by General Assembly resolution 67/221 (see annex 2).

Resolution 59/209 recommends that the graduating country establishes a consultative mechanism, in cooperation with its development and trading partners, to facilitate the preparation of the transition strategy (paragraph 5). Resolution 67/221 further recommends that other relevant consultative mechanisms operating in the country (for instance, under the auspices of the IMF and the World Bank)

16 As of March 2015, vulnerability profiles and ex ante impact assessments have been prepared for Angola, Equatorial Guinea, Kiribati, Tuvalu and Vanuatu. These reports are available from the CDP website at http://www.un.org/en/development/desa/policy/cdp/ldc2/ldc_countries.shtml. Vulnerability profiles are also available for Cabo Verde, Maldives and Samoa and can be downloaded from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_vulnerability.shtml.

Table I.3
Length of transition period from the taking note by the General Assembly to the effective date of graduation, selected countries

Country	Taking note by the General Assembly	Anticipated date of graduation at the time of taking note by the General Assembly	Effective date of graduation	Transition period
Botswana	20 December 1991	19 December 1994	19 December 1994	3 years
Cabo Verde	20 December 2004	20 December 2007	20 December 2007	3 years
Maldives	20 December 2004	20 December 2007	01 January 2011	6 years
Samoa	17 December 2007	17 December 2010	01 January 2014	6 years

Source: CDP secretariat.

should incorporate the implications of graduation and smooth transition decisions in their activities in the country.

Both resolutions state that graduating countries can request the assistance of the United Nations system to prepare a transition strategy to adjust to the eventual phasing out of LDC-specific ISMs (paragraph 4). Furthermore, they instruct the United Nations Development Programme Administrator to provide to the consultative mechanism the support of the United Nations Resident Coordinator and of the United Nations Country Team—a task force composed of the country's relevant development and trading partners—facilitating the preparation of the transition strategy (paragraph 6). They also call upon development partners to support the implementation of the transition strategy and to avoid any abrupt reduction in the provision of official development and technical assistance to the country concerned (see also chapter II).

Resolution 67/221 further specifies that the smooth transition strategy should include a comprehensive and coherent set of specific and predictable measures. It stresses the importance of transparent information and acknowledges the role of the Support Measures Portal for LDCs developed by DESA in this regard.[17] The resolution also invites graduating countries to report on the preparation of their transition strategy to the CDP on an annual basis.

b. Guidelines for reporting by graduating countries

To help graduating countries prepare their reports on the elaboration of their transition strategy, the CDP recommended that inputs should be received prior to 31 December of each year preceding the publication of the Committee's annual report to ECOSOC of the following year (see figure I.5). Moreover, the Committee requested that the annual report from graduating countries include the following elements:

- A concise summary progress report on the consultative mechanism, including identification of participants, brief description of meetings convened, and specification of substan-

17 See http://www.un.org/ldcportal.

tive and organizational support by the relevant United Nations institutions in convening the meetings, where applicable;

- Identification of the LDC-specific ISMs most relevant to the country and corresponding details about the level of commitments made by development and trading partners in maintaining or phasing out those measures;
- Information on the preparation of the transition strategy, including identification of the key issues to be addressed by the strategy, of measures to be taken by the country, decisions made and the identification of pending actions;
- The latest version of the transition strategy, if available.

c. Monitoring the development progress of graduating countries by the CDP

In accordance with ECOSOC resolution 2008/12[18] and subsequent resolutions by the Council, the Committee will monitor the development progress of those countries whose graduation has been noted by the General Assembly but has not yet become effective, and will include the findings in its annual report to the Council.

The monitoring report by the CDP will contain a brief review of a selected set of indicators and relevant information to assess any signs of deterioration in the development progress of the graduating country. It will also include a summary of the Committee's review of the information provided by the graduating country on the preparation of the transition strategy, if submitted by the graduating country, as envisaged by General Assembly resolution 67/221.

D. Smooth transition from the LDC category

The smooth transition refers to the period after the effective graduation from the LDC category. This period varies from country to country and does not have a specified length. Monitoring of development progress of graduated countries by the CDP and the relevant intergovernmental processes is, however, limited to a maximum of nine years (see below).

General Assembly resolutions 59/209 and 67/221 emphasize that graduation should not disrupt the development progress of the country. The resolutions further indicate that LDC-specific support should only be phased out in a gradual and predictable manner. LDC preferential market access is to be extended to graduated countries for a number of years. Thus, resolution 67/221 invites trading partners who have not yet done so, to adopt smooth transition procedures for preferential market access (see annex 2). As in resolution 59/209, the General Assembly reiterates its invitation for the members of WTO to extend existing special and differential treatment available to LDCs in accordance with the development situation of those countries. It also invites development partners to consider the LDC indicators as part of

18 ECOSOC resolution 2008/12 on the Report of the Committee for Development Policy on the tenth session, 41st plenary meeting, 23 July 2008.

Figure I.5
Smooth transition procedures reporting by graduating and graduated countries and the CDP

Preparation of transition strategy, 3-year period	Graduation	Implementation of transition strategy: 3 years	Implementation of transition strategy: Triennially
Transition period report procedures	**3 years after General Assembly takes note of CDP recommendation**	**Post-graduation report procedures**	
Graduating country Invited to report annually to CDP on the preparation of the transition strategy **CDP** Monitors development progress in its annual reports to ECOSOC	**Graduation becomes effective**	**Graduated country** Reports annually to the CDP on the implementation of the smooth transition strategy for 3 years **CDP** Monitors development progress in consultation with graduated country for 3 years and reports results to ECOSOC	**Graduated country** Reports to the CDP as a complement to 2 triennial reviews on implementation of the smooth transition strategy **CDP** Monitors development progress in consultation with graduated country as a complement to 2 triennial reviews and reports results to ECOSOC

Source: Report of the Committee for Development Policy on the fifteenth session (18-22 March 2013), *Official Records of the Economic and Social Council, 2013, Supplement No. 33* (G/2013/33).

their criteria for allocating ODA to ensure that such flows are not drastically affected by graduation (see also chapter II). This last point is particularly relevant for smoothing the transition from the LDC category as it makes the support less binary (either a country is or is not an LDC) than it is at present. Moreover, it addresses the concerns of countries graduating from the category that may still confront acute structural economic vulnerability or acute human assets gaps.

1. Monitoring of graduated countries

General Assembly resolution 59/209 states that the CDP will continue to monitor the development progress in countries that graduate as a complement to the triennial review (see annex 1). Under the provisions of General Assembly resolution 67/221, graduated countries are invited to provide concise annual reports to the Committee on the implementation of the smooth transition strategy for a period of three years, and triennially thereafter, as a complement to the two triennial reviews of the list of LDCs (paragraph 20).

Figure I.6 provides an illustration of the reporting schedule, using the case of Equatorial Guinea as an example.

a. Monitoring reports by the CDP

The CDP established guidelines on how it would monitor the development progress of graduated countries in 2008 and further elaborated on them in 2013. These guidelines were adopted by ECOSOC in resolution E/2013/20 of 24 July 2013 (paragraph 6).[19]

As indicated by the CDP, the main purpose of the monitoring report is to identify any signs of reversal in the development progress of the country concerned during the post-graduation period and to bring them to the attention of the Council as early as possible. The monitoring will be carried out on the basis of a relatively small set of relevant variables; it will also include an assessment of the inputs from the report of the graduated country if submitted to the Committee (see below). The CDP also established that, prior to finalizing its report to ECOSOC, the Committee—through its secretariat—will consult with the New York-based representative of the graduated country on the conclusions of its draft report so that the Government's views can also be considered by the Committee in its final report to ECOSOC.[20]

b. Guidelines for reporting by graduated countries

Under the provisions of General Assembly resolution 67/221, graduated countries are invited to provide concise annual reports to the Committee on the implementation of the smooth transition strategy. This reporting should take place annually for the three consecutive years after graduation becomes effective, and triennially thereafter, as a complement to two triennial reviews of the LDC category by the Committee (see figure I.5). Accordingly, the Committee recommends that the country submit its report on the implementation of the smooth transition strategy before 31 December of each year preceding the pertinent plenary meeting of the CDP (the Committee usually meets in March).

The Committee indicates that graduated countries should include in their report an overview of progress made in implementing the smooth transition strategy and information on whether the measures by the Government of the graduated country and the commitments by its development and trading partners identified in the transition strategy are being fulfilled. It further suggests that in those cases where support is being reduced or withdrawn, the report should indicate how this is affecting the country in order to assist the Committee in its assessment and to bring any negative effects to the attention of the Council as early as possible.

Monitoring reports on graduating and graduated countries can be found at the CDP website at: http://www.un.org/en/development/desa/policy/cdp/ldc2/ldc_countries.shtml.

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19 See Report of the Committee for Development Policy on the tenth session, op. cit.; Report of the Committee for Development Policy on the fifteenth session, op. cit; and ECOSOC resolution 2013/20 adopted on 24 July 2013 on the Report of the Committee for Development Policy.

20 As of the 2015 triennial review, the CDP secretariat had prepared monitoring reports on the following graduated countries: Cabo Verde, Maldives and Samoa. These reports are available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_graduated.shtml.

Figure I.6
Equatorial Guinea: schedule of monitoring reports

Monitoring timeline	Graduating country	Graduated country
December 2013	**General Assembly takes note of recommendation on graduation**	
December 2014	Submission of monitoring report on smooth transition preparation	
March 2015	**Triennial review of LDC category**	
December 2015	Submission of monitoring report on smooth transition preparation	
December 2016	Submission of monitoring report on smooth transition preparation	
June 2017	**Graduation**	
December 2017		Submission of first annual report on implementation of smooth transition strategy
March 2018		**Triennial review of LDC category**
December 2018		Submission of second annual report on implementation of smooth transition strategy
December 2019		Submission of third annual report on implementation of smooth transition strategy
December 2020		Submission of first triennial report on implementation of smooth transition strategy
March 2021		**Triennial review of LDC category**
December 2020		Submission of last triennial report on implementation of smooth transition strategy
March 2024		**Triennial review of LDC category (last monitoring by the CDP)**

Source: CDP secretariat.

2. Countries graduated from the LDC category

As of July 2015, four countries graduated from the LDC category: Botswana, Cabo Verde, Maldives and Samoa. The General Assembly has taken note of the graduation of two other countries (Equatorial Guinea and Vanuatu) that are expected to leave the category in 2017 (see figure I.3). In June 2015, the Council endorsed the CDP recommendation to graduate Angola from the LDC category. The country's effective graduation date will be determined once the General Assembly takes note of that endorsement.

To date, no single graduated country has had its development progress deteriorated to the point of being considered for reinclusion in the category. In fact, all graduated countries have continued to make progress in increasing national income and improving human assets (see table I.4). At the same time, graduated and graduating countries continue to be economically and environmentally vulnerable.

Table I.4
Graduated and graduating countries and the 2015 triennial review graduation thresholds

	GNI per capita (US$)	EVI (index)	HAI (index)
Graduation threshold	**> $1,242**	**< 32.0**	**> 66.0**
Botswana	7,410	43.4	75.9
Cabo Verde	3,595	38.8	88.6
Equatorial Guinea	16,089	39.5	54.8
Maldives	6,645	49.5	91.3
Samoa	3,319	43.9	94.4
Vanuatu	2,997	47.3	81.3

Source: CDP secretariat.

Chapter II

International support measures for the least developed countries

1. Introduction

The least developed countries (LDCs) derive special support measures from bilateral and multilateral development trading partners and donors in the private sector. The framework for international cooperation in support of LDCs has been laid out in four programmes of action for these countries under the auspices of the United Nations, each covering a period of 10 years, the last of which was adopted in Istanbul in 2011.[1] The programmes of action envisage several modalities of support for LDCs in various areas. International support measures (ISMs) for LDCs evolved over the years as new modalities were created and additional interventions were deemed necessary (see box II.1).

Box II.1
Four programmes of action for least developed countries[a]

Following the establishment of the least developed country (LDC) category in 1971, the first programme of action (PoA) for LDCs was launched in 1981. It had two defining features: emphasis on poverty alleviation through food self-sufficiency and reliance on development planning by the state, which was expected to mobilize and improve effective utilization of resources. A full chapter was dedicated to international support measures needed to assist LDCs in the implementation of this first PoA. These included specific recommendations on the transfer of financial resources and its modalities, technical assistance, commercial policies (including preferential market assess and commodity agreements) as well as measures related to transport and communication, food and agriculture, and transfer and development of technology.[b]

The PoA for the 1990s relied on market liberalization for efficient reallocation of resources and on promoting the role of the private sector in economic growth. The importance of enhanced market access and export diversification gained renewed emphasis.[c]

Adopted in 2001, the third PoA for LDCs followed a series of important international initiatives and was largely shaped by the establishment of the World Trade Organization (WTO) in 1995 and several United Nations global conferences in the 1990s, which culminated with the Millennium Declaration in 2000. Accordingly, the Programme identifies its key objectives as meeting the Millennium Development Goals (MDGs) and increasing the share of LDCs in global trade, finance and investment. It pays a great deal of attention to provision of social services, good governance, institutional reform, the rule of law and participation in political and economic activities by civil society. Provisions are made to address the concerns

1 Programme of Action for the Least Developed Countries for the Decade 2011-2020, Fourth United Nations Conference on the Least Developed Countries, Istanbul, 9-13 May 2011 (A/CONF.219/3/Rev.1).

Box II.1 (*continued*)

of LDCs that aspire to accede or have already acceded to the WTO and the extra support and preferential treatments they may need in view of their structural weaknesses.[d]

Following the emphasis placed on social outcomes by the development community in the first decade of the 2000s, the fourth PoA, adopted in 2011, has a strong focus on productive capacity and structural transformation as core elements in achieving sustainable development in LDCs. The agreed agenda consists of a significant rebalancing of priorities in favour of investment in the productive sectors of the economy and in building the physical as well as human and social capital. The programme includes actions in eight priority areas: productive capacity, agriculture, trade, commodities, human and social development, multiple crises and other emerging challenges, mobilization of resources and governance at all levels. Meeting the criteria for graduation from the LDC category is included as a main objective of the programme.[e]

a Largely based on the Policy Note of the Committee for Development Policy (CDP), Strengthening International Support Measures for the Least Developed Countries (United Nations publication, Sales No. E.10.II.A.14).

b Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981 (A/CONF.104/22/Rev.1).

c Report of the Second United Nations Conference on the Least Developed Countries, Brussels, 3-14 September 1990 (A/CONF.147/18).

d Report of the Third United Nations Conference on the Least Developed Countries, Brussels, 14-20 May 2001 (A/CONF.191/13).

e Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, 9-13 May 2011 (A/CONF.219/3/Rev.1).

Due to the diversity of ISM suppliers, information about these measures has been dispersed and difficult to locate, thus inhibiting LDC access to the measures. To assist LDCs in overcoming this challenge, the secretariat of the Committee for Development Policy (CDP), with the collaboration of other entities of the United Nations system, the World Trade Organization (WTO) and the Development Assistance Committee of Organization for Economic Cooperation and Development (OECD/DAC), has developed a web-based knowledge-sharing platform called the **Support Measures Portal for Least Developed Countries** (www.un.org/ldcportal), where existing provisions in favour of LDCs have been compiled and organized in a systematic way. The role of the Portal in information sharing and enhancing comprehension regarding ISMs and their use by LDCs has been recognized by the General Assembly in resolution 67/221[2] (see annex 2).

The various LDC support measures can be grouped into three main areas: (i) international trade; (ii) development assistance, including development financing and technical cooperation; and (iii) general support and other forms of assistance. The sections below present a brief synopsis of the main measures of support in each of these areas. They rely heavily on the information compiled by the Portal, which should be accessed for a more comprehensive overview, analysis and detailed information on these measures.

2 General Assembly resolution 67/221 on smooth transition for countries graduating from the list of least developed countries, 21 December 2012, para. 6.

A. Support measures and special treatment related to trade

The main categories of special support measures related to international trade that are available to LDCs are (a) preferential market access, (b) special and differential treatment regarding WTO obligations (other than preferential market access), and (c) trade-related capacity-building.

1. Preferential market access: goods and services

Market access preferences entitle exporters to pay lower tariffs or to have duty-free and quota-free (DFQF) access to third-country markets.[3]

The granting of non-reciprocal preferential market access treatment to developing countries was initially made possible in 1971 with the adoption of a temporary waiver from article 1 of the General Agreement on Tariffs and Trade (GATT), which prohibits discrimination by its contracting parties. Subsequently, the decision on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries" (the so-called Enabling Clause) was adopted in 1979. The Clause allows developed member countries of the GATT to give differential and more favorable treatment to the exports of developing countries and to grant special treatment on LDCs in the context of any measure in favour of developing countries. The Clause forms the legal basis for the **Generalized System of Preferences (GSP)** that covers the trade preferences granted by most developed countries to developing countries. Developing member countries of the WTO were allowed to extend preferential market access to LDCs by the adoption of a special waiver in 1999, which was initially expected to last for 10 years, but has been extended to 2019.[4]

Market access concessions to LDCs are also offered through regional or subregional trade agreements and/or non-reciprocal market access schemes, which are also covered through the Enabling Clause. For example, India, Pakistan and Sri Lanka grant additional market access preferences under the South Asian Free Trade Agreement (SAFTA)—beyond those granted to other signatory members—to three least developed member countries (Bangladesh, Bhutan and Nepal) and to the Maldives, a former LDC.[5]

Market access initiatives for LDCs gained momentum with the Third United Nations Conference on the Least Developed Countries in Brussels in 2001 and the launch of the Doha round of trade liberalization by the WTO. At the Sixth Ministerial Conference in Hong Kong in 2005, WTO members committed to further improving market access conditions for LDCs. Developed countries, and developing countries in a position to do so, committed to providing DFQF market access on a lasting basis for all products originating from all LDCs. Members experiencing difficulties in doing so agreed to provide DFQF on at least 97 per cent of products imported from LDCs, defined at the tariff-line level.[6]

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3 On market access by least developed countries (LDCs), see World Trade Organization (WTO), "Market access for products and services of export interest to least developed countries" (WT/COMTD/LDC/W/59).

4 WTO, "Preferential tariff treatment for least developed countries", Decision on Waiver, adopted on 15 June 1999 (WT/L/304) and Decision on Extension of Waiver, adopted on 27 May 2009 (WT/L/759).

5 For additional information on preferential market access for LDC exports in regional and sub-regional trade agreements, please consult www.un.org/ldcportal and the WTO Database on Preferential Trade Arrangements at http://ptadb.wto.org/.

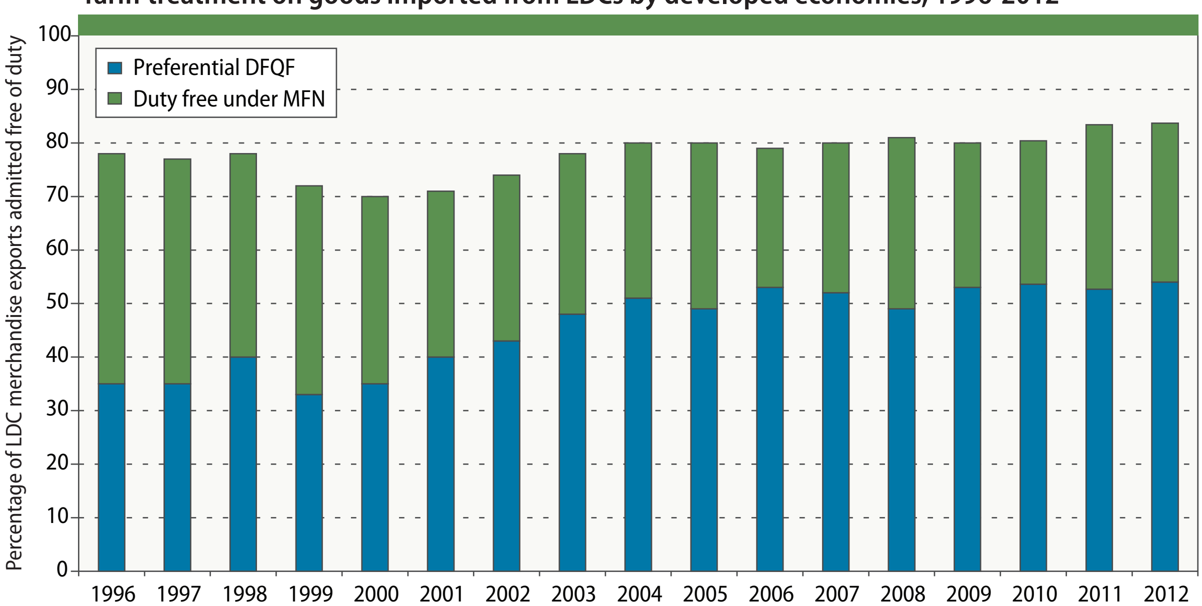
6 Doha Work Programme Ministerial Declaration, adopted on 18 December 2005 at the World Trade Organization Ministerial Conference. Sixth Session. Hong Kong. 13-18 December 2005 (WT/MIN(05)/DEC).

Currently, most developed countries offer DFQF access to merchandise exports from LDCs. By the end of 2012, some 84 per cent of LDC merchandise exports, excluding arms and oil, entered developed markets free of duty, of which 54 per cent received "true" preferential treatment (that is to say, duty free but not under the most-favoured-nations (MFN) treatment) (see figure II.1). The corresponding figures in 2000 were 70 per cent and 35 per cent, respectively. Additionally, an increasing number of developing countries have also been able to extend DFQF treatment to LDCs as indicated in table II.1.[7]

Market access preferences often contain critical exceptions. For example, in 2001, the European Union (EU) adopted the "Everything But Arms" (EBA) initiative, granting duty-free access to imports of all products from LDCs—except arms and munitions—without any quantitative restrictions. The EBA initiative, however, initially included temporary exceptions on tariff lines of potential importance to LDCs (i.e., bananas, rice and sugar). Duties on these products were gradually reduced until duty-free access was granted (for bananas in January 2006, for sugar in July 2009 and for rice in September 2009).

LDCs continue to experience important obstacles to the full utilization of merchandise trade preferences. These include supply-side constraints, rules of origin restrictions, non-tariff barriers—such as complying with product standards, sanitary measures and eco-labeling—and subsidies.[8] Moreover, preference erosion due to multilateral and regional trade liberalization can limit the benefits of preferential market

Figure II.1
Tariff treatment on goods imported from LDCs by developed economies, 1996-2012



Source: WTO, Market Access for Products and Services of Export Interest of Developing Countries (WT/COMTD/LDC/W/51), 10 October 2011, table 9.; and WT/COMTD/LDC/W/59, 23 October 2014; table 14.

7 The secretariat of WTO monitors market access conditions for LDCs and releases an annual report entitled "Market Access for Products and Services of Export Interest of Least Developed Countries".

8 United Nations Conference on Trade and Development (UNCTAD), *Non-tariff Measures to Trade: Economic and Policy Issues for Developing Countries* (United Nations publication, UNCTAD/DITC/TAB/2012/1); and *The Least Developed Countries Report 2010: Towards a New International Development Architecture for LDCs* (United Nations publication, Sales No. E.10.II.D.5).

Table II.1
Selected non-reciprocal duty-free, quota-free and other preferential market access schemes in favour of LDCs, as of July 2015

Preference-granting country	Tariff-line coverage (percentage)	Entry into force
Australia	100.0	01 July 2003
Canada	98.6	01 January 2003
Chile	99.5	28 February 2014
China	95.0	01 July 2010
European Union	99.0	05 March 2001
India	85.0	13 August 2008
Japan	98.0	01 April 2007
Korea, Republic of	90.0	01 January 2000
New Zealand	100.0	01 July 2001
Norway	100.0	01 July 2002
Switzerland	100.0	01 April 2003
Taiwan Province of China	31.7	17 December 2003
Turkey	79.7	31 December 2005
United States	82.6	01 January 1976

Source: World Trade Organization Sub-Committee on Least Developed Countries. Market Access for Products and Services of Export Interest to Least Developed Countries. Note by the secretariat. 23 October 2014 (WT/COMTD/LDC/W/59).

Note: It excludes duty-free, quote-free schemes extended to LDCs on a geographical basis.

access regimes for LDCs. This notwithstanding, the importance of LDC preferential access will tend to decrease as tariffs decline, with the general trend moving towards freer trade and a resulting erosion of trade preferences.

Preferential market access originally did not include exports of services and services suppliers from LDCs. This was changed at the Eighth Ministerial Conference of the WTO which adopted, on 17 December 2011, the Decision on preferential treatment to services and services suppliers of LDCs.[9] The decision exempts WTO members from the obligation of treating no member less favourably than any other (most-favoured-nation treatment) and allows them to grant market access preferences in services for LDCs. The waiver applies exclusively to LDCs and will expire in December 2026. Implementation had been slow and depended on settling how the decision would be operationalized. Agreement on implementation was reached at the WTO Bali Ministerial in December 2013.[10] By the end of July 2015, the following eleven WTO members had notified the organization of their preferential measures to support LDC

9 WTO, "Preferential treatment to services and service suppliers of least developed countries", Decision of 17 December 2011 (WT/L/847).

10 Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of Least Developed Countries, Draft Ministerial Decision, World Trade Organization Ministerial Conference, Ninth Session, Bali, 3-6 December 2013 (WT/MIN(13)/W/15).

services exports and services suppliers: Australia, Canada, China, Hong Kong SAR, Japan, New Zealand, Norway, Republic of Korea, Singapore, Switzerland and Taiwan Province of China.

2. Special and differential treatment related to WTO obligations

As of July 2015, 34 of the 48 countries included in the list of LDCs were WTO members, while eight others were in the process of acceding (see table II.2 and box II.2). LDCs that are members of the WTO may benefit from special considerations in the implementation of the organization's agreements. Such special provisions fall into five main categories: (i) increased market access; (ii) safeguarding of the interests of

Table II.2
LDCs and the WTO, as of July 2015

Country	Year of Accession	Country	Year of Accession	Country	Year of Accession
Angola	1996	Guinea Bissau	1995	Rwanda	1996
Bangladesh	1995	Haiti	1996	Senegal	1995
Benin	1996	Lao People's Democratic Republic	2013	Sierra Leone	1995
Burkina Faso	1995	Lesotho	1995	Solomon Islands	1996
Burundi	1995	Madagascar	1995	Togo	1995
Cambodia	2004	Malawi	1995	Uganda	1995
Central African Republic	1995	Mali	1995	United Republic of Tanzania	1995
Chad	1996	Mauritania	1995	Vanuatu	2012
Democratic Republic of the Congo	1997	Mozambique	1995	Yemen	2014
Djibouti	1995	Myanmar	1995	Zambia	1995
The Gambia	1996	Nepal	2004		
Guinea	1995	Niger	1996		

On-going accessions	Date initiated	On-going accessions	Date initiated
Afghanistan	November 2004	Ethiopia	January 2003
Bhutan	September 1999	Liberia	June 2007
Comoros	February 2007	Sao Tome and Principe	January 2005
Equatorial Guinea	February 2007	Sudan	October 1994
Memo Item: LDCs not seeking accession			
Eritrea, Kiribati, Somalia, South Sudan, Timor-Leste, Tuvalu			

Source: World Trade Organization.

LDCs; (iii) increased flexibility for LDCs in rules and disciplines governing trade measures; (iv) extension of longer transitional periods to LDCs; and (v) provision of technical assistance.

The Agreement creating the WTO and its annexes contain 29 articles and paragraphs explicitly mentioning differential treatment for LDCs. Some of these measures are beyond the special and differential treatment (SDT) granted to all developing countries, but not all of them imply interventions in the exclusive favour of these countries, as other subgroups of developing countries may also benefit from them.[11] Provisions adopted at the Uruguay Round have been complemented by Ministerial decisions and declarations, decisions of the General Council and other governing bodies of the WTO over the years. Since 2001 several decisions concerning LDCs have been adopted within the framework of the Doha negotiation (see table II.3 for selected examples).

SDT provisions for LDCs have diverse features and objectives. Several of these measures are intended to facilitate compliance with WTO rules in view of the limited institutional capacities of LDCs by giving them longer transitional implementation periods, facilitating reporting, and making technical assistance available. For instance, trade policy reviews are to be conducted less frequently for LDCs than

Box II.2
Accession to the World Trade Organization

Special and differential treatment (SDT) provisions contained in World Trade Organization (WTO) legal texts are not applicable to acceding least developed country (LDC) members. Accessions are ruled by article XII.1 of the Marrakesh Agreement which states that parties accede to the WTO on terms to be agreed between the acceding state and the WTO. Terms of accession are detailed in the Protocol of Accession which is negotiated between the acceding state and a Working Party composed of interested members. The process is complex and long, prompting the Third United Nations Conference on the Least Developed Countries to call for the streamlining of the WTO accession requirements for LDCs to make them less onerous for these countries and more in line with their economic conditions.[a] In order to facilitate accession by LDCs, the WTO General Council adopted the Decision on Accession of Least Developed Countries on 10 December 2002, which contains guidelines on how to conduct accession negotiations with LDCs.[b]

Due to the persistence of difficulties in concluding negotiations expeditiously and the level of market access commitments and other concessions by acceding LDCs,[c] these guidelines were further strengthened on 25 July 2012 when the General Council approved an addendum to the 2002 guidelines. The new guidelines have five key components: (i) benchmarks for agricultural and industrial goods; (ii) broad parameters for market access for services; (iii) transparency in accession negotiations; (iv) technical assistance for the accession process; and (v) access to SDT provisions and favorable consideration of requests for additional transition periods.

a Ana Luiza Cortez, "Beyond market access: trade-related measures for the least developed countries. What strategy?" DESA Working Paper, No. 109 (ST/ESA/2011/DWP/109). New York: Department of Economic and Social Affairs of the United Nations Secretariat. Available from www.un.org/esa/desa/papers/2011/wp109_2011.pdf.

b See World Trade Organization, "Guidelines for Accession of Least Developed Countries", Decision of 10 December 2002 (WT/L/508).

c International Center for Trade and Sustainable Development (ICTSD), "An Analysis of the WTO Accession Guidelines for Least Developed Countries", Information Note, November 2012. Also, brief overviews of accession by selected LDCs are available at the LDC Portal.

11 See, for instance, WTO Decision in favour of measures concerning the possible negative effects of the reform programme on least developed and net food-importing developing countries.

for other countries; LDCs can use "simplified" procedures in balance-of-payments consultations; LDCs do not have to prove they have limited manufacturing capacity to import pharmaceuticals under compulsory licensing, etc. Other measures are related to monitoring provisions by WTO bodies and/or its secretariat. For instance, the Committee on Trade and Development has to periodically review the special provisions in favour of LDCs and report to the General Council for appropriate action (Agreement Establishing the World Trade Organization, article IV. 7).

Table II.3
Selected Ministerial and other decisions of the WTO containing specific measures in favour of LDCs

Differential and more favourable treatment, reciprocity and fuller participation of developing countries. Decision of 28 November 1979 (Enabling Clause - L/4903)
Decision on measures in favour of least developed countries (Uruguay Round Decision). 15 December 1993
Decision on measures concerning the possible negative effects of the reform programme on least developed and net food importing developing countries (Uruguay Round Decision). 15 December 1993
Preferential tariff treatment for least developed countries. Decision on waiver. 15 June 1999 (WT/L/304)
Extension of the transition period under article 66.1 of the TRIPS Agreement for least developed country members for certain obligations with respect to pharmaceutical products. Decision of the Council for Trips. 27 June 2002 (IP/C/25)
Least developed country Members—obligations under article 70.9 of the TRIPS Agreement with respect to pharmaceutical products. Decision of 8 July 2002 (WT/L/478)
Accession of least developed countries. Decision of 10 December 2002 (WT/L//508)
The implementation of paragraph 6 of the Doha Declaration on the trips agreement and public health. Decision of 30 August 2003 (WT/L/540 and Corr.1)
Extension of the transition period under article 66.1 for least developed country members. Decision of the Council for TRIPS of 29 November 2005 (IP/C/40)
General Council Decision on the amendment of the TRIPS Agreement. Decision of 6 December 2005 (WT/L/641)
Other decisions in favour of least developed countries: Annex F Hong Kong Ministerial Declaration adopted on 18 December 2005 (WT/MIN(05)/DEC)
Preferential treatment to services and service suppliers of least developed countries. Ministerial Decision of 17 December 2011 (WT/L/847)
General Council Addendum to its Decision of 10 December 2002 entitled Accession of Least Developed Countries, contained in document WT/L/508, adopted on 25 July 2012 (WT/COMTD/LDC/W/55/Rev.2)
Operationalization of the waiver concerning preferential treatment to services and service suppliers of least developed countries. Ministerial Decision adopted on 7 December 2013 (WT/MIN(13)/43; WT/L/918)
Preferential Rules of Origin for Least Developed Countries. Ministerial Decision adopted on 7 December 2013 (WT/MIN(13)/42 or WT/L/917)

Source: Support Measures Portal for Least Developed Countries (LDC Portal, available from www.un.org/ldcportal) and World Trade Organization Committee on Trade and Development, "Special and Differential Treatment Provisions in WTO Agreements and Decisions: Note by the Secretariat", WT/COMTD/W/196, 14 June 2013.

LDCs are also granted some special rights with respect to protection and promotion of economic activities. In this regard, some of the LDC-specific SDTs give LDCs more room for policy space than what is allowed for other developing countries: LDCs were not required to make reduction commitments in agriculture negotiations; they were exempted from the prohibition on export subsidies. With the objective of promoting economic activities, some measures call on WTO members to assist LDCs in developing specific sectors (telecommunication infrastructure, viable technological base) and in removing impediments to trade (technical assistance regarding compliance with technical barriers to trade and sanitary and phytosanitary requirements). Some SDTs include the provision of technical assistance, which may be supplied by private agents (General Agreement on Trade in Services (GATS) annex on telecommunications), in some instances with the encouragement of developed-member countries (e.g., article 66.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)), by WTO members themselves (Implementation of the Decision on Measures in Favour of Least Developed Countries-Singapore Ministerial), or by the WTO secretariat (Trade Review Mechanism, Accessions).[12]

Some of the Uruguay Round provisions, however, have already expired or are no longer applicable: for example, the longer period extended to LDCs for implementing certain WTO agreements has expired; in the case of the Agreement on Textiles and Clothing (ATC), the agreement itself has expired. Meanwhile, other provisions have been renewed and extended (e.g., TRIPS article 66.1; the Decision on the waiver on preferential tariff treatment for LDCs, discussed above, and many others).[13]

3. Support measures related to capacity-building in trade

An important initiative in support of the LDCs is the Enhanced Integrated Framework (EIF), the successor of the Integrated Framework (IF) created in 1997. The EIF is a multi-donor programme which supports LDCs to increase their participation in the international trading system. It focuses on three main activities: (i) mainstreaming trade into national development strategies; (ii) setting up structures needed to coordinate the delivery of trade-related technical assistance; and (iii) building capacity to trade, including addressing critical supply-side constraints.

Six core partners contribute to the operation of the EIF: the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Program (UNDP), the World Bank and the WTO. The United Nations Industrial Development Organization (UNIDO) and the World Tourism Organization (UNWTO) are observer agencies. The programme is supported by a multi-donor trust fund with contributions from 23 donors.

The EIF has two funding facilities: Tier I and Tier II. The first focuses on institutional and policy-related support. This includes the preparation of a Diagnostic Trade Integration Study (DTIS) and Action Matrix. These two instruments allow LDCs to prioritize actions to tackle trade-related constraints and to anchor trade policy into their national institutional set up and development strategies. The Tier II facility is used to fund projects that address supply-side constraints.

12 Ana Luiza Cortez, "Beyond market access: trade-related measures for the least developed countries. What strategy?" UN/DESA Working Paper, No. 109 (ST/ESA/2011/DWP/109). New York: Department of Economic and Social Affairs of the United Nations Secretariat. Available from www.un.org/esa/desa/papers/2011/wp109_2011.pdf.

13 Updated information on extensions of specific measures is available from www.un.org/ldcportal.

EIF funds are limited. There is a funding ceiling per country over the first five years of EIF: pre-DTIS support up to $50,000 for a new entrant; DTIS up to $400,000 for the first time; DTIS update up to $200,000 to be approved by the Executive Director of the EIF secretariat (when exceeding $200,000, an approval of the EIF Board is required); and support to the National Implementation Arrangements and other assistance up to $300,000 per year for the first three years and additional funding for the next two years with an approval according to the period review set out in the EIF monitoring modalities. Tier 2 funds, on the other hand, can be used to finance priority small-scale projects to build trade-related and supply capacity. The total amount of funding for Tier 2 projects is in the range of $1.5 million to $3.0 million.[14] It is important to stress that one of the functions of the EIF is to mobilize and leverage resources (financial, institutional, political) around the trade agenda of each country, and facilitate access to, for instance, Aid for Trade funding over and above the limited amounts available in the EIF Trust Fund.

In 2014, an independent evaluation of the EIF confirmed the relevance of the initiative, but indicated the need to improve the management and administration model of the Framework to enhance its effectiveness and efficiency. The evaluation also recommended, among other things, that the EIF should expand its scope to address global value chains, regional integration and private sector engagement with a view to enhancing the relevance of the programme.[15] Subsequently, the EIF Steering Committee endorsed an extension of the programme into a second phase. The main change to the EIF is to permit the possibility of regional programmes, although funding will still be channeled through national agencies. The second phase will also attempt to provide better value for money by placing a ceiling on administrative costs; the budget will be increased to an estimated level of between $274 million and $320 million, depending on donor commitments; measures to improve programme management will be put in place; and management processes and procedures will be streamlined. Phase two is scheduled to start in January 2016 and will run until 2022.

Beyond the EIF, several other international agencies also provide trade capacity-building activities for LDC trade, including the CDP secretariat and relevant United Nations regional commissions. At the WTO, in addition to regional courses, LDCs are entitled to participate in three national activities per year, such as training and technical assistance activities, compared to two for other developing countries. Apart from regular participation of LDCs in general WTO-related training, an introductory course on the WTO is organized in Geneva exclusively for LDCs.

B. Official development assistance

1. Bilateral assistance

Support measures in the area of bilateral development financing, technical cooperation and other forms of assistance usually involve voluntary commitments made by donor countries. Special support for LDCs

14 For additional information, see http://enhancedif.org/en/system/files/uploads/eif_tier_1_project_guidelines.pdf; and http://enhancedif.org/en/system/files/uploads/eif_tier_2_project_guidelines.pdf.

15 Capra International, Inc. in partnership with Trade Facilitation Office Canada, "Evaluation of the Enhanced Integrated Framework", November 2014.

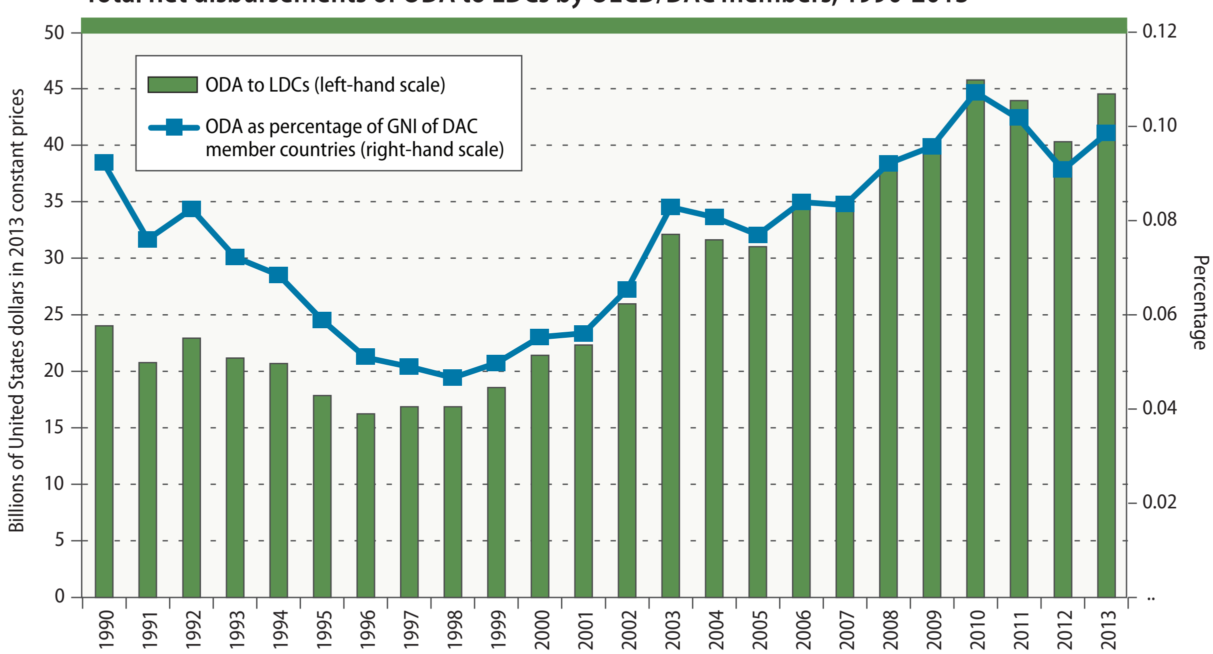
in development assistance revolves around commitments in terms of the volume of aid to be disbursed in favour of these countries and the modalities of disbursement.

In the Istanbul Declaration and the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (see box II.1), OECD/DAC donor countries reconfirmed their previous official development assistance (ODA) commitments towards LDCs and agreed to provide 0.15 to 0.20 per cent of their GNI as aid to this group of countries. Those which have previously committed to the 0.15 per cent target agreed to achieve this target by 2015, while donor countries which have already met the 0.15 per cent target would attempt to reach 0.20 per cent. Finally, donor countries already providing more than 0.20 per cent of their GNI for ODA to LDCs would continue to do so and maximize their efforts to further increase their contributions.

In 2013, total net ODA disbursements to LDCs by the DAC countries amounted to about $44.5 billion (see figure II.2), which corresponded to 0.10 per cent of the aggregated gross national income (GNI) of the group. The ratio was still well below the target of 0.15 per cent of GNI set by several donor countries (see table II.4). Preliminary estimates for 2014 indicate a decline in bilateral ODA to LDCs by DAC countries. ODA flows amounted to $38 billion (in 2013 dollars) in 2014.

On 15 and 16 December 2014, OECD/DAC members met in Paris and agreed to revise the measurement of ODA to ensure greater transparency and comparability of data. In particular, members agreed to revise how concessional loans should be reported as ODA (see box II.3). The impact of this

Figure II.2
Total net disbursements of ODA to LDCs by OECD/DAC members, 1990-2013



Source: OECD/DAC.

Table II.4
Net disbursements of ODA to LDCs by individual OECD/DAC members, 2013

	Millions of United States dollars	Share in donor's total net disbursements (percentage)	Share in donor's GNI (percentage)
Australia	1 300	26.8	0.09
Austria	341	29.1	0.08
Belgium	812	35.3	0.16
Canada	1 847	37.3	0.10
Czech Republic	52	24.7	0.03
Denmark	925	31.6	0.27
Finland	509	35.4	0.19
France	3 247	28.6	0.12
Germany	3 363	23.6	0.09
Greece	45	18.7	0.02
Iceland	16	46.0	0.12
Ireland	426	50.3	0.23
Italy	956	27.9	0.05
Japan	6 990	60.4	0.14
Korea, Republic of	711	40.5	0.05
Luxembourg	163	37.9	0.38
Netherlands	1 365	25.1	0.17
New Zealand	126	27.6	0.07
Norway	1 539	27.6	0.30
Poland	125	26.5	0.03
Portugal	143	29.3	0.07
Slovak Republic	21	24.3	0.02
Slovenia	11	17.5	0.02
Spain	449	18.9	0.03
Sweden	1 803	30.9	0.31
Switzerland	827	25.8	0.12
United Kingdom	6 196	34.7	0.24
United States	10 214	32.4	0.06
DAC countries	44 522	33.0	0.10
DAC/EU countries	22 506	31.6	0.13

Source: OECD Stat, available at http://stats.oecd.org/, accessed July 2015.

change on the measurement of ODA flows going to LDCs is not anticipated to be significant. As argued below, most ODA loans to LDCs are often extended in highly concessional terms.

Turning to special modalities of aid delivery for LDCs, in the 1978 Recommendation on the Terms and Conditions of Aid, OECD/DAC member countries agreed to improve the overall financial terms of aid, either by increasing the share of grants, reducing the interest rate, or lengthening the repayment or grace periods of loans. According to the recommendation, the average grant element in the ODA to LDCs should be either 90 per cent of a given donor's annual commitment to all LDCs, or at least 86 per cent of the donor's commitments to each individual LDC over a period of three years.[16] Most ODA extended to LDCs by OECD/DAC members is in the form of grants. In 2011-2012, the grant element as a ratio of total ODA by OECD/DAC donors to LDCs reached 99.3 per cent.

OECD/DAC members are also committed to improving the effectiveness of ODA delivered to LDCs. In 2001 they adopted the Recommendation on Untying Official Development Assistance to the Least Developed Countries. Untied aid is defined as loans and grants whose proceeds are fully and freely available to finance procurement from all OECD countries and developing countries. The 2005 Paris Declaration on Aid Effectiveness reiterated the Recommendation and envisaged that progress in untying be monitored. In 2013, 87.9 per cent of OECD/DAC bilateral aid to the LDCs was untied (excluding administrative costs), an improvement from 2012 (82.1 per cent). For the group of developing countries, the corresponding figure was 83.2 per cent in 2013.[17]

2. Multilateral assistance

Several organizations of the United Nations system give particular attention to the development challenges of LDCs and have developed specific initiatives in favour of LDCs, using a variety of modalities of support. Substantive support ranges from special research programmes and/or the setting up of dedicated units focusing on LDC issues by international organizations (UNCTAD, World Meteorological Organization (WMO), WTO, United Nations Framework Convention on Climate Change (UNFCCC), etc.) to advocacy in favour of LDCs undertaken by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS).

Organizations engaged in capacity-building and operational activities may target a specific share of their budget to LDCs. UNDP, for example, has a target for resource allocation from the core UNDP budget for the period 2014-2017 stipulating that at least 60 per cent of the so-called TRAC-2 resources should be allocated to the LDCs.[18]

16 "Recommendations on the terms and conditions of aid", 1978 DAC Chair Report on Development Cooperation. Available from http://www.oecd.org/dac/stats/31426776.pdf.

17 The figure excludes administrative costs and funds spent supporting refugees in donor territories. See Organization for Economic Cooperation and Development (OECD), "Recommendation on Untying Official Development Assistance to the Least Developed Countries and Highly Indebted Poor Countries" of 25 April 2001 (DCD/DAC(2001)12/FINAL), amended on 15 March 2006 (DCD/DAC(2006)25); Reference text of 21 May 2008 (DCD/DAC/M(2008)5/FINAL), amended on 25 July 2008 (DCD/DAC/(2008)36/FINAL), available from http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=140&Lang=en (accessed on 7 July 2015).

18 United Nations Development Programme (UNDP) technical assistance supports development programmes and projects at the country level and includes advisory services, research and capacity-building. The technical assistance is provided in the form of grants, known as Thematic Resources Assigned from the Core (TRAC). The TRAC-2 facility is designed to provide the UNDP Administrator with the flexibility to allocate resources to high-impact, high-leverage activities and to reward programme quality.

Box II.3
The modernization of ODA measurement

The Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) has modernized the official development assistance (ODA) measurement to improve the accuracy of the measuring method. Under the current system, concessional loans are reported as ODA only if they meet a grant element of at least 25 per cent calculated on the basis of a reference interest rate of 10 per cent. According to the OECD reporting directives, the grant element "measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest".[a] Loans need also to be "concessional in character" to be considered as ODA, though this concept lacks a clear definition and is subject to different interpretations, compromising data consistency across countries.

However, market interest rates have been much lower than the 10 per cent reference rate for quite a while. This has implied that official loans extended at market rates could easily qualify and be treated as ODA. The 10 per cent reference rate masks donors' true efforts and negatively affects data comparability as flows with a different grant element (above 25 per cent) are also fully treated as ODA. Furthermore, loans are reported on a cash flow basis. This means that ODA flows are boosted when loans are disbursed. Conversely, ODA flows contract when loans are repaid.

Under the new system, to be fully operational in 2018, loan concessionality will be assessed based on differentiated discount rates. These rates will consist of a base factor, the IMF discount rate (presently 5 per cent), plus an adjustment factor which is an implicit measure of risk. The adjustment factor will be as follows:

- 1 per cent for upper-middle-income countries (UMICs)
- 2 per cent for lower-middle-income countries (LMICs)
- 4 per cent for LDCs and other low-income countries (LICs)

Thus, the reference rate for LDCs is somewhat lower than the current reference rate. But the change is unlikely to affect the calculation of ODA flows to these countries as most flows are already in grant form (about 99 per cent, on average, over the past few years).

Another agreed change is that the reporting of loans that qualify as ODA will be on a grant-equivalent basis, that is to say, only the grant portion of the loan will be reported as ODA. Thus, if a country extends a concessional loan of $1,000 with a 65 per cent grant equivalent, only the amount equivalent to that grant element, $650 in this case, will be reported as ODA. Alongside reporting on a grant-equivalent basis, ODA figures will also be reported on a cash flow basis. Additionally, the minimum grant element for concessional loans to be considered as ODA has been revised as follows:

- At least 45 per cent for LDCs and other LICs
- At least 15 per cent for LMICs
- At least 10 per cent for UMICs[b]

a DAC Working Party on Development Finance Statistics, Explanation of Concepts Used in Concessionality and Grant Element Calculations, DCD/DAC/STAT(2012)18/REV1, 27 March 2014, p. 3.

b DAC High Level Meeting, Final Communique, 16 December 2014, available from http://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.PDF.

Additionally, a small number of trust funds from international organizations have been created for technical or travel-related assistance specifically for LDCs. For example, the Global Environmental Facility-Least Developed Countries Fund (GEF-LDCF), managed by the World Bank, aims to address the special needs of the LDCs (see box II.4), which are especially vulnerable to the adverse impacts of climate change. The Enhanced Integrated Framework Trust Fund is another example of LDC-specific technical assistance (described above).

However, there are no benefits specifically designed for LDCs in multilateral financial organizations. The allocation of concessional financing to developing countries by regional and multilateral financial institutions is generally based on per capita gross national income (GNI) and on the creditworthiness for non-concessional financing. For example, concessionary financing from the International Development Association (IDA) of the World Bank is granted to all countries below a certain threshold of per capita income ($1,215 in fiscal year 2015).[19]

Box II.4

Selected multilateral initiatives for LDCs

The United Nations Capital Development Fund (UNCDF) is the United Nations capital investment agency for the LDCs. It creates new opportunities for poor people and their small businesses by increasing access to microfinance and investment capital. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national Governments and development partners, for maximum impact towards the internationally agreed development goals. UNCDF programme expenditures reached around $53.4 million in 2014, of which LDCs received $52.7 million. Currently, the UNCDF does not have established smooth transition provisions.

The Least Developed Countries Fund was established under the United Nations Framework Convention on Climate Change (UNFCCC) to assist LDCs in carrying out the preparation and implementation of national adaptation programmes of action (NAPAs). It is operated by the Global Environment Facility (GEF). As of 8 October 2014, 51 countries (former and current LDCs) received funding for the preparation of their NAPAs, with grants amounting to $12.2 million. Of these, 50 countries have completed and submitted their NAPAs, while South Sudan was in the process of preparing its NAPA. Funding for the implementation of NAPAs under LDC Trust Fund was approved for 48 countries, totaling $875.1 million to be disbursed on 158 projects. If a NAPA is prepared while a country is still an LDC, the country can access funds available from the LDC Trust Fund for the implementation of a few projects after it has graduated from the LDC category. However, this extension will apply for a project or two, after which the funds may no longer be accessible. This approach has been applied to Cabo Verde and the Maldives. Both countries received financing for implementing a NAPA-related project after they graduated from the LDC category.[a]

a For additional information, see www.un.org/ldcportal.

19 An exception is made in favour of small island economies (with less than 1.5 million people), in view of their fragility and limited creditworthiness. Several of these countries continued to benefit from World Bank's International Development Association (IDA) even though they have risen above the IDA income threshold (see http://www.worldbank.org/ida/borrowing-countries.html). The International Monetary Fund (IMF) uses similar exceptions for small countries and for microstates (see http://www.imf.org/external/np/pp/eng/2014/082714.pdf).

C. General Support

Besides measures in the area of trade and development assistance, LDCs benefit from a series of other modalities of support, as reviewed below.

1. *Travel benefits, scholarships and research grants*

The United Nations provides financial support for the participation of representatives of LDCs in annual sessions of the General Assembly.[20] The United Nations pays the travel (but not subsistence expenses) for LDC participation in the General Assembly as follows: (a) up to five representatives per LDC attending a regular session of the General Assembly; (b) one representative per LDC attending a special or emergency session of the General Assembly; and (c) one member of a permanent mission in New York designated as a representative or alternate to a session of the General Assembly. The total travel costs to the United Nations for the participation of qualifying LDC members to General Assembly sessions were about $1.245 million per year for the period 2012-2014.

A number of United Nations funds, programmes and Conventions have also established financial mechanisms to fund the participation of LDCs in their processes. For example, a specific trust fund has been established in the OHRLLS for the travel, daily subsistence allowance and terminal expenses of up to two representatives from each LDC to attend major conferences sponsored by the United Nations (such as the Fourth United Nations Conference on the Least Developed Countries) and ministerial meetings organized by the OHRLLS. Other organizations have financial support for the participation of LDCs in various international conferences and meetings (see box II.5 for additional examples).

Table II.5
Selected examples of scholarships and research grants available for LDCs

Name	Coverage	Field	Target group
Berkeley Law School LDC Scholarship	Scholarship, Travel	Law	Students, mid-career professionals
ESMT Kofi Annan Fellowship	Scholarship, Travel	Business	Students
IUGA-Funded Research Opportunities for LDCs	Research fund	Medical science	Researchers
OWSD Fellowship	Scholarship	Science	Female students from sub-Saharan Africa and LDCs
Turkish Graduate Scholarship Programme	Scholarship	General	Students from LDCs
UNITAR Fellowships for Multilateral Diplomacy Programme	Scholarship	International relations	Early career researchers from LDCs

Source: Support Measures Portal for Least Developed Countries (LDC Portal, available from www.un.org/ldcportal).

20 In accordance with General Assembly resolution 1798 (XVII), as amended by resolutions 2128 (XX), 2245 (XXI), 2489 (XXIII), 2491 (XXIII), 41/176, 41/213, 42/214, section VI of 42/225, section IX of 43/217 and section XIII of 45/248.

There is also a growing number of financial support measures available (in many cases, exclusively) to students and researchers from LDCs. Types of support are diverse, including support for enrolling in graduate degree programs, for participating in academic conferences, and for conducting research projects[21] (see table II.5 for selected examples).

2. Budget caps

In addition to travel support, international organizations may cap the financial contribution of LDCs to their budgets, thus providing those countries an implicit subsidy for their participation in these organizations. For example, the contribution of LDCs to the regular budget of the United Nations is capped at 0.01 per cent of the budget of the organization (i.e., at no more than $271,356 per country in the case of the regular budget for 2015), regardless of national income or other factors determining a Member State's assessment rate. At the same time, all States Members of the United Nations are anticipated to contribute to the financing of the budget of the organization. A minimum contribution of 0.001 per cent ($27,136 to the regular budget for 2015) is, thus, required from all Member States, including the LDCs. As of July 2015, Angola, Bangladesh, Equatorial Guinea, Ethiopia, Myanmar, Sudan and Yemen benefitted from the cap while 18 LDCs made the minimum contribution rate. Additionally, LDCs are also entitled to a 90 per cent discount in their contributions to peacekeeping operations.

The regular budget of the United Nations funds activities of a wide number of organizations, including regional commissions, UNCTAD and UNEP among others. Beyond the United Nations Secre-

Box II.5
Travel support for LDCs

The following organizations and conventions provide travel support for LDC participation:

- United Nations Convention against Corruption
- World Health Organiation Framework Convention on Tobacco Control
- International Telecommunications Union Fellowships to attend TDAG meetings
- Montreal Protocol on Substances that Deplete the Ozone Layer to the Vienna Convention for the Protection of the Ozone Layer
- Food and Agriculture Organization/Word Health Organization Codex Alimentarius Commission
- World Organization for Animal Health
- International Plant Protection Convention Secretariat
- International Criminal Court
- United Nations Secretariat: United Nations Open-ended Informal Consultative Process on Oceans and the Law of the Sea
- United Nations Framework Convention on Climate Change

Source: www.un.org/ldcportal.

21 See www.un.org/ldcportal for scholarships, travel grants and research-related financial support.

tariat, a number of other multilateral organizations (for example, the International Labour Organization, International Postal Union and UNIDO), also have special rules regarding contributions to their budgets from LDCs, similar to the United Nations Secretariat budget assessment rules.

3. Support for graduation from the LDC category and phasing out of ISMs

Graduation from the list of LDCs generally results in the cessation of support measures that are specifically made available for the category. The withdrawal of such support needs to be taken into account and carefully planned by graduating countries, in cooperation with their development partners. The preparation of a strategy for smooth transition from the category is therefore recommended. General Assembly resolution 59/209 of 20 December 2004 on a smooth transition strategy for countries graduating from the list urges all development partners to support the implementation of the transition strategy and to avoid any abrupt reductions in either ODA or technical assistance provided to the graduated country (see annex 1).

Subsequently, the Programme of Action for the Least Developed Countries for the Decade 2011-2020 adopted by the Fourth United Nations Conference on the Least Developed Countries (Istanbul, 9-13 May 2011) envisaged the creation of an ad hoc working group to further study and strengthen the smooth transition process. The report of the working group was considered at the sixty-seventh session of the General Assembly during the fall of 2012.

On 21 December 2012, the General Assembly adopted resolution 67/221 on smooth transition for countries graduating from the list of LDCs. The resolution endorses several of the recommendations put forward by the ad hoc working group and clarifies several aspects of the smooth transition process, including the required actions by graduating countries and their development and trading partners and the nature of support extended by the United Nations during this process (see chapter I). It also provides guidelines on the phasing out of some LDC-specific international support measures (see annex 2).

Regarding United Nations support, the resolution:

- Requests the support of the United Nations Resident Coordinator as a facilitator of the consultative process and to assist graduating countries in the preparation of their transition strategies;
- Requests the provision of target assistance by the United Nations system in support of the formulation and implementation of the national transition strategy.

With respect to the phasing out of LDC-specific support, the resolution reiterates the importance of ensuring that the graduation of a country from LDC status does not cause disruption in the country's development progress. More specifically, the following guidelines were issued:

- United Nations entities that have committed to allocating a certain percentage of their resources to LDCs should consider the extension and gradual phasing out of LDC-specific support to graduated countries for a fixed period of time in a predictable manner, and applied according to the specific development situation of each graduating country;

- LDC-specific funds supported by the United Nations should continue to provide assistance to graduated countries over a limited period of time, compatible with the development situation of the country;
- Organizations of the United Nations system should extend voluntary travel benefits to graduated countries for a period appropriate to the development situation of the country for a maximum of three years from the date of graduation;
- Development and trading partners should consider the inclusion of trade-related technical assistance as part of the commitments to support each country's transition strategy;
- Members of WTO should extend existing special and differential treatment and exemptions available for LDCs for a period of time appropriate to the development situation of the graduated country;
- Trading partners should clarify their positions regarding the extension or the phasing out of preferential market access;
- As part of their criteria for allocating ODA, development partners should consider these LDC indicators: gross national income per capita, the human assets index and the economic vulnerability index.

Overall, the duration of the smooth transition measures is not fixed and, depending on the type of ISM, will be determined either through discussions/negotiations between LDCs and their development and trading partners, or unilaterally by the partners. For example, in the case of measures related to market access, the EU extends EBA benefits for at least three years after graduation takes effect, with the possibility of additional extension, which is discussed and negotiated on a country-by-country basis. Other LDC trading partners do not grant LDCs preferential market access benefits after graduation. Japan is a case in point.

There are no smooth transition provisions in the case of special and differential treatment by WTO legal texts. Examples include the Decision of the Council for TRIPS on an extension of the transition period under article 66.1 for LDCs and the Services Waiver. Preferential treatment will cease at a specified date or earlier, upon graduation from the LDC category. However, the absence of jurisprudence on smooth transition does not rule out the possibility of giving consideration to certain conditions that would allow for a smooth transition on a case-by-case basis.

Turning to ODA, in consultations DESA carried out with donor countries for the preparation of ex ante impact assessments (see chapter I), several donors indicated that the nature of their relationship with a graduating country is not conditioned by the country's LDC status and support would continue after graduation. Some donors, however, indicated that sectoral allocation of ODA in graduated countries as well as the modalities of assistance could change, depending on the country situation (for example, there may be fewer grants, more loans, etc.). While experience with graduation is limited, the evidence thus far is that ODA inflows have not declined in graduated countries. LDC status is, at most, one of the many factors that determine levels of bilateral development assistance.

Most assistance by multilateral organizations is based on the organizations' own policies, priorities and criteria (which may not necessarily be related to LDC status). Often, multilateral organizations review assistance to graduated LDCs on a case-by-case basis and, with rare exception, there is no established institutional approach for phasing out LDC-specific benefits to graduated LDCs. However, LDC-specific multilateral funds have introduced smooth transition provisions. For example, the EIF grants an automatic extension of full EIF benefits to all graduated LDCs for an initial three years, with the possibility of an extension of up to two years thereafter based on the justification provided and reviewed on a case-by-case basis. The GEF-LDCF also provides some form of smooth transition by allowing graduated countries access to funds for projects approved prior to graduation.[22]

As of July 2015, there are no smooth transition provisions with respect to the LDC cap on the contribution to the United Nations regular budget. As mentioned earlier, only 7 countries benefit from the cap and 18 LDCs are assessed at the minimum rate of 0.001 per cent.

Additional information on smooth transition measures is available at the LDC Portal.

22 UN/DESA and Committee for Development Policy (CDP) Secretariat, "Survey on International Support Measures Specific to Least Developed Countries related to Multilateral Official Development Assistance: Responses by international organizations". Summary and analysis, 2011, available from http://esango.un.org/ldcportal/documents/10179/15001/Summary%20%26%20Analysis%20Multilateral%20Donors.pdf.

Chapter III

Indicators, methodology and data sources for the LDC criteria

A. Overview

As discussed in chapter I, the Committee for Development Policy (CDP) utilizes three criteria to identify least developed countries (LDCs):

(a) Gross national income (GNI) per capita;

(b) The human assets index (HAI);

(c) The economic vulnerability index (EVI).

Gross national income (GNI) per capita serves as a measure of income and the overall level of resources available to a country, whereas the HAI and EVI measure main structural impediments to sustainable development. Both the HAI and EVI are indices composed of several indicators (see below). These indicators have been selected by the CDP on the basis of their relevance to measuring structural impediments, their methodological soundness and the availability of the data with regard to frequency and coverage. In order to ensure comparability across countries, all indicators are based on internationally available data.

The criteria and results are published on the CDP website for all Member States of the United Nations in developing regions.[1] Applying the criteria to all these countries ensures that prospective candidates for inclusion are identified. Moreover, as the LDC category aims to address the challenges of the "least developed among the developing countries",[2] the criteria and indicators need to allow for a comparison between LDCs and other developing countries.[3]

This chapter describes in detail the methodology and data sources used for the calculation of the LDC criteria. Country examples are used to illustrate these calculations and are based on the 2015 triennial review.[4] LDC indicators, methodology and data sources are occasionally updated to reflect changes in the understanding of sustainable development and in the availability of data. Updated information on the LDC criteria will be made available on the CDP website, at http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_criteria.shtml.

1 For the list of countries in developing regions, see the United Nations Statistics Division classification M.49, available from http://unstats.un.org/unsd/methods/m49/m49regin.htm.

2 General Assembly resolution 2768(XXVI) of 18 November 1971.

3 From a technical point of view, indicator values for non-LDCs also play a role in the calculations for converting indicator values into index scores (see box III.2).

4 All data for the triennial reviews since 2006, including country-specific data sources, are available on the Committee for Development Policy (CDP) website: http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

B. GNI per capita

1. *Definition, methodology and data sources*

Definition and rationale

GNI per capita provides information on the income status and the overall level of resources available to a country. GNI is equal to the gross domestic product (GDP) less primary incomes payable to non-resident units (e.g., investment income flowing to foreigners) plus primary incomes receivable from non-resident units (e.g., wages and salaries received by residents that temporarily work abroad for foreign companies, proceeds from fishing licensing fees sold to foreign fishing fleets, etc.).

Methodology

GNI in local currency is recorded in the national accounts in accordance with the relevant international standards.[5] It is then converted into a common currency, the US dollar, using the World Bank Atlas method to calculate conversion factors. The Atlas method is based on market exchange rates, but aims to reduce the impact of short-term exchange rate fluctuations (see box III.1) on GNI in dollars. GNI in US dollars is then divided by the annual population of a country to determine GNI per capita.

Data sources

GNI per capita is calculated by the United Nations Statistics Division (UNSD) on the basis of its National Account Main Aggregates (AMA) Database. The database contains GNI data in local currency for all Member States of the United Nations as well as population data from the United Nations Population Division (UNPD). For calculating the Atlas exchange rate, UNSD uses AMA data on exchange rates (from the International Monetary Fund (IMF) or other suitable sources) and GDP deflators as well as data on the relative weights of currencies in the Special Drawing Rights (SDR) from the International Monetary Fund.

To reduce the impact of short-term fluctuations on GNI, the CDP takes an unweighted average of the latest three years of GNI per capita calculated by UNSD as its income measure; for example, for the 2015 triennial review, the average GNI per capita figures for 2011, 2012 and 2013 were used.

2. *Inclusion and graduation thresholds*

The threshold for inclusion is set at the three-year average of the level of GNI per capita, which the World Bank defines for identifying low-income countries. In the 2015 review, the threshold for inclusion in the LDC category was $1,035.[6] The threshold for graduation is set at 20 per cent above the inclusion threshold; it was $1,242 in the 2015 review. The income-only graduation threshold (which enables a country to be eligible for graduation, even if none of the other two criteria is met) is twice the normal graduation threshold and was set at $2,484 in the 2015 review.

5 The latest standard is the System of National Accounts (SNA) 2008, even though a number of countries still use previous SNA versions to compile their national accounts. For details of the SNA, see the United Nations Statistics Division website: http://unstats.un.org/unsd/nationalaccount/.

6 The World Bank thresholds for its low-income-country category were $1,025 in 2011, $1,035 in 2012 and $1,045 in 2013.

Box III.1
The World Bank Atlas method

The World Bank Atlas method uses the Atlas conversion factor for converting all currencies into a common currency. The conversion factor for any year is the average of a country's exchange rate (local currency to US dollars) for that year and its exchange rates for the two preceding years, adjusted for the difference between the rate of inflation in the country and international inflation. The objective of the adjustment is to reduce any changes to the exchange rate caused by inflation.

A country's inflation rate between year t and year t-n (r_{t-n}) is measured by the change in its gross domestic product (GDP) deflator (p_t):

$$r_{t-n} = \frac{p_t}{p_{t-n}}$$

International inflation between year t and year t-n $\left(r_{t-n}^{SDR\$}\right)$ is measured using the change in a deflator based on the International Monetary Fund's unit of account: special drawing rights (SDRs). Known as the SDR deflator, it is a weighted average of the GDP deflators (in SDR terms) of Japan, the United Kingdom of Great Britain and Northern Ireland, the United States of America and the euro area, converted to US dollar terms; weights are the amount of each currency in one SDR unit.

$$r_{t-n}^{SDR\$} = \frac{p_t^{SDR\$}}{p_{t-n}^{SDR\$}}$$

The Atlas conversion factor (local currency to the US dollar) for any country for year t e_t^{atlas} is given by:

$$e_t^{atlas} = \frac{1}{3}\left[e_t + e_{t-1}\left(\frac{r_{t-1}}{r_{t-1}^{SDR\$}}\right) + e_{t-2}\left(\frac{r_{t-2}}{r_{t-2}^{SDR\$}}\right)\right]$$

where e_t is the average annual exchange rate (local currency to the US dollar) for year t.

Source: https://datahelpdesk.worldbank.org/knowledgebase/articles/378832-what-is-the-world-bank-atlas-method. The source contains additional explanations and sample calculations.

As the World Bank adjusts its income threshold every year, the inclusion and graduation thresholds of the GNI criterion are correspondingly adjusted from triennial review to triennial review. It is important to note, however, that the World Bank adjusts its thresholds with a measure for world inflation.[7] This implies that the inclusion and graduation thresholds can be regarded as being constant in real terms.

3. GNI values for the 2015 triennial review

Figure III.A.1 (see page 70) shows the GNI data of all developing countries included in the 2015 triennial review while the inset magnifies the portion of the figure related to all review countries with a GNI per capita of less than $7000 (this includes all LDCs, except Equatorial Guinea).

7 The World Bank uses the Special Drawing Rights (SDR) deflator as measure of world inflation. See also box III.1.

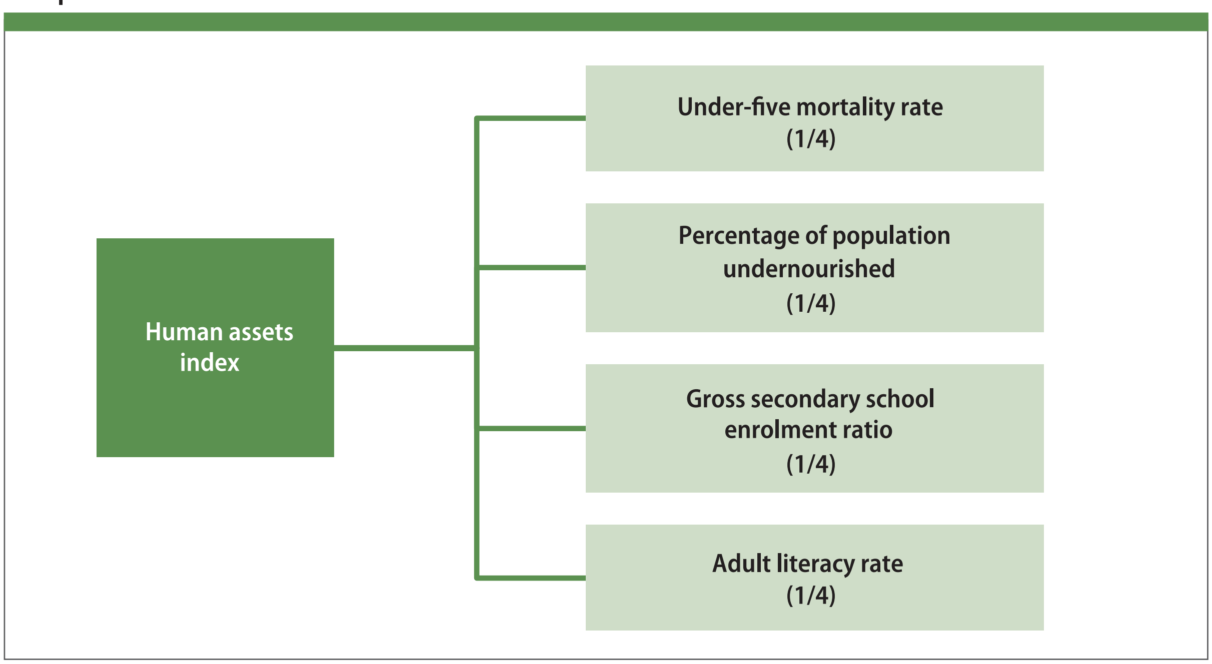
The figure shows the majority of LDCs continue to have very low per capita income (both in absolute terms as well as relative to other developing countries). In the 2015 review, 14 LDCs had GNI per capita figures above the graduation threshold. Nine of these countries are already at various stages of the graduation process discussed in chapter I of this *Handbook*. The other five meet only the income graduation threshold (established at $1,242 at the 2015 triennial review) and are therefore not yet eligible for graduation.

C. Human assets index

1. Composition

The HAI is a measure of the level of human capital. Low levels of human capital are major structural impediments, not only because they are a manifestation of unsustainable development, but also because they limit the possibilities for production and economic growth, prevent poverty eradication, exacerbate inequalities and hamper resilience to external shocks. The HAI consists of four indicators, two on health and nutrition and two on education (see figure III.1), with each one having an equal weight in the overall HAI. A higher HAI index represents a higher development of human capital.

Figure III.1
Composition of the human assets index



Source: CDP secretariat.

Note: Numbers in parentheses indicate the weight of the human assets index.

Good health is an integral part of human well-being in all its dimensions. Improving the health status of populations increases their economic productivity, improves educational achievement and reduces poverty. Undernourishment compromises one's health status and has important negative impacts on education and productivity. A low level of education is a major obstacle to development as it implies an overall shortage of skills for the organization and functioning of the economy and reflects a low capacity to absorb technological advances.

As HAI indicators are measured in different units, indicator values are first converted into index scores between 0 and 100. The average of these index scores is then the final HAI score of a country. Box III.2 describes the methodology (called max-min procedure) used for converting the indicator values into index scores.

Box III.2

Max-min procedure to convert indicators into indices

In order to construct indices whose values can range between 0 and 100, the minimum and maximum admissible values—also known as lower and upper bounds—must first be determined. The CDP bases these bounds on the distribution of indicator values among all developing countries (see tables III.1 and III.4 in the sections explaining the calculations of HAI and EVI for the exact bound values). However, in order to reduce the impact of extreme outliers on the distribution of index values, the bounds may be set higher (lower) than the actual minimum (maximum) value of the indicator's data set. The bounds are generally kept constant across triennial reviews. Additionally, for a few indicators (population and victims of natural disasters) the values are transformed using the natural logarithm in order to address possible distortions caused by highly skewed distributions of indicator values, or to account for the fact that the associated impediments are clearly non-linear in indicator values.

The basic formula for converting an indicator value (V) into an index score (I) is:

$$I = 100 \times \frac{V\text{–}min\_value}{max\_value\text{–}min\_value}$$

where,

min_value is the minimum admissible value (lower bound) and,

max_value is the maximum admissible value (upper bound).

For countries with indicator values below (above) the lower (upper) bound, the actual indicator value is replaced with the lower (upper) bound resulting in an index score of 0 (100).

In a few cases, indicator and criteria point in opposite directions. For example, a high under-five mortality rate signifies a low (rather than high) level of human assets. In these cases, the following adjusted formula is used.

$$I^{*} = 100 - I = 100 \times \frac{max\_value - V}{max\_value - min\_value}$$

Again, actual indicator values are replaced with lower or upper bounds, if necessary.

2. Inclusion and graduation thresholds

Until and including the 2012 triennial review, the thresholds for the HAI (as well as for the EVI) were established based on the distribution of HAI (and EVI) values of a reference group. The HAI inclusion threshold was set at the index score corresponding to the third quartile of the distribution of the HAI within the reference group, with the graduation threshold set 10 per cent higher. Consequently, the value of the thresholds varied over time as the composition of the reference group changed and their performance evolved from review to review.

The reference group consisted of all LDCs and other low-income countries. The actual composition of the reference group varied between reviews, due to inclusion or graduation from the LDC category and changes in the set of countries classified as low-income by the World Bank. Over time, the number of non-LDC low-income countries has shrunk, so that the reference group would almost exclusively consist of LDCs. In 2014, the CDP decided to fix both inclusion and graduation thresholds at their 2012 review levels, with adjustments permitted for eventual changes in indicators, methodologies or data sources in future reviews. Absolute thresholds enable countries to qualify for graduation if they make significant progress in overcoming the structural impediments they face, independently of the progress (or regress) of other countries.

The HAI threshold for **inclusion** into the LDC category at the 2015 triennial review was set at 60, the same value as in 2012. The **graduation** threshold was set at 10 per cent above the inclusion threshold at 66.

3. Definition, methodology and data sources of the indicators

a. Under-five mortality rate

Definition and rationale

The indicator is defined by the World Health Organization (WHO) and other relevant organizations as "the probability of dying between birth in a specific year or period before reaching the age of five, if subject to age-specific mortality rates of that period". It is expressed as deaths per 1,000 live births. The under-five mortality rate (U5MR) provides comprehensive information on the health impacts of social, economic and environmental conditions in a country. Even though the indicator specifically measures child survival, it is seen as suitable and the best available measure for the overall health status of a population, in particular in LDCs.

Methodology

The United Nations Inter-agency Group for Child Mortality Estimation (UN IGME) estimates U5MR at a specific point in time on the basis of all available country-specific estimates which are deemed of sufficient quality. Country-specific estimates are derived from a variety of different sources, including vital registration systems and sample surveys that ask women about the survival of their children in a detailed manner or in a summary format. Whereas the use of complete vital registration systems is the preferred method, these systems are generally absent in LDCs so that nationally-representative surveys or censuses are the main source. The estimation method chosen by the UN IGME ensures that the data is comparable across countries and takes into account the differences in data quality across individual estimates and data sources.[8]

Data sources

For the HAI calculation, the CDP uses the Child Mortality Estimation (CME) database (http://childmortality.org/), which is annually updated by the UN IGME. The CDP uses the estimate for the latest available year, which is typically two years before the triennial review year; for example, the estimate for 2013 was used for the 2015 triennial review.

b. Percentage of population undernourished

Definition and rationale

The indicator provides information on the prevalence of undernourishment in the total population. The indicator is defined as the probability of a randomly chosen individual to consume less than the minimum amount of calories necessary to maintain a healthy life and carry out light physical activity. Undernourishment compromises health status and educational achievement and has an important negative impact on productivity.

Methodology

The Food and Agriculture Organization of the United Nations (FAO) estimates the indicator using (i) information on the mean level of dietary energy consumption; (ii) a cut-off point defined as the Minimum Dietary Energy Requirement (MDER); (iii) a parameter accounting for inequality in food consumption; and (iv) a parameter accounting for asymmetry in the distribution within the country. The MDER is a weighted average of energy requirements by age and sex established jointly by the FAO, WHO and the United Nations University. The average amount of food available is measured by the mean level of dietary energy consumption, which is derived from food balances (i.e., data on food production, trade and utilization for different food commodities) and standardized food composition factors. The inequality of food consumption within the population is estimated from national household surveys.[9]

Data sources

The CDP uses the indicator reported by the FAO. It can be retrieved from the FAOSTAT database under Food Security Statistics (http://faostat3.fao.org/download/D/FS/E). Estimates for countries not reported by the FAO are obtained from different official databases or publications from other international organizations. As noted earlier, these sources are specified on the CDP website.

The indicator is reported by the FAO as three-year averages. For the calculation of HAI, the CDP uses the latest available three-year estimate; for the 2015 triennial review, the average for 2012-2015 was used.

8 For a detailed description of the estimation method used for the under-five mortality rate (U5MR) data used by the CDP, see Leontine Alkema, and others, "Child mortality estimation 2013: an overview of updates in estimation methods by the United Nations inter-agency group for child mortality estimation", PLoS One, vol. 9, No. 7: e1011112. Doi:10.1371/journal.pone.0101112.

9 For details of the methodology, see Nathan Wanner, and others, "Refinements to the FAO methodology for estimating the prevalence of undernourishment indicator", FAO Working Paper ESS/14-05, Rome: Food and Agriculture Organization of the United Nations, September 2014.

c. Gross secondary school enrolment ratio

Definition and rationale

The indicator measures the number of pupils enrolled in secondary schools, regardless of age, expressed as a percentage of the population in the country-specific official age group for secondary education. It provides information on the share of population with a level of skills deemed to be necessary for significant developmental progress.

Methodology

The indicator is calculated by dividing the number of pupils in secondary education (according to national standards) by the number of persons in the theoretical age group for secondary education. The age group for secondary education may differ across countries, depending on the national curriculum. The Institute of Statistics (UIS) of the United Nations Educational, Scientific and Cultural Organization (UNESCO) obtains the number of enrolled pupils from submissions by national education ministries, whereas data on population by age is obtained from UNPD.

Data sources

The CDP uses the indicator reported by the UIS in its UIS Data Centre database (http://www.uis.unesco.org/datacentre/pages/default.aspx (section on education)). Estimates for countries not reported on by UNESCO are obtained from additional official databases, reports or publications from other international organizations.

As data is not available for every year for every country, the CDP uses the value of the latest available year within a five-year period. For example, the latest available data within the period 2009-2013 was used for the 2015 triennial review.

d. Adult literacy rate

Definition and rationale

The indicator measures the number of literate persons aged fifteen and above, expressed as a percentage of the total population in that age group. The indicator provides information on the size of the base available for enlarging the trained and skilled human resources needed for development.

Methodology

According to UNESCO, persons are considered literate if they can read and write, with understanding, a simple statement related to their daily lives. However, the definition of literacy and methods of estimation vary across countries. For instance, when the indicator is derived from census data, it is normally based on self-declaration. If surveys are used, either self-assessments or brief literacy tests are used to estimate whether individuals are literate or not. Some countries also use information on educational attainment as proxy for literacy. Occasionally, UNESCO uses its Global Age-specific Literacy Projections Model (GALP) to estimate current literacy rates based on previous data.

Data sources

The indicator is reported by the UIS in its UIS Data Centre database (http://www.uis.unesco.org/data-centre/pages/default.aspx (section on education)). The database also contains information on country-specific methodologies for estimating literacy rates. Estimates for countries not reported by UNESCO are obtained from additional official databases, reports or publications from other international organizations.

As data is not available for every year for every country, the CDP chooses the latest available year within a five-year period. For example, the latest available data within the period 2009-2013 was used for the 2015 triennial review.

4. HAI calculation: selected examples

Table III.1 and III.2 below and figure III.2 illustrate the calculation of the HAI using four countries (Benin, Myanmar, Niger and Rwanda) from the 2015 triennial review as examples.

Table III.1 presents the bounds for each of the four HAI indicators and shows how indicator values are converted into index values (see also box III.2 on the max-min procedure above). The data value is the actual indicator value obtained for each country from the sources described above. The column "Max-min procedure" shows the calculation done to derive the index for each country and indicator using

Table III.1
Calculation of HAI indices, selected country examples, 2015 triennial review

Indicator	Lower bound	Upper bound	Country	Data value	Max-min procedure	Index
Under-five mortality rate (per 1,000 live births)	5	65	Benin	85.3	100×(65-85.3)/(65-5)	54.4
			Myanmar	50.5	100×(65-50.5)/(65-5)	75.5
			Niger	104.2	100×(65-104.2)/(65-5)	42.9
			Rwanda	52.0	100×(65-52.0)/(65-5)	74.5
Percentage of people undernourished	10	175	Benin	9.7	100×(175-9.7)/(175-10)	92.2
			Myanmar	16.7	100×(175-16.7)/(175-10)	80.5
			Niger	11.3	100×(175-11.3)/(175-10)	89.9
			Rwanda	33.8	100×(175-33.8)/(175-10)	52.0
Gross secondary school enrolment ratio	10	100	Benin	54.2	100×(54.2-10)/(100-10)	49.1
			Myanmar	50.2	100×(50.2-10)/(100-10)	44.7
			Niger	15.9	100×(15.9-10)/(100-10)	6.6
			Rwanda	32.6	100×(32.6-10)/(100-10)	25.1
Adult literacy rate	25	100	Benin	28.7	100×(28.7-25)/(100-25)	4.9
			Myanmar	92.6	100×(92.6-25)/(100-25)	90.2
			Niger*	15.5	100×(25-25)/(100-25)	0.0
			Rwanda	65.9	100×(65.9-25)/(100-25)	54.5

Source: CDP, 2015 triennial review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

* As the data value is below the lower bound, the lower bound replaces the actual data value in the max-min procedure (see box III.2).

the data value and the lower and upper bounds as inputs. Note that while the two education indicators use the basic formula (*I*) described in box III.2, the health and nutrition indicators use the adjusted version (I^*). This is because higher mortality and undernutrition rates correspond to lower human assets.

As noted earlier, the HAI reflects the average of the index scores of the four HAI indicators. Table III.2 below shows the HAI calculation for the four sample countries using the corresponding index scores computed in table III.1.

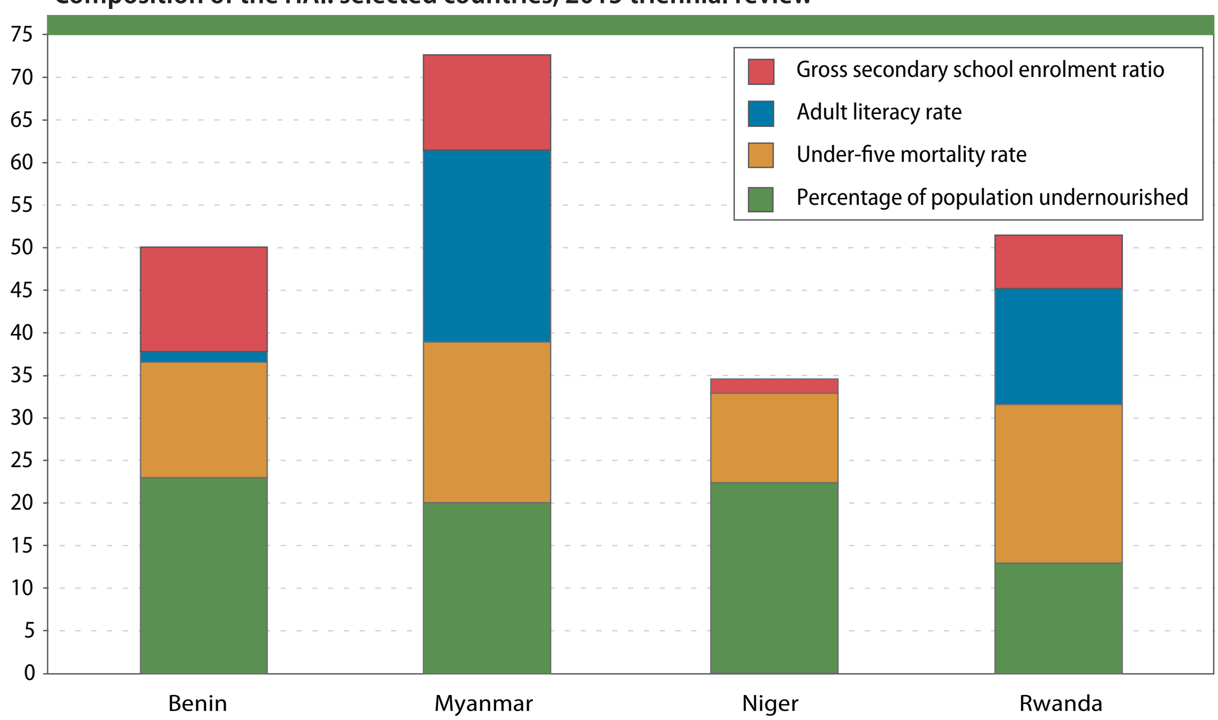
Figure III.2 displays the composition of the HAI of the four sample countries graphically using the corresponding data from table III.2.

Table III.2
HAI: selected countries, 2015 triennial review

Country/Index	Weight	Benin	Myanmar	Niger	Rwanda
Under-five mortality rate	1/4	54.4	75.5	42.9	74.5
Percentage of people undernourished	1/4	92.2	80.5	89.9	52.0
Gross secondary school enrolment ratio	1/4	49.1	44.7	6.6	25.1
Adult literacy rate	1/4	4.9	90.2	0.0	54.5
Human asset index	**1**	**50.1**	**72.7**	**34.7**	**51.5**

Source: CDP, 2015 triennial review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

Figure III.2
Composition of the HAI: selected countries, 2015 triennial review



Source: CDP, 2015 triennial review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

5. HAI values for the 2015 triennial review

Figure III.A.2 (see page 72) shows the HAI score of all countries included in the 2015 triennial review. It shows that most LDCs have significantly lower HAI scores than other developing countries. Only five non-LDCs have HAI scores below the LDC inclusion threshold, whereas nine LDCs have HAI above the graduation threshold. Seven of these countries also surpass the GNI or EVI thresholds and are therefore at one of the various stages of the graduation process discussed in chapter I. The remaining two countries have not yet reached the GNI or EVI graduation thresholds and thus are not yet eligible for graduation.

6. Upcoming refinement

As discussed in chapter I, the CDP regularly reviews the LDC criteria and occasionally introduces refinements to reflect advances in the understanding of impediments to sustainable development and improvements in data availability. In 2015, the CDP decided that in future reviews it will include maternal mortality ratio (MMR) as a fifth indicator for the HAI. The introduction of this additional indicator also has implications for the weights of some HAI components. Whereas the two education indicators will keep a weight of ¼ each, all three indicators related to health and nutrition will have a weight of ⅙ each.

MMR is defined as the number of maternal deaths related to pregnancy per 100,000 live births. It measures an important structural impediment to sustainable development that is currently not fully captured in the HAI. Maternal mortality is a leading cause of death and disability of women in child-bearing age, that is, at an age when death and disability have particularly negative social and economic effects. MMR also captures broader development handicaps, such as poorly developed health systems and gender inequality.

The indicator is regularly reported by the United Nations Maternal Mortality Estimates Interagency Group (MMEIG).[10] In the absence of comprehensive vital registration systems, the MMEIG estimates the maternal mortality ratio on the basis of available country-specific data on maternal mortality, births attended by skilled personnel, mortality rates and GDP.

D. Economic vulnerability index

1. Composition

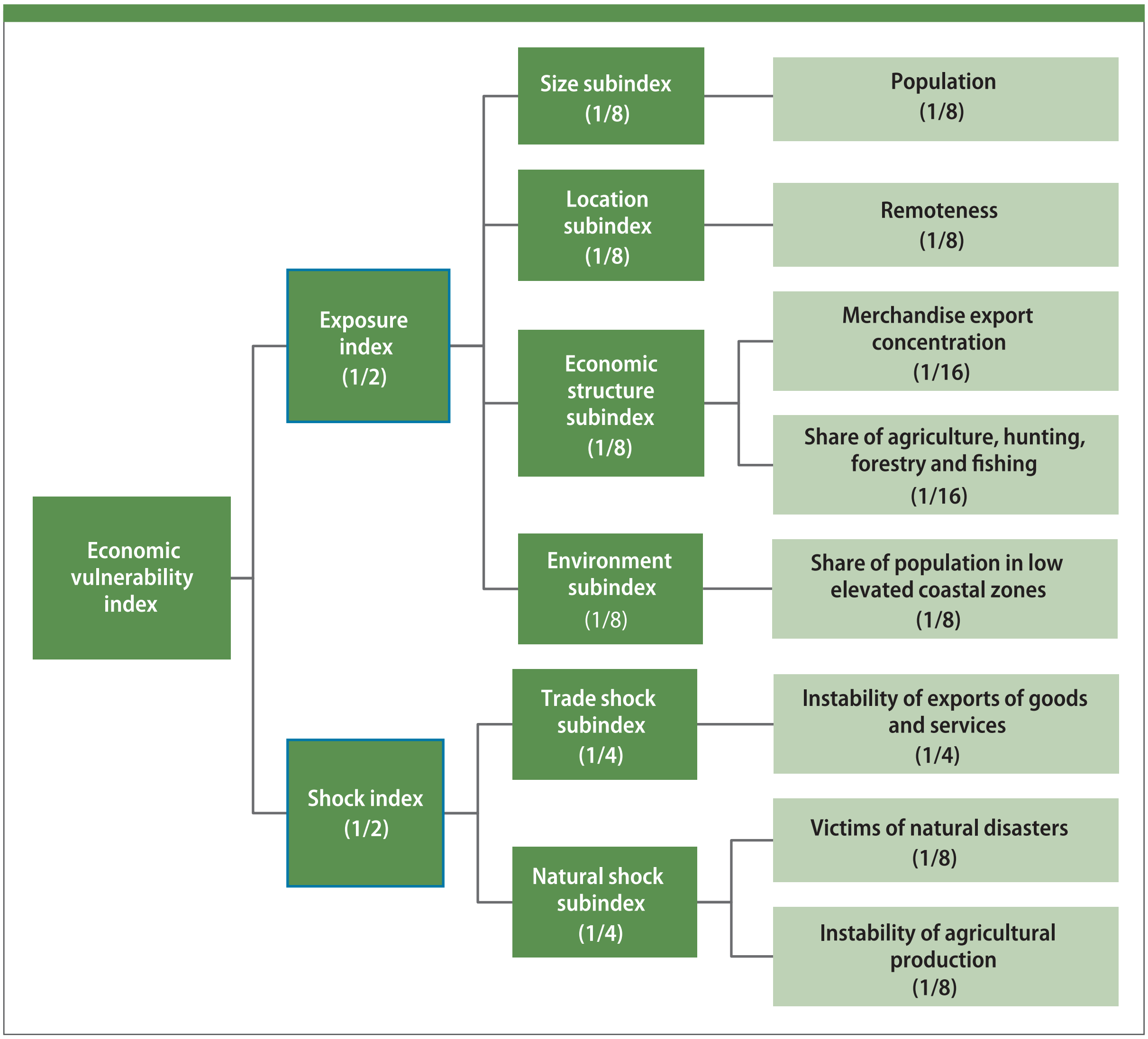
The EVI measures the structural vulnerability of countries to economic and environmental shocks. High vulnerability is a major impediment to sustainable development in view of heightened exposure to shocks and their long-lasting negative impacts. To an extent, all countries are vulnerable to some specific adverse shocks. Thus, when using vulnerability as an explicit criterion to designate countries as LDCs, there is a need to focus on those sources of vulnerability that (a) accentuate or perpetuate underdevelopment, (b) are

10 See the United Nations Maternal Mortality Estimates Interagency Group webpage (http://maternalmortalitydata.org/) for data and methodologies.

not the result of misguided policies but, instead, are such that they limit policymakers' capacity to respond to shocks, and (c) are beyond a country's control.

The CDP understands vulnerability as the risk of being harmed by exogenous shocks. Vulnerability depends on the magnitude and frequency of such shocks, on the structural characteristics of the country concerned—which affect the degree to which it is exposed to such shocks—and the country's capacity to react to shocks (i.e., its resilience). Accordingly, EVI has two main components: an exposure index and a shock index. There is no explicit resilience component in the EVI, as some of the structural

Figure III.3
Composition of the economic vulnerability index



Source: CDP secretariat.
Note: Numbers in parenthesis indicate the weight in the economic vulnerability index.

features of the country also reflect resilience (population size, for instance), while other aspects of resilience are policy-related and therefore non-structural. Moreover, other key factors of resilience, such as income and human capital, are measured by the other two criteria for the identification of LDCs, namely GNI per capita and the HAI.

The EVI covers two types of shocks: external trade shocks and environmental or natural shocks. The latter include natural disasters, weather shocks unfavourable for agriculture production and permanent shocks caused by climate change. For other environmental shocks, no suitable additional indicators have yet been identified.

Both trade and environmental shocks potentially affect economic activity, consumption, employment, well-being of the population, and the natural resource base of economic and social development. Moreover, these shocks are exogenous from the perspective of LDCs, even though the frequency and magnitude of trade shocks and environmental shocks (e.g., climate change) are to some extent dependent on those policy choices made at the international level.

The EVI is composed of eight indicators, which are grouped into various subindices (see figure III.3). A lower EVI index indicates lower economic vulnerability.

As these indicators are expressed in different measurement units, indicator values are first converted into index scores between 0 and 100, using the max-min procedure described in box III.2, which is also applied to HAI components, as discussed above.

2. Inclusion and graduation thresholds

As in the case of HAI, the inclusion and graduation thresholds for the EVI have been permanently fixed at the 2012 level. Thus, the EVI threshold for **inclusion** into the LDC category was set at 36 in the 2015 triennial review, the same value as in 2012. The **graduation** threshold was set at 10 per cent below the inclusion threshold at 32.

3. Definition, methodology and data sources of the indicators

a. Population

Definition and rationale

The indicator measures the de facto population size of a country at the mid-point (1 July) of the year indicated. The size of the population can be used as a proxy of a country's exposure to a variety of shocks, since small countries have fewer possibilities for economic diversification and are more prone to trade shocks. Moreover, most small countries are highly exposed to natural shocks, which often affect the whole country.

Methodology

The indicator is derived from population counts in censuses. As censuses are undertaken infrequently, for those years when censuses are not conducted, UNPD estimates the annual population figures so that they are consistent with census results, official estimates and representative surveys, as well as with subsequent trends in fertility, mortality and international migration.[11]

Data sources

The CDP relies on population data reported by UNPD in its World Population Prospects database, using the estimate for the penultimate year preceding the triennial review year (for example, figures for the year 2013 were used in the 2015 triennial review) in order to ensure consistency with the year of data values used for the other EVI indicators.

b. Remoteness

Definition and rationale

The remoteness indicator is defined as a trade-weighted average of the country's distance from world markets. Location is a factor that has a bearing on exposure and resilience, as countries situated far from major world markets face a series of structural handicaps—such as high transportation costs and isolation—which affect the economy's ability to export and import, and render countries less able to respond to shocks in an effective way. Countries isolated from main markets have difficulty in diversifying their economies, even in the current era of globalization and the internet. Remoteness is a structural obstacle to trade and growth and a possible source of vulnerability when shocks occur.

Methodology[12]

The indicator measures a trade-weighted average minimum distance for a country to reach a significant fraction (50 per cent) of the world market. For its calculation, the CDP secretariat uses two sets of data: (i) the bilateral physical distance between a country and all other countries, and (ii) the market share of each actual or potential trading partner in world markets (exports and imports).

The flow chart (figure III.4) illustrates the necessary steps for the calculation of the remoteness indicator. They are described in more detail in the following paragraphs.

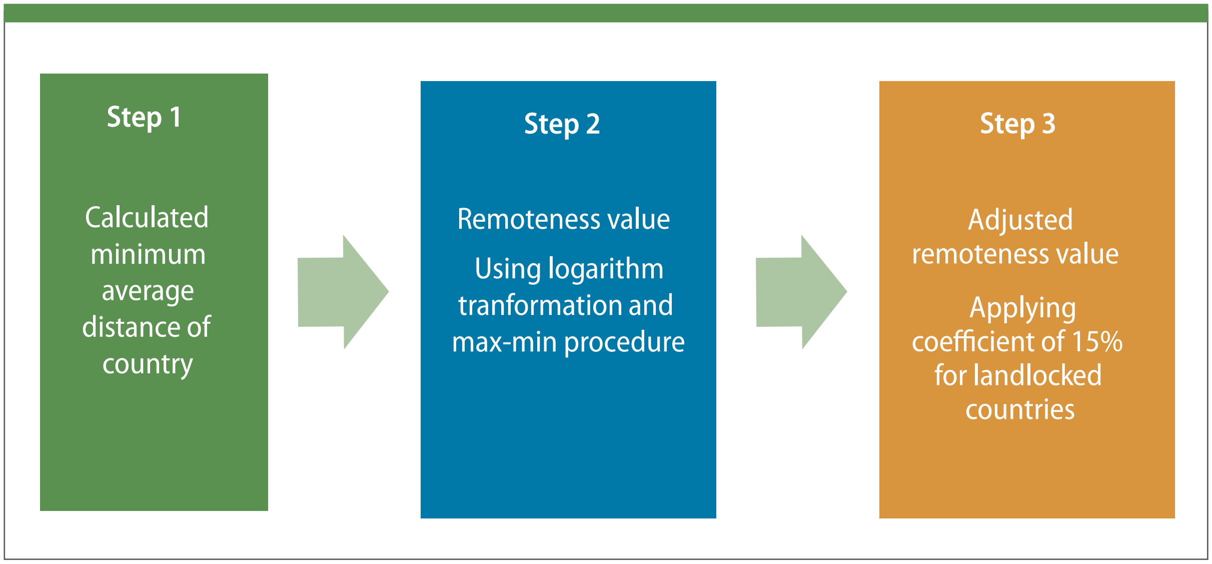
Step 1: For each country under consideration, all countries are sorted in ascending order by the physical distance to the considered country. The world market shares of all countries (ordered by distance) are then added up until their cumulative share reaches 50 per cent of the world market. The minimum average distance is then calculated as the weighted average of the distances of actual and potential trading partners to the country under consideration, with trading partners' market shares used as weights.

Figure III.5 shows the countries (in blue) included in the remoteness calculation for Bangladesh (shown in red). These are the countries whose markets are the nearest to Bangladesh *and* whose cumulative share in world exports and imports is 50 per cent.

11 For a detailed description of the estimation and projection methods, see United Nations, "World Population Prospects: The 2012 Revision—Methodology of the United Nations Population Estimates and Projections", Working Paper No. ESA/P/WP.235, New York: Department of Economic and Social Affairs of the United Nations Secretariat, Population Division.

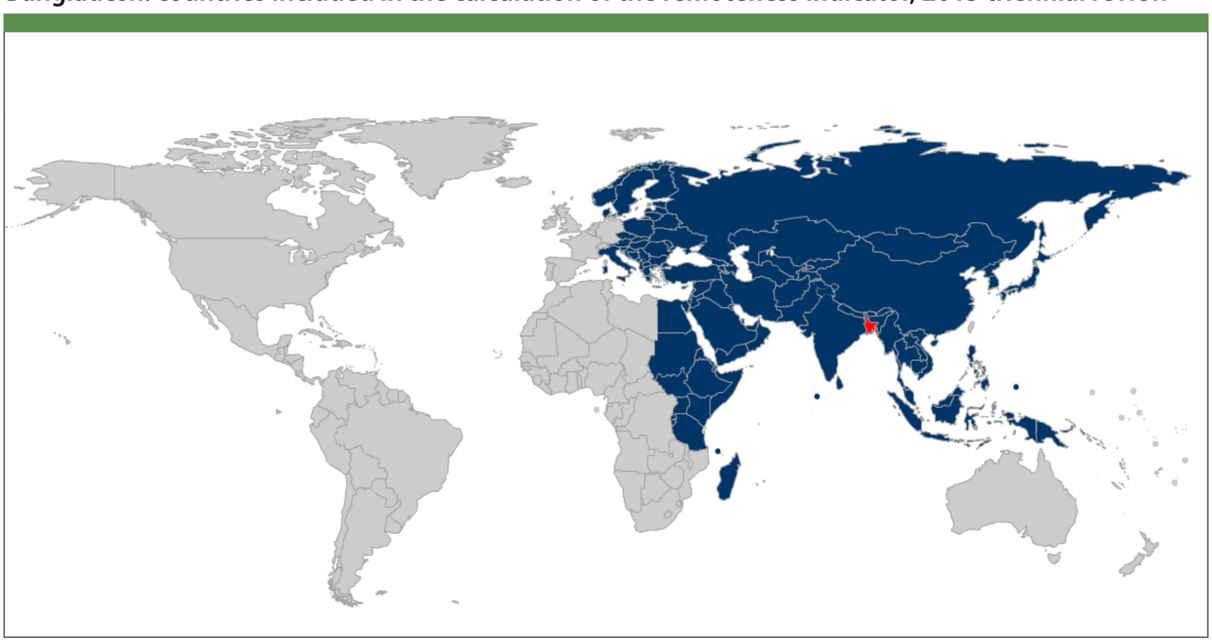
12 For a more detailed description of the methodology, see Committee for Development Policy secretariat, "Measuring remoteness for the identification of LDCs", available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_definitions.shtml.

Figure III.4
Flow chart for calculating remoteness values



Source: CDP secretariat.

Figure III.5
Bangladesh: countries included in the calculation of the remoteness indicator, 2015 triennial review



Source: CDP secretariat.

Step 2: The minimum average distance is then transformed into logarithms and converted into the remoteness value by using the following formula:

Where,

$$r_i = 100 \times \frac{\ln(d_i) - \ln(d_{min})}{\ln(d_{max}) - \ln(d_{min})}$$

i is the country index;
r_i is the remoteness value of country i;
d_i is the minimum average distance of country i;
d_{min} is the smallest average distance (2000 km); and
d_{max} is the largest average distance (10,300 km).

The values d_{min} and d_{max} are based on the smallest and largest minimum average distance values of all Member States of the United Nations in developing regions. The formula is the same as in the max-min procedure used for calculating index values (see box III.2), but in the case of remoteness, the max-min procedure is applied twice: once in the second step while constructing the indicator value and then later when the index values are calculated.

Step 3: An adjusted remoteness value (r_i*)is computed to take into account the particular situation of landlocked countries. These countries, facing higher barriers to trade, often confront relatively higher transport costs for a given distance. The adjustment factor is 15 per cent.

$$r_i^* = 0.85 \times r_i + 0.15 \times l_i$$

where,

$$l_i = \begin{cases} 100 \text{ if } i \text{ is landlocked} \\ 0 \text{ otherwise} \end{cases}$$

Table III.3 demonstrates the three steps of the calculation of the remoteness index for Bangladesh and Nepal.

Table III.3
Bangladesh and Nepal: calculation of the remoteness indicator, 2015 triennial review

	Bangladesh	Nepal*
Calculated minimum average distance (km)	4,233	4,108
Logarithm transformation Largest avg. distance = 10,300 Smallest avg. distance = 2,000	$100 \times \frac{\ln(4{,}233) - \ln(2{,}000)}{\ln(10{,}300) - \ln(2{,}000)}$	$100 \times \frac{\ln(4{,}108) - \ln(2{,}000)}{\ln(10{,}300) - \ln(2{,}000)}$
Remoteness value	45.74	43.92
Adjustment for landlocked countries landlocked = 100 all other = 0	$0.85 \times 45.74 + 0.15 \times 0$	$0.85 \times 43.92 + 0.15 \times 100$
Adjusted remoteness value	38.88	52.33

* Landlocked country.
Source: CDP, 2015 triennial review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

Data sources

The indicator is calculated by the CDP secretariat based on data on bilateral distances between the capitals or major cities in the world, obtained from the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII), data series "dist_cepii". World market shares are calculated based on the components "exports of goods and services" and "imports of goods and services" reported by UNSD in its National Accounts Main Aggregates Database (http://unstats.un.org/unsd/snaama) in the series "GDP by expenditures, in current prices - United States Dollars".

In order to reduce the impact of short-term fluctuations in exports and imports, the CDP uses the three-year average of the latest available years reported by UNSD for all countries; for example, for the 2015 triennial review, the 2011-2013 average was used.

c. *Merchandise export concentration*

Definition and rationale

The indicator measures the product concentration of a country's exports. As currently applied, export concentration excludes services. This is largely due to methodological differences in terms of both data collection and reporting. A more concentrated export structure indicates higher vulnerability to shocks, as a relatively larger part of the export-oriented sectors can be potentially affected by shocks in specific product markets.

Methodology

The numbers represent Herfindahl-Hirschmann indices derived by applying the following formula to the product categories of the Standard International Trade Classification (SITC) at the three-digit level

$$H_j = \frac{\sqrt{\sum_{i=1}^{n}\left(\frac{x_{ij}}{X_j}\right)^2} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}}$$

where,
j is the country index;
x_{ij} is the value of exports of commodity i of country j;
$X_j = \sum_{i=1}^{n} x_{ij}$ is the value of total exports of country j; and
n is the number of products at the three-digit SITC level.

The indicator is normalized so that it can vary between 0 and 1 (in case only one good is exported).

Data sources

The CDP uses the indicator as it is calculated and reported for all countries by the United Nations Conference on Trade and Development (UNCTAD) in its UNCTADstat database (http://unctadstat.unctad.org) in the series “Concentration and diversification indices of merchandise exports and imports by country” under the section “International trade in goods and services”, subsection “Trade indicators”.

The CDP applies the three-year average of the latest available years reported by UNCTAD for all countries; for example, for the 2015 triennial review, the 2011-2013 average was used.

d. Share of agriculture, forestry and fishing in GDP

Definition and rationale

The indicator is defined as the percentage share of the agriculture, hunting, forestry and fishing sectors (categories A+B in ISIC Rev. 3.1) in the gross value added of a country. It provides information on countries’ exposure to shocks caused by their economic structure, because agriculture, hunting, forestry and fishing are particularly subject to natural and economic shocks.

Methodology

The indicator is calculated by dividing the value added of agriculture, hunting, forestry and fishing by the total gross value added of all sectors. Gross value added is the value of output less the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector. Data for value added in agriculture, hunting, forestry and fishing (either combined or separately) and for gross value added are reported annually by countries to UNSD through the United Nations National Account Questionnaire.

Data sources

The CDP uses the data that is annually published by the UNSD in its National Accounts Main Aggregates Database (http://unstats.un.org/unsd/snaama/) in the series “Value Added by Economic Activity, Percentage Distribution”.

The CDP applies the three-year average of the latest available years reported by UNSD for all countries; for example for the 2015 triennial review, the 2011-2013 average was used.

e. Share of population in low elevated coastal zones

Definition and rationale

The indicator measures the share of the population in a country that lives in low elevated coastal zones (LECZ), defined as areas contiguous to the coast below a certain elevation threshold. Currently, an elevation threshold of five metres is used. The indicator intends to capture vulnerability to coastal impacts (including sea level rise and storm surges) associated with climate change.

Methodology

The indicator is calculated by dividing the number of people living in areas contiguous to the coast with an elevation of less than five metres by the total population of the country. Classification of areas into elevation zones is done based on satellite data. Spatially distributed population data is based on administrative records and harmonized with population estimates from UNPD.[13]

Data sources

The CDP uses the indicator produced by the Center for International Earth Science Information Network at Columbia University (http://sedac.ciesin.columbia.edu/data/sets/browse) and reported in the series "Urban-Rural Population and Land Area Estimates, version 2" under the theme "Marine and Coastal".

For small island developing States (SIDS), the CDP uses datasets from the series "Population, Landscape, And Climate Estimates (PLACE)", versions 2 and 3, which are also produced by the Center for International Earth Science Information Network.

f. Instability of exports of goods and services

Definition and rationale

The indicator measures the variability of the value of exports around its *r* trend, calculated over a 20-year period. It is defined as the standard deviation of the difference between the value of annual export earnings and its multi-year trend. Highly variable export earnings cause fluctuations in production, employment and the availability of foreign exchange, with negative consequences for sustainable economic growth and development. High export instability indicates heightened vulnerability to trade shocks.

Methodology

The indicator is calculated in two steps. First, the trend in export earnings of each country is determined from the following regression equation:

$$\ln(X_t) = \alpha + \beta \ln(X_{t-1}) + \gamma t + e_t$$

Where,
X_t is the value of exports of goods and services at constant US dollars in year *t*;
t is the time variable (each year in the sample period);
e_t is the error term in year t; and
α, β and γ are the regression coefficients.

The equation is estimated separately for each country, using standard ordinary least squares (OLS). In this formulation, the trend is assumed to have both a deterministic and a stochastic component. For this reason, the de-trending method used for this indicator is called a mixed-trend regression.

13 For details on the methodology of the indicator, see Center for International Earth Science Information Network (CIESIN)-Columbia University, "Low Elevation Coastal Zone (LECZ) Urban-Rural Population and Land Area Estimates, Version 2". Palisades, NY: NASA Socioeconomic Data and Applications Center (SEDAC), 2013, available from http://dx.doi.org/10.7927/H4MW2F2J.

Finally, the standard deviation of the differences between trend and actual values is used as the instability measure, i.e.:

$$S = \sqrt{\sum_t \frac{\hat{e}_t^2}{(N-1)}}$$

Where,

$\hat{e}_t = \ln(X_t) - \hat{\alpha} - \hat{\beta}\ln(X_{t-1}) - \hat{\gamma}t$;

$\hat{\alpha}, \hat{\beta}, \hat{\gamma}$ are the estimated regression coefficients; and

N is the number of observations.

Data sources

The indicator is calculated by the CDP secretariat, utilizing data reported by UNSD in its National Accounts Main Aggregates Database (http://unstats.un.org/unsd/snaama/) in the series "GDP by Expenditure, at constant 2005 prices - US Dollars" on the exports of goods and services in constant United States dollars.

The CDP calculates the indicator based on data for the latest available 20 years. Thus, the instability indicator for the 2015 triennial review was calculated on the basis of data for the period 1994-2013.[14]

g. *Victims of natural disasters*

Definition and rationale

The indicator measures the share of the population who are victims of natural disasters. Victims of natural disasters are defined as people killed or affected (i.e., people requiring immediate food, water, shelter, sanitation or medical assistance). It includes those affected by weather and climate-related disasters (such as floods, landslides, storms, droughts and extreme temperatures) as well as geophysical disasters (such as earthquakes or volcanoes). The indicator reflects vulnerability to natural shocks, in particular the human impact of natural disasters associated with these shocks.

Methodology

First, the annual number of victims for each country is calculated by adding the numbers of persons killed and of persons affected by the natural disasters (geophysical, meteorological, hydrological and climatologic disasters). The share of victims is then calculated by dividing that figure by the total population of the country (estimated as of mid-year). In order to account for fluctuations of disasters over time, the indicator is calculated annually over a period of 20 years and then averaged.

14 Due to the inclusion of lagged exports in the regression, 21 years of data (1993-2013 in case of the 2015 triennial review) are needed as input for the calculation.

Data sources

The indicator is calculated by the CDP secretariat on the basis of data on the total population from UNPD in its World Population Prospects database, and data on people killed and on people affected from the Emergency Disasters Database (EM-DAT) of the WHO Collaborating Centre for Research on the Epidemiology of Disasters (CRED) (http://www.emdat.be/database). The dataset can be retrieved from the database via the "Advanced search" tab, by selecting the subgroups "Climatological", "Geophysical", "Hydrological", and "Meteorological" from the disaster classification group "Natural".

The indicator includes the latest 20 years for which data coverage is complete; for example, for the 2015 triennial review, the period 1994-2013 was used for the calculation.

h. *Instability of agricultural production*

Definition and rationale

The indicator measures the variability of agricultural production around its trend, defined as the standard deviation of the differences between production and its trend over a given period of time (20 years). A high variability of agricultural production is indicative of high vulnerability to natural shocks, as such variability often reflects the impacts of natural shocks, including droughts and disturbances in rainfall patterns.

Methodology

The indicator is calculated in two steps. First, the trend in agricultural production of each country is determined from the following regression equation:

$$\ln(X_t) = \alpha + \beta \ln(X_{t-1}) + \gamma t + e_t$$

Where,
X_t is the index of total agricultural production in volume terms in year *t*;
t is the time variable (each year in the sample period);
e_t is the error term in year *t*; and
α, β and γ are the regression coefficients.

The equation is estimated separately for each country using standard ordinary least squares (OLS). In this formulation, the trend is assumed to have both a deterministic and a stochastic component. For this reason, the de-trending method used for this indicator is called a mixed-trend regression.

Finally, the standard deviation of the differences between trend and actual values is used as the instability measure, i.e.:

$$S = \sqrt{\sum_t \frac{\hat{e}_t^2}{(N-1)}}$$

Where,

$\hat{e}_t = \ln(X_t) - \hat{\alpha} - \hat{\beta}\ln(X_{t-1}) - \hat{\gamma}t$;

$\hat{\alpha}, \hat{\beta}, \hat{\gamma}$ are the estimated regression coefficients; and

N is the number of observations.

Data sources

The indicator is calculated by the CDP secretariat, on the basis of data reported by FAO reported in its FAOSTAT database as "Net production index number" in series "Agriculture (Pin) + (Total)" under "Production" and "Production Indices".

The CDP uses the trend of the latest available 20 years; thus, for the 2015 triennial review, the trend was calculated over the period 1994-2013.[15]

4. EVI calculation: selected examples

Tables III.4 and III.5 and figure III.6 illustrate the calculation of the EVI for the 2015 triennial review using four countries (Gambia, Kiribati, Nepal, Sierra Leone) as examples.

Table III.4 presents the bounds for each of the EVI indicators and then demonstrates how indicator values are converted into index values (see also box III.2 on the max-min procedure). The data value is the actual indicator value obtained for each country from the sources described in the previous sections. In case of remoteness, data value represent the adjusted remoteness values (see section D.3.b) rather than distances in km. The column "max-min procedure" shows the calculation to derive the index for each country and indicator using the data value and the lower and upper bounds as input. As noted in section 3.a and 3.b, population and victims are first transformed into logarithms to account for the skewness of their distribution. Please also note that population uses the adjusted version of the formula (*I**) described in section 3.a, as higher population is associated with lower vulnerability. For all other indicators, though, higher indicator values imply higher vulnerability, so that the basic formula (*I)* is used.

As noted earlier, the EVI reflects the average of the index values of the eight EVI indicators using different weights. Table III.5 below shows the EVI calculation for the four sample countries using the corresponding index scores computed in table III.4.

Figure III.6 graphically displays the composition of the EVI of the four sample countries using the corresponding data from table III.5.

15 Due to the inclusion of lagged agricultural production in the regression, 21 years of data (1993-2013 in case of the 2015 triennial review) are needed as input for the calculation.

Table III.4
Calculation of EVI indices: selected country examples, 2015 triennial review

Indicator	Lower bound	Upper bound	Country	Data value	Max-min procedure	Index
Population (bounds and data values in thousands)	150	100,000	Gambia	1,849	$100 \times \frac{\ln(10{,}000) - \ln(1{,}894)}{\ln(10{,}000) - \ln(150)}$	61.4
			Kiribati*	102	$100 \times \frac{\ln(10{,}000) - \ln(150)}{\ln(10{,}000) - \ln(150)}$	100.0
			Nepal	27,797	$100 \times \frac{\ln(10{,}000) - \ln(27{,}797)}{\ln(10{,}000) - \ln(150)}$	19.7
			Sierra Leone	6,092	$100 \times \frac{\ln(10{,}000) - \ln(6{,}092)}{\ln(10{,}000) - \ln(150)}$	43.0
Remoteness (location index)	10	90	Gambia	46.26	100×(46.26-10)/(90-10)	45.3
			Kiribati	76.84	100×(76.84-10)/(90-10)	83.6
			Nepal	52.33	100×(52.33-10)/(90-10)	52.9
			Sierra Leone	49.61	100×(49.61-10)/(90-10)	49.5
Merchandise export concentration (Herfindahl-Hirschmann index)	0.1	0.95	Gambia	0.25	100×(0.25-0.1)/(0.95-0.1)	17.8
			Kiribati	0.83	100×(0.83-0.1)/(0.95-0.1)	86.4
			Nepal	0.14	100×(0.14-0.1)/(0.95-0.1)	4.7
			Sierra Leone	0.34	100×(0.34-0.1)/(0.95-0.1)	28.3
Share of agriculture, forestry and fishing in GDP (percentage of GDP)	1	60	Gambia	23.5	100×(23.5-1)/(60-1)	38.1
			Kiribati	26.2	100×(26.2-1)/(60-1)	42.7
			Nepal	35.8	100×(35.8-1)/(60-1)	58.9
			Sierra Leone	52.3	100×(52.3-1)/(60-1)	87.0
Share of population in low elevated coastal zones (percentage of population)	0	35	Gambia	23.5	100×(23.5-0)/(35-0)	67.2
			Kiribati**	95.2	100×(95.2-0)/(35-0)	100.0
			Nepal	0.0	100×(0.0-0)/(35-0)	0.0
			Sierra Leone	3.8	100×(3.8-0)/(35-0)	10.8
Instability of exports of goods and services (index)	5	35	Gambia**	65.1	100×(35-5)/(35-5)	100.0
			Kiribati	21.3	100×(21.3-5)/(35-5)	54.2
			Nepal	10.3	100×(10.3-5)/(35-5)	17.7
			Sierra Leone	23.9	100×(23.9-5)/(35-5)	62.9

(continued)

Table III.4 (*continued*)

Indicator	Lower bound	Upper bound	Country	Data value	Max-min procedure	Index
Victims of natural disasters (percentage of population)	0.005	10	Gambia	1.6	$100 \times \frac{\ln(1.6) - \ln(0.005)}{\ln(10) - \ln(0.005)}$	75.7
			Kiribati	5.2	$100 \times \frac{\ln(5.2) - \ln(0.005)}{\ln(10) - \ln(0.005)}$	91.3
			Nepal	0.7	$100 \times \frac{\ln(0.7) - \ln(0.005)}{\ln(10) - \ln(0.005)}$	64.7
			Sierra Leone	0.3	$100 \times \frac{\ln(0.3) - \ln(0.005)}{\ln(10) - \ln(0.005)}$	52.8
Instability of agricultural production (index)	1.5	20	Gambia	17.7	100×(17.7-1.5)/(20-1.5)	87.7
			Kiribati	6.0	100×(17.7-1.5)/(20-1.5)	24.4
			Nepal	3.3	100×(17.7-1.5)/(20-1.5)	9.9
			Sierra Leone	11.1	100×(17.7-1.5)/(20-1.5)	51.8

Source: CDP, 2015 triennial review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

* As the data value is below the lower bound, the lower bound replaces the actual data value in the max-min procedure (see box III.2).

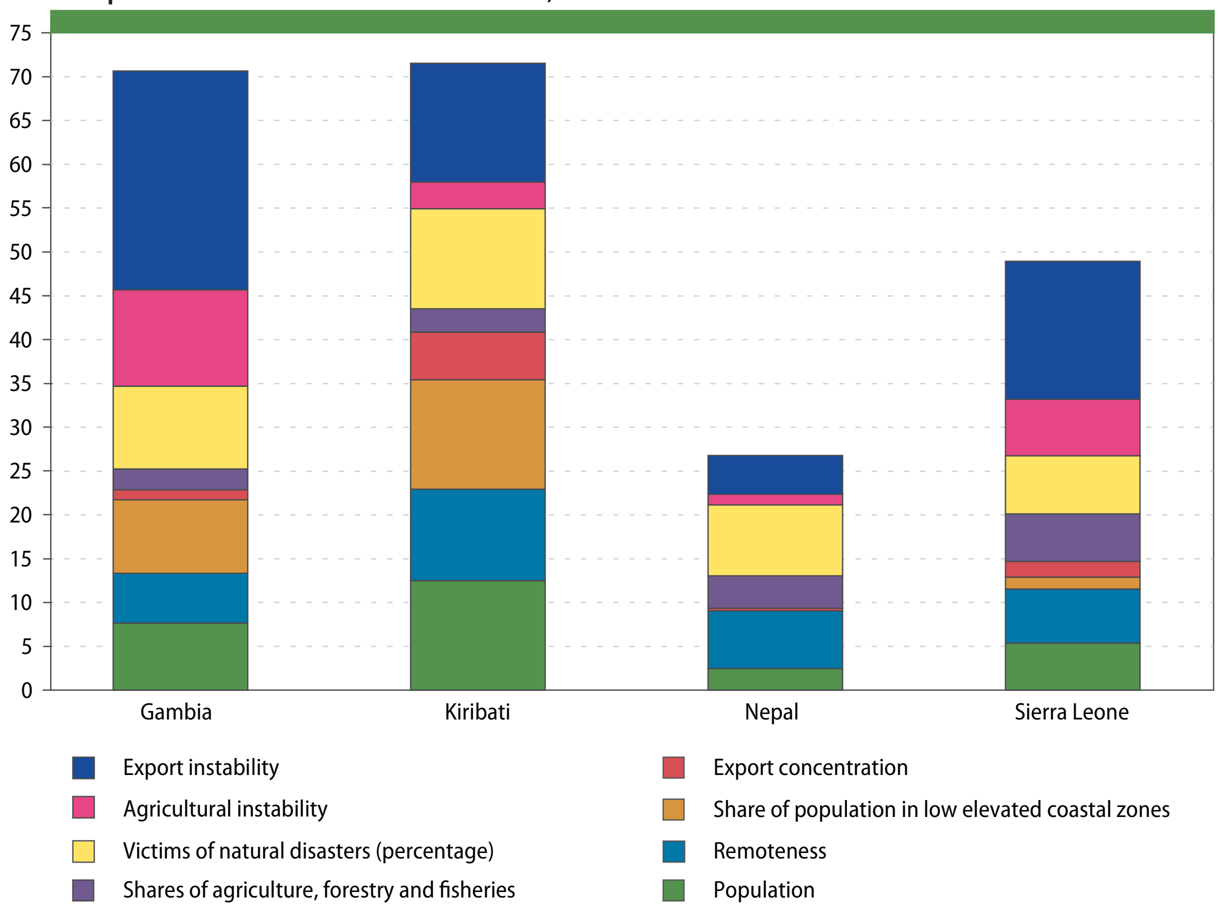
** As the data value is above the upper bound, the upper bound replaces the actual data value in the max-min procedure (see box III.2).

Table III.5
EVI: selected countries, 2015 triennial review

Country/Indicator	Weight	Gambia	Kiribati	Nepal	Sierra Leone
Population	1/8	61.4	100.0	19.7	43.0
Remoteness	1/8	45.3	83.6	52.9	49.5
Export concentration	1/16	17.8	86.4	4.7	28.3
Share of agriculture, forestry and fishing in GDP	1/16	38.1	42.7	58.9	87.0
Share of population in low elevated coastal zones	1/8	67.2	100.0	0.0	10.8
Export instability	1/4	100.0	54.2	17.7	62.9
Victims of natural disaster	1/8	75.7	91.3	64.7	52.8
Agricultural instability	1/8	87.7	24.4	9.9	51.8
Economic vulnerability index	**1**	**70.7**	**71.5**	**26.8**	**48.9**

Source: CDP, 2015 triennial review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

Figure III.6
Composition of the EVI: selected countries, 2015 triennial review



Source: CDP, 2015 triennial review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

5. EVI values for the 2015 triennial review

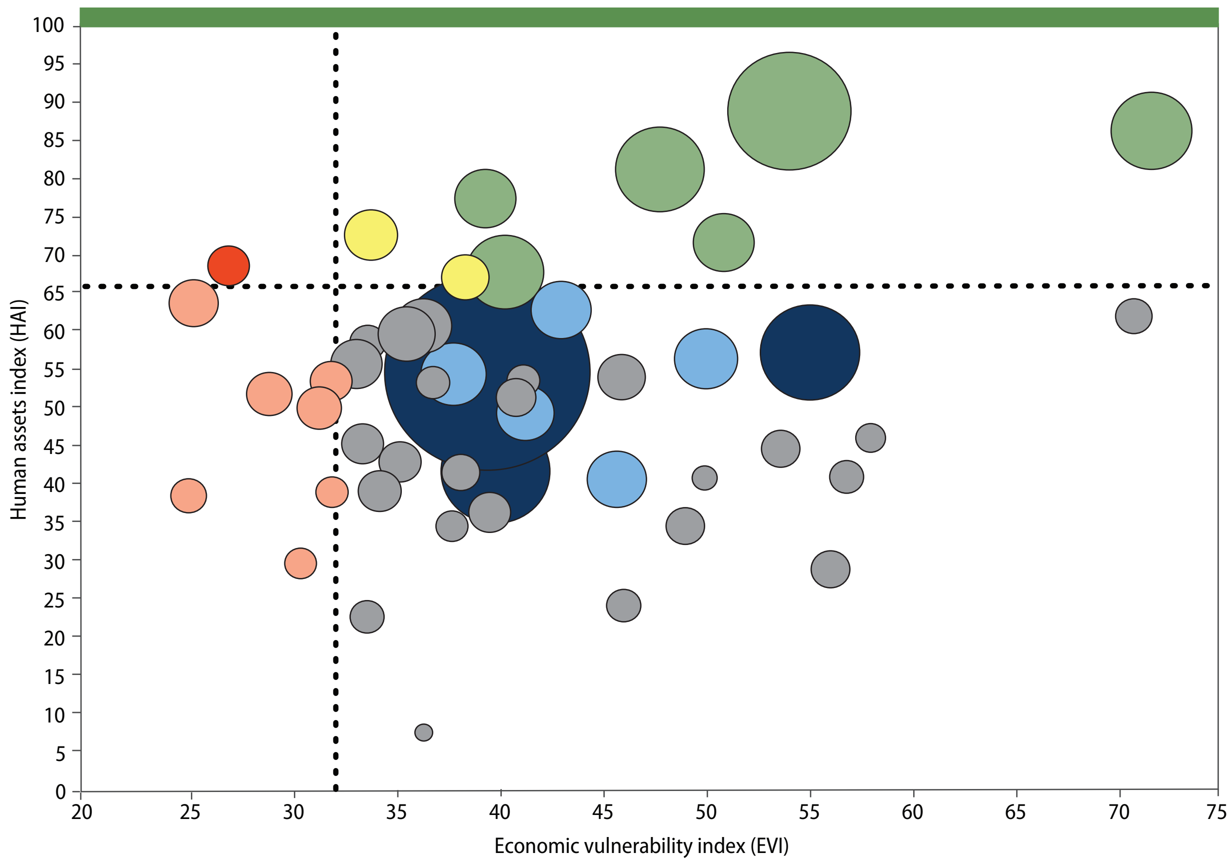
Figure III.A.3 (see page 74) shows the EVI scores of all countries included in the 2015 triennial review. While on average LDCs have significantly higher EVI scores than other developing countries, there are also a number of non-LDCs that are vulnerable, in particular SIDS and countries relatively dependent on commodity exports. As non-LDCs, though, these countries have higher human asset and national income levels than the LDCs. In total, 32 non-LDCs have EVI scores above the LDC inclusion threshold, whereas in eight LDCs the EVI value is below the graduation threshold. Among these, only one country also meets the graduation threshold of another criterion. The other seven countries have not yet reached the GNI or HAI graduation thresholds and are, thus, not yet eligible for graduation.

E. Summing up: the 2015 triennial review

In figure III.7, individual LDCs are represented by a bubble. The horizontal and vertical positions of the bubbles correspond to EVI and HAI scores, respectively, whereas the bubble size illustrates GNI per capita. Bubbles in dark colors indicate that the LDC has met the graduation eligibility criteria, whereas bubbles in light colors indicate that a country has passed a single graduation threshold. Countries meeting no graduation threshold are represented by grey bubbles.

Table III.6 and figure III.7 show the results of the 2015 triennial review for the LDCs, simultaneously presenting the scores of the three different criteria. Ten countries met the eligibility criteria for graduation at the 2015 triennial review. In addition, there were 14 LDCs that passed the graduation threshold of a single criterion and were therefore not yet eligible for graduation. Half of the LDCs (i.e., 24 countries) did not yet meet the graduation threshold of any of the LDC criteria.

Figure III.7
Results of the 2015 triennial review



Graduation thresholds

LDCs eligible for graduation

GNI and HAI
Bhutan, Kiribati, Sao Tome and Principe, Solomon Islands, Tuvalu, Vanuatu

Income only (double GNI)
Angola, Equatorial Guinea, Timor-Leste

HAI and EVI
Nepal

LDCs meeting one criterion

GNI
Djibouti, Lesotho, Mauritania, Sudan, Zambia

EVI
Bangladesh, Benin, Democratic Republic of the Congo, Ethiopia, Guinea, Uganda, United Republic of Tanzania

HAI
Cambodia, Myanmar

LDCs meeting no criteria

Afghanistan, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Eritrea, Gambia, Guinea-Bissau, Haiti, Lao People's Democratic Republic, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, South Sudan, Togo, Yemen

Source: CDP, 2015 Triennial Review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.
Note: Bubble size designates value of GNI per capita.

Table III.6
LDC indicators, 2015 triennial review

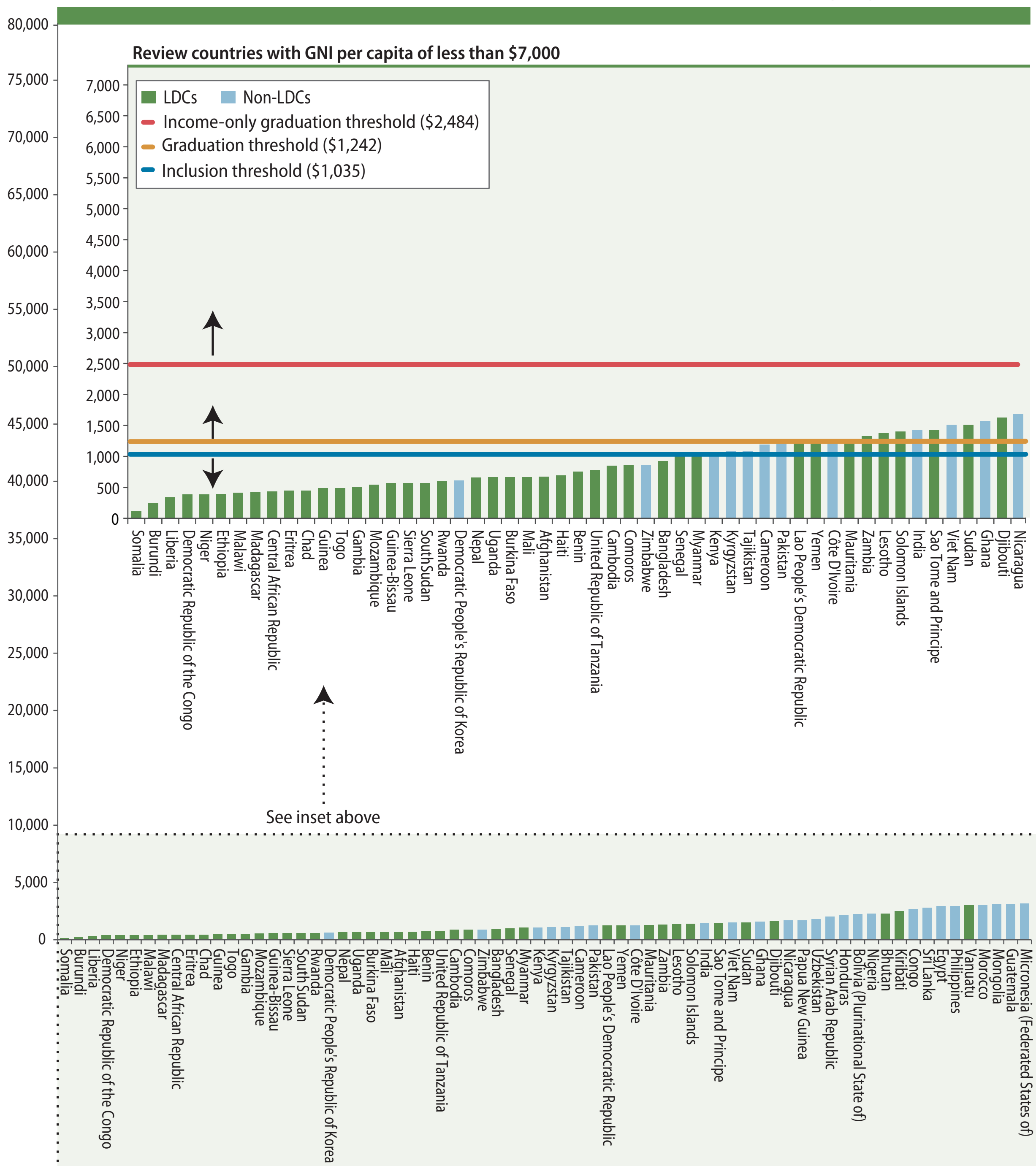
GNI per capita in US dollars		Human assets index		Economic vulnerability index	
Somalia	119	Somalia	7.8	Kiribati	71.5
Burundi	239	Central African Republic	22.9	Gambia	70.7
Liberia	340	Chad	24.4	Liberia	57.9
Dem. Rep. of the Congo	386	South Sudan	29.1	Eritrea	56.8
Niger	389	Dem. Rep. of the Congo	29.9	South Sudan	56.0
Ethiopia	395	Niger	34.7	Timor-Leste	55.0
Malawi	410	Sierra Leone	34.8	Tuvalu	54.0
Madagascar	430	Burkina Faso	36.5	Guinea-Bissau	53.6
Central African Republic	439	Guinea	38.7	Solomon Islands	50.8
Eritrea	444	Ethiopia	39.2	Sudan	49.9
Chad	444	Haiti	39.3	Burundi	49.9
Guinea	485	Zambia	40.8	Sierra Leone	48.9
Togo	491	Burundi	41.0	Vanuatu	47.7
Gambia	509	Eritrea	41.2	Chad	46.0
Mozambique	546	Mozambique	41.7	Comoros	45.8
Guinea-Bissau	567	Angola	41.9	Zambia	45.6
Sierra Leone	567	Afghanistan	43.1	Lesotho	42.9
South Sudan	573	Guinea-Bissau	44.8	Mauritania	41.2
Rwanda	592	Mali	45.5	Malawi	41.1
Nepal	659	Liberia	46.2	Rwanda	40.7
Uganda	663	Mauritania	49.5	Bhutan	40.2
Burkina Faso	666	Benin	50.1	Angola	39.7
Mali	666	Rwanda	51.5	Burkina Faso	39.5
Afghanistan	672	United Rep. of Tanzania	52.0	Equatorial Guinea	39.3
Haiti	696	Madagascar	53.5	Sao Tome and Principe	39.2
Benin	753	Uganda	53.6	Cambodia	38.3
United Rep. of Tanzania	779	Malawi	53.7	Mozambique	38.1
Cambodia	852	Comoros	54.2	Djibouti	37.7
Comoros	855	Djibouti	54.6	Niger	37.6
Bangladesh	926	Equatorial Guinea	54.8	Madagascar	36.7
Senegal	1,006	Senegal	55.9	Somalia	36.3
Myanmar	1,063	Sudan	56.6	Lao People's Dem. Rep.	36.2
Lao People's Dem. Rep.	1,232	Timor-Leste	57.4	Yemen	35.4
Yemen	1,234	Togo	58.7	Afghanistan	35.1
Mauritania	1,261	Yemen	59.8	Haiti	34.1
Zambia	1,327	Lao People's Dem. Rep.	60.8	Myanmar	33.7
Lesotho	1,374	Gambia	62.1	Togo	33.6
Solomon Islands	1,402	Lesotho	62.9	Central African Republic	33.5
Sao Tome and Principe	1,431	Bangladesh	63.8	Mali	33.3
Sudan	1,511	Cambodia	67.2	Senegal	33.0
Djibouti	1,629	Bhutan	67.9	Ethiopia	31.8
Bhutan	2,277	Nepal	68.7	Uganda	31.8
Kiribati	2,489	Solomon Islands	71.7	Benin	31.2
Vanuatu	2,997	Myanmar	72.7	Dem. Rep. of the Congo	30.3
Timor-Leste	3,767	Sao Tome and Principe	77.4	United Rep. of Tanzania	28.8
Angola	4,518	Vanuatu	81.3	Nepal	26.8
Tuvalu	5,788	Kiribati	86.3	Bangladesh	25.1
Equatorial Guinea	16,089	Tuvalu	88.8	Guinea	24.9

Inclusion thresholds (GNI per capita $1,035 or less, HAI 60 or less, EVI 36 or more)
Graduation thresholds (GNI per capita $1,242 or more, HAI 66 or more, EVI 32 or less)
Income only graduation threshold (GNI per capita $2,484 or more)

Source: CDP, 2015 Triennial Review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

Appendix

Figure III.A.1
GNI per capita in US dollars for all United Nations Member States in developing regions



Source: CDP, 2015 Triennial Review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

Figure III.A.1 (*continued*)

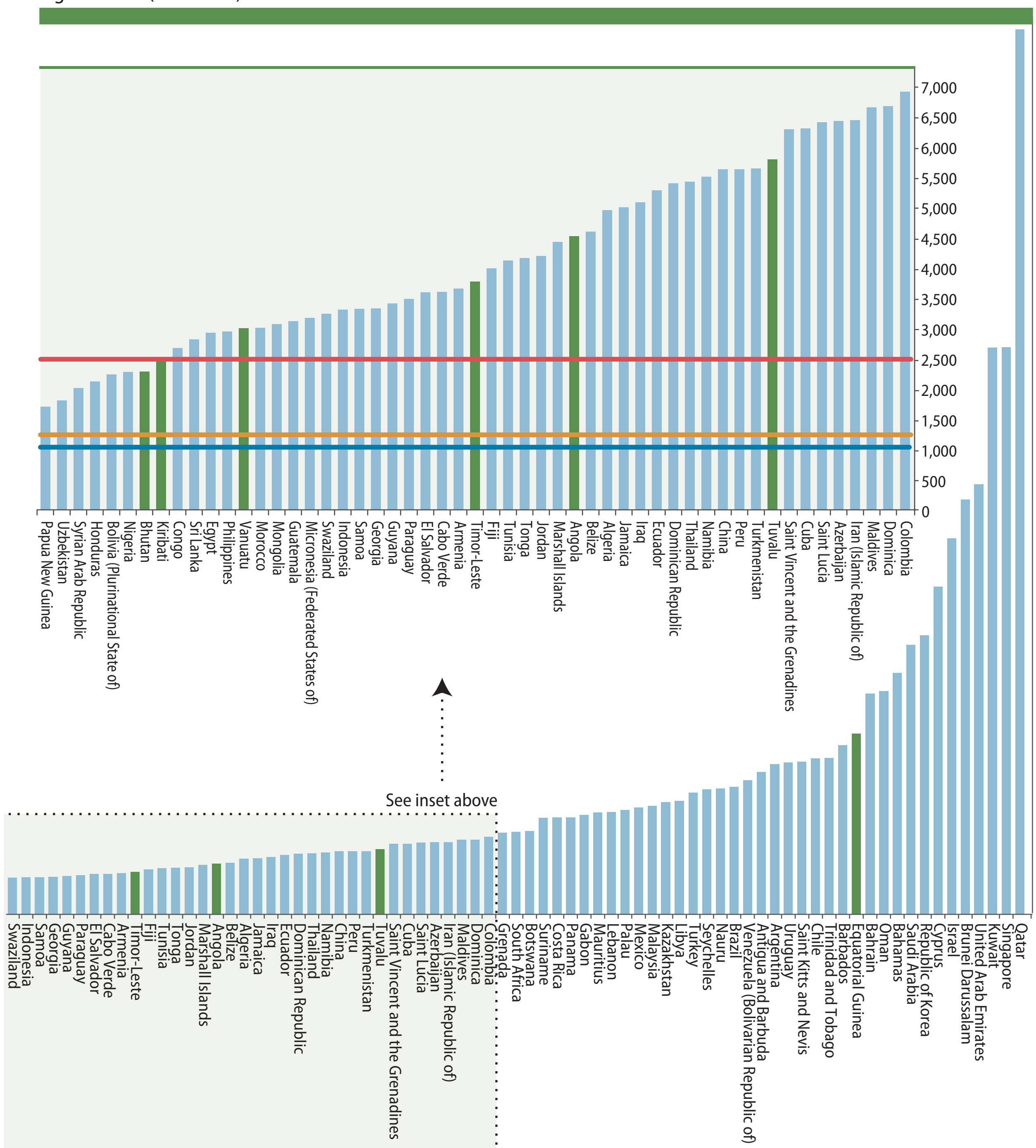
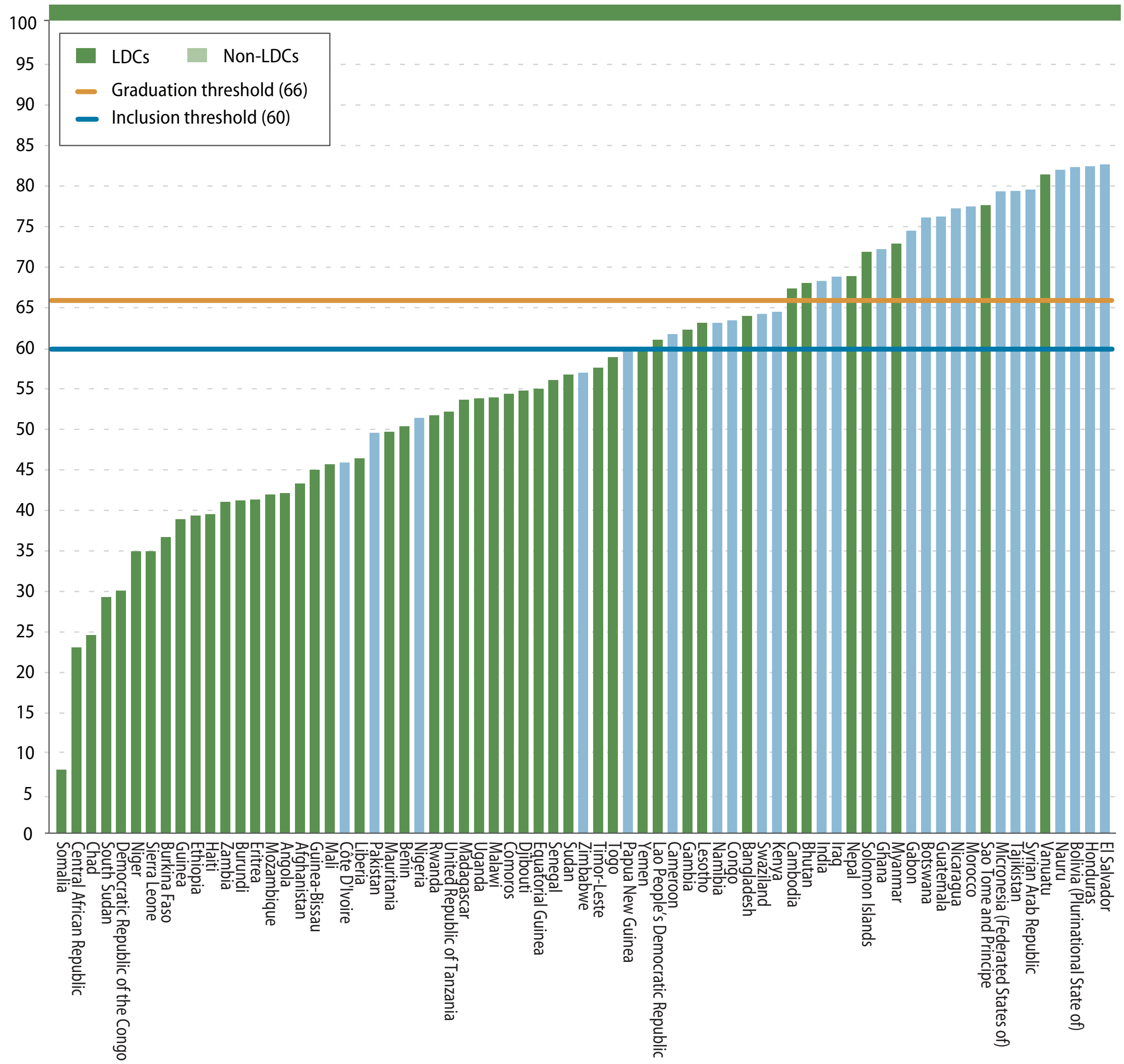


Figure III.A.2
Human assets index for United Nations Member States in developing regions, 2015 triennial review



Source: CDP, 2015 Triennial Review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

Figure III.A.2 (*continued*)

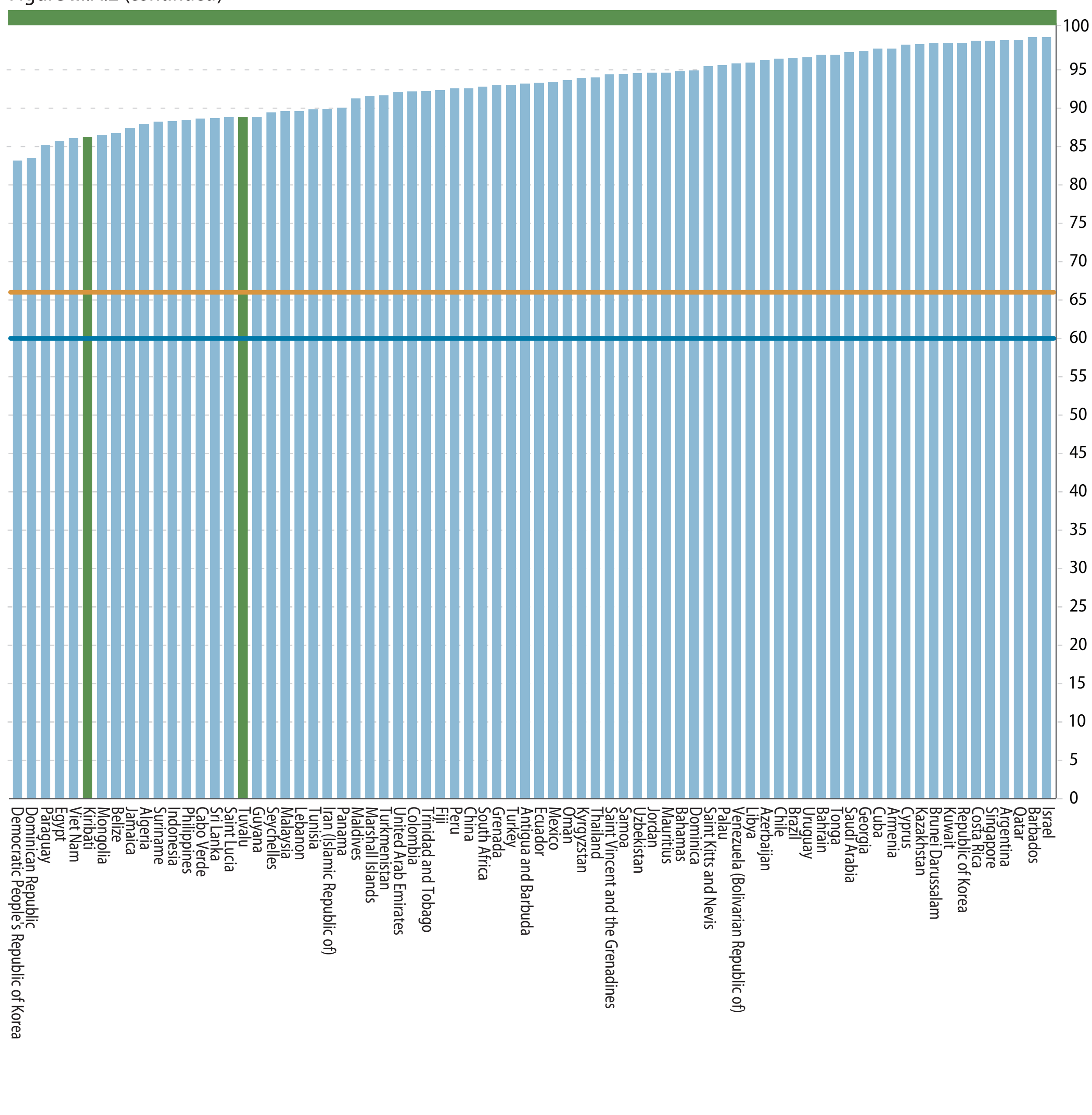
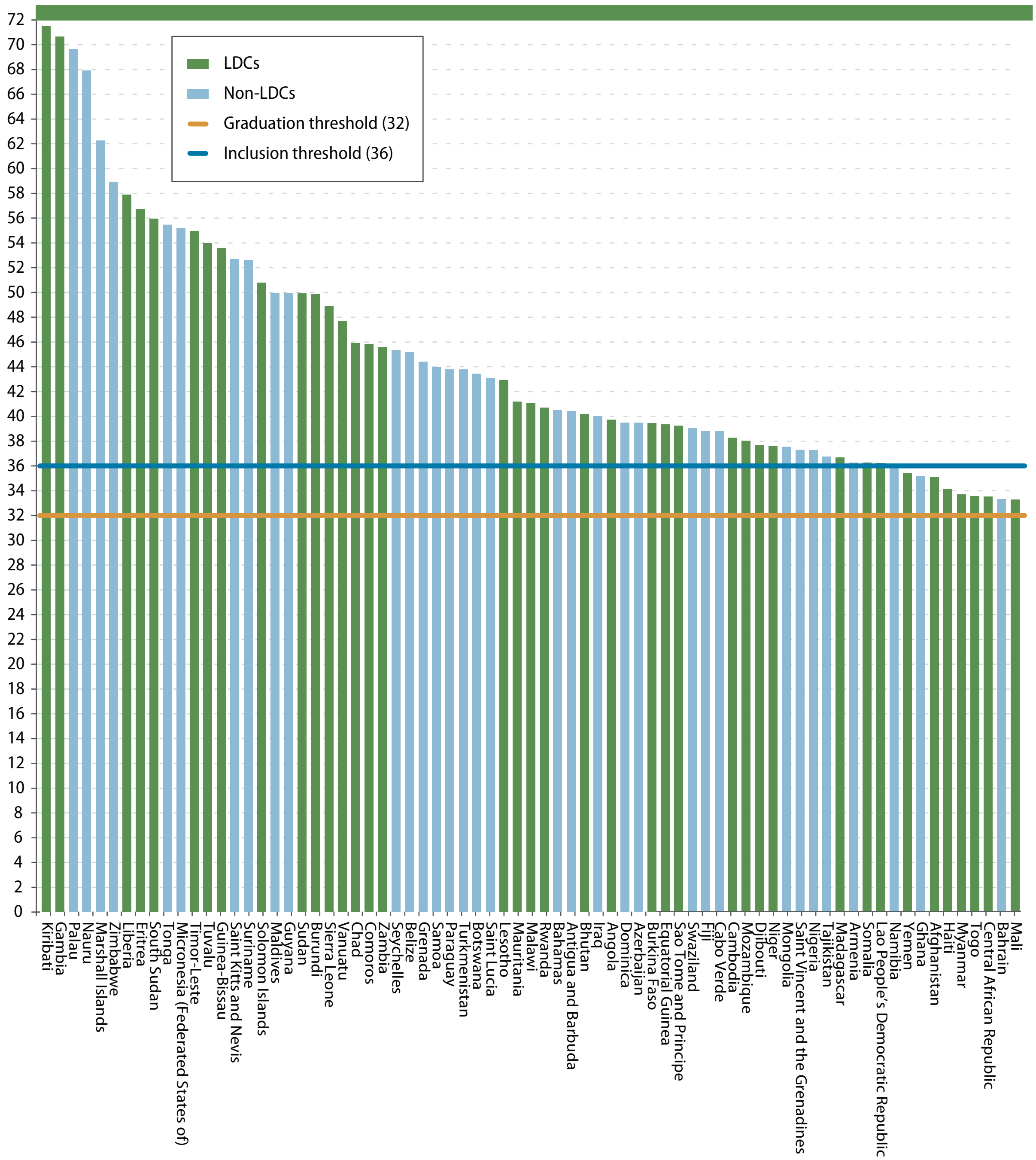


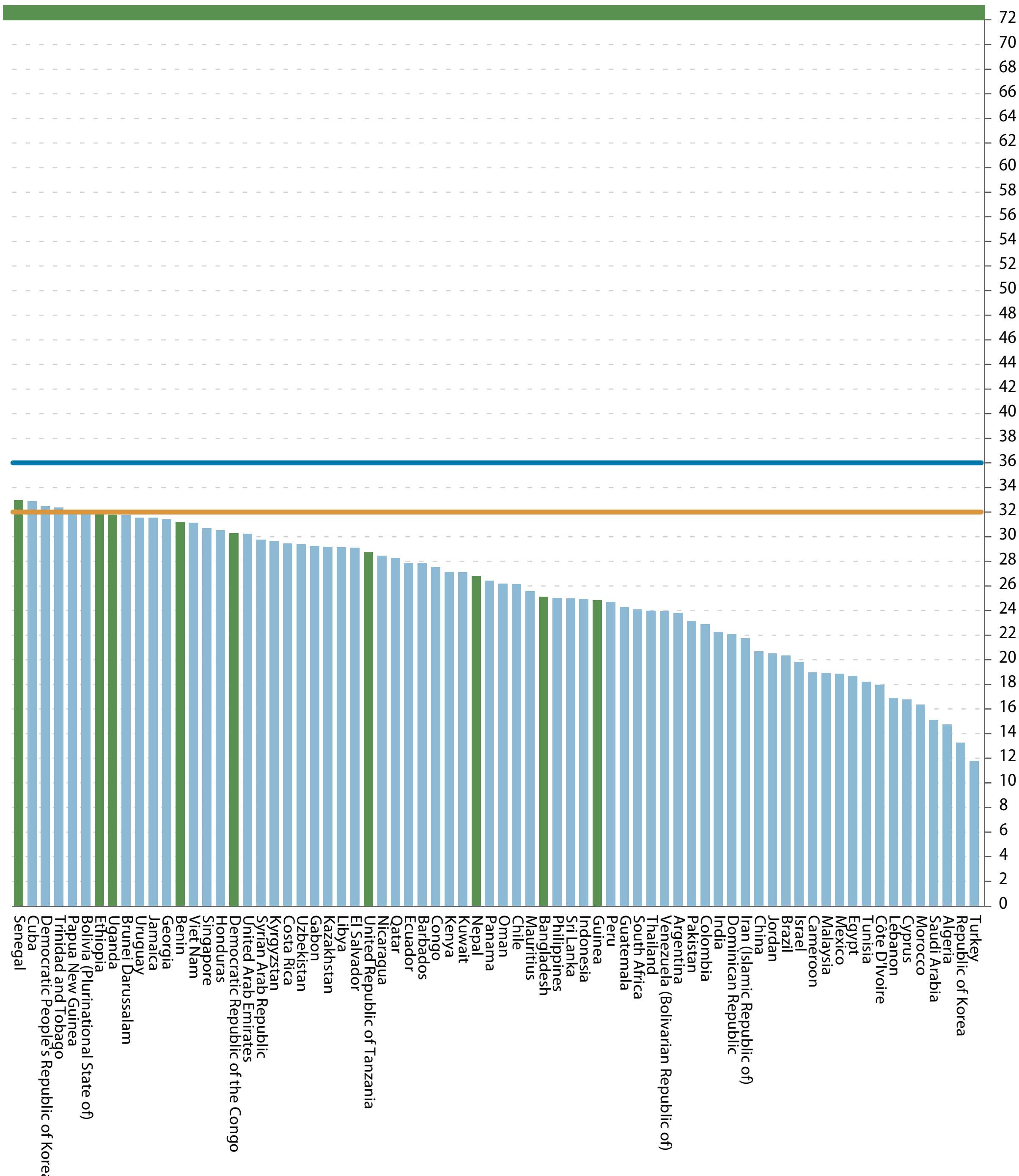
Figure III.A.3

Economic vulnerability index for all United Nations Member States in developing regions, 2015 triennial review



Source: CDP, 2015 Triennial Review, available from http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml.

Figure III.A.3 (*continued*)



Annexes

Annex I

General Assembly resolution 59/209 of 20 December 2004 on the smooth transition strategy for countries graduating from the list of least developed countries

The General Assembly,

Recalling its resolution 46/206 of 20 December 1991,

Recalling also Economic and Social Council resolution 2004/66 of 5 November 2004,

Reconfirming Economic and Social Council resolutions 2000/34 of 28 July 2000, 2001/43 of 24 October 2001, 2002/36 of 26 July 2002 and 2004/3 of 3 June 2004,

1. *Re-emphasizes* the need for a smooth transition for countries graduating from the list of least developed countries;

2. *Reconfirms* that graduating from the list of least developed countries should not result in a disruption of development plans, programmes and projects;

3. *Decides* that the process to ensure a smooth transition of countries graduating from the list of least developed countries shall be as follows:

(*a*) When the Committee for Development Policy, in its triennial review of the list of least developed countries, identifies a country that meets the criteria for graduation for the first time, it will submit its findings to the Economic and Social Council;

(*b*) After a country has met the criteria for graduation for the first time, the Secretary-General of the United Nations will invite the Secretary-General of the United Nations Conference on Trade and Development to prepare a vulnerability profile[1] on the identified country, as described in paragraph 3 (*a*) above, to be taken into account by the Committee for Development Policy at its subsequent triennial review;

(*c*) At the subsequent triennial review undertaken by the Committee for Development Policy, referred to in paragraph 3 (*b*) above, the qualification for graduation of the country will be reviewed and, if reconfirmed, the Committee will submit a recommendation, in accordance with the established procedures, to the Economic and Social Council;

(*d*) The Economic and Social Council, in turn, will take action on the recommendation of the Committee for Development Policy at its first substantive session following the triennial review of the Committee and will transmit its decision to the General Assembly;

(*e*) Three years following the decision of the General Assembly to take note of the recommendation of the Committee for Development Policy to graduate a country from the list of least developed countries, graduation will become effective; during the three-year period, the country will remain on the list of least developed countries and will maintain the advantages associated with membership on that list;

1 See *Official Records of the Economic and Social Council, 1999, Supplement No. 13* (E/1999/33), chap. III, para. 123.

4. *Invites* the graduating country, in cooperation with its bilateral and multilateral development and trading partners and with the support of the United Nations system, to prepare, during the three-year period, a transition strategy to adjust to the phasing out, over a period appropriate to the development situation of the country, of the advantages associated with its membership on the list of least developed countries, and to identify actions to be taken by the graduating country and its bilateral and multilateral development and trading partners to that end;

5. *Recommends* that the graduating country establish, in cooperation with its bilateral and multilateral development and trading partners, a consultative mechanism to facilitate the preparation of the transition strategy and the identification of the associated actions;

6. *Requests* the Administrator of the United Nations Development Programme, in his capacity as Chair of the United Nations Development Group, to assist countries graduating from the list of least developed countries by providing, if requested, the support of the United Nations Resident Coordinator and the United Nations Country Team to the consultative mechanism;

7. *Urges* all development partners to support the implementation of the transition strategy and to avoid any abrupt reductions in either official development assistance or technical assistance provided to the graduated country;

8. *Invites* development and trading partners to consider extending to the graduated country trade preferences previously made available as a result of least developed country status, or reducing them in a phased manner in order to avoid their abrupt reduction;

9. *Invites* all members of the World Trade Organization to consider extending to a graduated country, as appropriate, the existing special and differential treatment and exemptions available to least developed countries for a period appropriate to the development situation;

10. *Recommends* that the continued implementation of technical assistance programmes under the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries be considered for the graduated country over a period appropriate to the development situation of the country;

11. *Invites* the Government of the graduated country to closely monitor, with the support of the consultative mechanism, the implementation of the transition strategy and to keep the Secretary-General informed on a regular basis;

12. *Requests* the Committee for Development Policy to continue to monitor the development progress of the graduated country as a complement to its triennial review of the list of least developed countries, with the assistance and support of other relevant entities, and to report thereon to the Economic and Social Council.

74th plenary meeting
20 December 2004

Annex II

General Assembly resolution 67/221 of 21 December 2012 on the smooth transition for countries graduating from the list of least developed countries

The General Assembly,

Recalling the Istanbul Declaration[1] and the Programme of Action for the Least Developed Countries for the Decade 2011–2020,[2] adopted at the Fourth United Nations Conference on the Least Developed Countries, held in Istanbul, Turkey, from 9 to 13 May 2011, in which Member States committed to assisting the least developed countries with an overarching goal of enabling half of them to meet the criteria for graduation by 2020,

Taking into account its resolution 59/209 of 20 December 2004 on a smooth transition strategy for countries graduating from the list of least developed countries,

Recalling its resolution 66/213 of 22 December 2011, in which it requested the President of the General Assembly to establish an ad hoc working group to further study and strengthen the smooth transition process for the countries graduating from the least developed country category and to submit a report to the Assembly at its sixty-seventh session with specific recommendations, consistent with the Istanbul Programme of Action,

Recalling also its resolution 65/286 of 29 June 2011 on implementing the smooth transition strategy for countries graduating from the list of least developed countries,

Recalling further Economic and Social Council resolution 2012/32 of 27 July 2012 on the report of the Committee for Development Policy on its fourteenth session,

Emphasizing that graduation from the list of least developed countries is a major milestone for the country involved, as it means that significant progress has been made towards reaching at least some of its development goals,

1. *Takes note* of the report of the ad hoc working group to further study and strengthen the smooth transition process for the countries graduating from the least developed country category;[3]

2. *Also takes note* of the report of the Secretary-General on the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011 to 2020,[4] especially section III on progress towards graduation and smooth transition;

1 Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9–13 May 2011 (A/CONF.219/7), chap. I.

2 Ibid., chap. II.

3 A/67/92.

4 A/67/88-E/2012/75 and Corr.1.

3. *Reiterates* the importance of ensuring that the graduation of a country from least developed country status does not cause disruption in the development progress which that country has achieved, and in this regard recognizes that the graduation process of least developed countries should include consideration of appropriate incentives and support measures;

4. *Urges* graduating countries and all bilateral and multilateral development and trading partners to pursue or intensify their efforts, consistent with the rules of the World Trade Organization, to contribute to the full implementation of resolution 59/209, as appropriate, with a view to ensuring the smooth transition of graduating least developed countries;

5. *Recognizes* the importance of making available information about least developed country-specific support measures and related smooth transition measures in the areas of financial support, technical assistance and trade-related measures, including their time frames, characteristics and modalities;

6. *Requests* the Secretary-General to further enhance information-sharing and understanding of available least developed country-specific international support measures, their characteristics and modalities, commends in this regard the existence of the Support Measures Portal for Least Developed Countries, which was developed by the Department of Economic and Social Affairs of the Secretariat as a valuable comprehensive tool for online information-sharing, and encourages its continuous updating and improvement;

7. *Emphasizes* that a successful transition needs to be based on the national smooth transition strategy elaborated as a priority by each graduating country, during the period between the date the recommendation that the country be graduated is taken note of by the General Assembly and the effective graduation date, under national leadership, involving, as appropriate, all stakeholders of the Programme of Action for the Least Developed Countries for the Decade 2011–20202 and the support of the international community, and that the national smooth transition strategy should include a comprehensive and coherent set of specific and predictable measures that are in accordance with the priorities of the graduating country while taking into account its own specific structural challenges and vulnerabilities as well as its strengths;

8. *Recommends* that the consultative mechanism specified in resolution 59/209 be established by the graduating country, in cooperation with its bilateral and multilateral development and trading partners, to facilitate the preparation of the transition strategy and the identification of the associated actions and the negotiation of their duration and phasing out for a period appropriate to the development situation of the country, and that it be integrated with other relevant consultative processes and initiatives between the graduating country and its development partners;

9. *Reiterates its call upon* development and trading partners of graduating countries to make efforts so that their bilateral and multilateral strategies and aid programmes support the national transition strategy of the respective country;

10. *Decides* to take note of the decisions of the Economic and Social Council regarding the graduation of countries from the list of least developed countries, as well as the inclusion of countries in that list, at the first session of the General Assembly following the adoption of such decisions by the Council;

11. *Invites* graduating and graduated countries to implement the smooth transition strategy as part of their overall development strategy and to incorporate it into relevant documents, including the poverty reduction strategy papers and the action matrix of the Diagnostic Trade Integration Studies under the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries;

12. *Requests* the Administrator of the United Nations Development Programme, as Chair of the United Nations Development Group, to provide, if requested, the support of the Resident Coordinator as a facilitator of the consultative process, and to assist graduating countries in the preparation of their transition strategies;

13. *Requests* the entities of the United Nations system to provide targeted assistance, including capacity-building, to graduating countries, if requested, through the United Nations country teams, in line with the existing mandates and resources, in support of the formulation and implementation of the national transition strategy;

14. *Invites* United Nations entities that have committed to allocating a certain percentage of their resources to least developed countries to consider the extension and gradual phasing out of least developed country-specific support to graduated countries for a fixed period of time in a predictable manner and applied according to the specific development situation of each graduating country;

15. *Invites* development and trading partners to consider the inclusion of trade-related technical assistance as part of the commitments to support each country's transition strategy in order to help graduating countries to adjust to the phasing out of trade preferences, including through the Enhanced Integrated Framework, Aid for Trade or other instruments;

16. *Reiterates its invitation* to all members of the World Trade Organization to consider extending to graduated countries the existing special and differential treatment measures and exemptions available to least developed countries for a period appropriate to the development situation of the country;

17. *Invites* trading partners that have not established procedures for extending or phasing out preferential market access, inter alia, duty-free and quota-free treatment, to clarify in a predictable manner, as a general measure or at the consultative mechanism, their position with regard to the extension of the least developed country-specific preferences, the number of years of the extension or the details concerning the gradual phasing out of the measures;

18. *Invites* least developed country-specific funds of the United Nations system to continue providing technical assistance to graduated countries in a manner that phases out over a limited period of time, and as appropriate to the development situation of the country, from within existing resources;

19. *Encourages* organizations of the United Nations system to extend voluntary travel benefits to graduated countries for a period appropriate to the development situation of the country from within existing resources and for a maximum of three years from the date of graduation;

20. *Invites* the Governments of graduating countries, with the support of the consultative mechanism, to report annually to the Committee for Development Policy on the preparation of the transition strategy and, after graduation becomes effective, to provide concise annual reports on the implemen-

tation of the smooth transition strategy for a period of three years, and triennially thereafter, as a complement to the two triennial reviews of the list of least developed countries carried out by the Committee;

21. *Requests* the Committee for Development Policy to monitor the development progress of graduated countries, in consultation with the Governments of those countries, on a yearly basis for a period of three years after graduation becomes effective, and triennially thereafter, as a complement to two triennial reviews of the list of least developed countries, and to include its findings in its annual report to the Economic and Social Council;

22. *Encourages* least developed countries to interact with graduated countries in order to obtain information on and discuss their experiences and share lessons learned in the context of graduation with support from the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States;

23. *Invites* development partners to consider least developed country indicators, gross national income per capita, the human assets index and the economic vulnerability index as part of their criteria for allocating official development assistance;

24. *Requests* the Secretary-General to submit to the General Assembly at its seventieth session a progress report on the implementation, the effectiveness and the added value of smooth transition measures, including initiatives taken by the United Nations system to support countries during their graduation from the least developed country category.

61st plenary meeting
21 December 2012