



The comprehensive review of the LDC criteria *

The Committee finalized its multi-year programme on the comprehensive review of the least developed country criteria. While confirming the basic concept of the criteria, it simplified their structure, expanded their coverage of structural impediments to sustainable development and strengthened their individual components. The refined criteria will be applied at the 2021 triennial review of the list of least developed countries, utilizing the established graduation and inclusion rules. The Committee also

strengthened the application of the criteria, including by expanding the additional information it uses before making recommendations for graduation. In the view of the Committee, the outcome of the review will contribute to shifting the graduation debate beyond a country classification exercise towards a discussion of how a country can further its momentum towards sustainable development with the support of the international community.

Every three years, the Committee reviews the list of least developed countries and recommends which countries should be added to or graduated from the list. The Committee has developed criteria as a basis for its recommendation as well as a set of procedures for their application. It regularly reviews the criteria to reflect the evolution of development thinking and changes in data availability. At the midterm review in 2016 of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011–2020, United Nations Member States mandated the Committee to undertake a comprehensive review of the least developed country criteria. The Committee therefore adopted a 2017–2020

multi-year review programme, which it concluded at the 2020 plenary of the Committee. It reconfirmed its earlier findings on the importance of the least developed country category in the current development context, the definition of least developed countries as low-income countries facing the most severe structural impediments to sustainable development, as well as the overall criteria framework. Taking into account all aspects of the evolving international development context, including relevant agendas, as mandated by the midterm review, it introduced refinements to the three criteria and their applications as outlined below.¹

¹ See also the Committees reports E/2017/33 and E/2019/33 for earlier conclusions on the implementation of the work programme and the Committee's website for further details and explanations

* Excerpt from Committee for Development Policy, Report on the twenty-second session, See Official Records of the Economic and Social Council, 2020, Supplement No. 13 (E/2020/33)

A. Income criterion

The Committee confirmed that the income criterion is measured by the three-year average of gross national income per capita in United States dollars, using conversion factors based on the World Bank Atlas methodology. It views purchasing power parity rates as not (yet) suitable for the identification of least developed countries, as different rounds of the International Comparison Programme determining

purchasing power parity rates can lead to drastic swings in reported gross national income over time. However, the Committee will continue to monitor the work of the Programme and investigate differences between gross national income per capita using Atlas conversion rates and purchasing power parity rates before recommending countries for graduation.

B. Human assets index

The human assets index will be refined by replacing the indicator on prevalence of undernourishment with an indicator for prevalence of stunting as reported by the United Nations Children's Fund (UNICEF)/World Health Organization (WHO)/World Bank joint malnutrition estimates for Sustainable Development Goal monitoring and other processes. The new indicator is better suited to measure malnutrition as a development handicap, whereas undernourishment prevalence is an indicator of food availability.

The Committee confirmed the under-5 mortality rate as an indicator for the overall health situation of the country and maternal mortality ratio as an indicator to reflect not only the specific risks associated with pregnancy but also broader development handicaps such as poorly developed health systems and gender inequality.

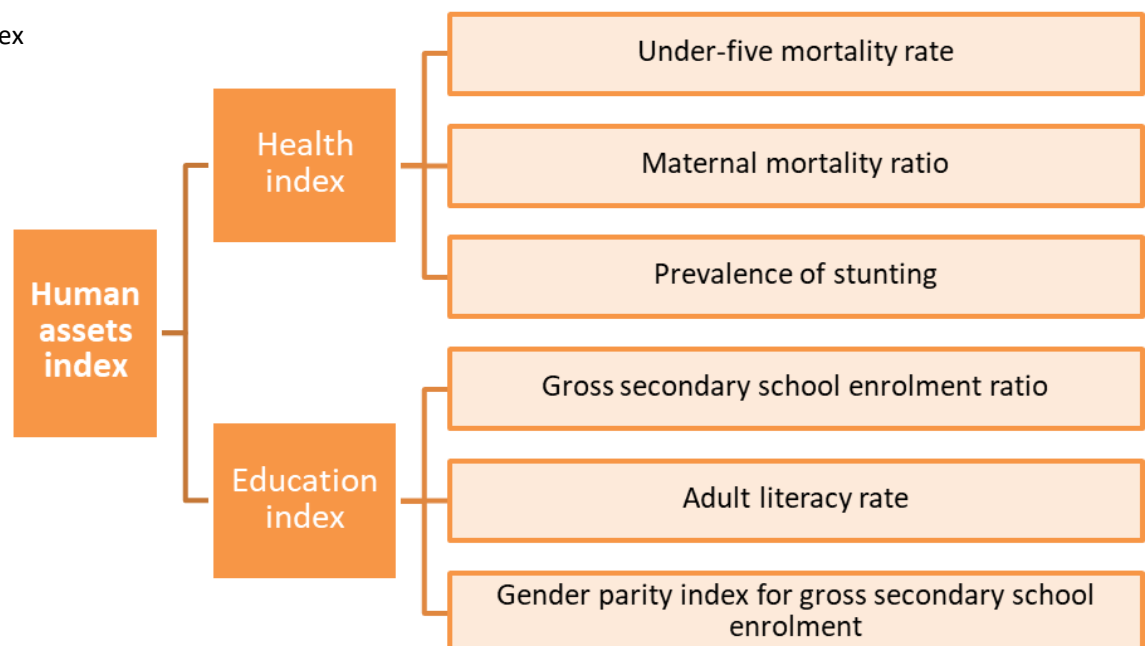
In the area of education, the review confirmed the gross secondary school enrolment ratio as a measure of the population obtaining a level of skills deemed necessary for significant development progress. The adult literacy

rate was confirmed as a measure for the base available for enlarging trained and skilled human resources. The Committee noted the limited data availability of official indicators used to monitor Sustainable Development Goal 4 on quality education that would improve the measurement of the education indicators within the human assets index, while appreciating the increased availability of literacy rate estimates by UNESCO.

To address gender inequities in education, in particular discrimination against girls, which is a structural impediment to development in many least developed countries, the Committee added the gender parity index for gross secondary school enrolment to the human assets index. The indicator will be replaced by a parity index on secondary school completion or, preferably, proficiency, once data availability for such an indicator is sufficient.

Indicators are converted into indices using the established methodologies with an equal weight. The refined human assets index will be composed as follows.

Figure 1
Refined human assets index



C. Economic and environmental vulnerability index

The economic vulnerability index will be renamed the “economic and environmental vulnerability index”, as the current name is misleading. For continuity, the abbreviation EVI will be kept. The refined index will consist of two subindices, one on economic vulnerability and one on environmental vulnerability. Each contains four indicators, keeping the total number of index indicators unchanged. To simplify, all sub-subindices will be eliminated and all indicators will have equal weight. The indicator on population size will be removed, as small size does not directly measure an economic or environmental vulnerability. Specific vulnerabilities associated or compounded by population size are captured in some of the remaining indicators.

For the economic vulnerability subindex, the Committee confirmed the share of agriculture, forestry and fisheries in gross domestic product (GDP) as an important and readily available indicator to reflect a lack of structural transformation that exposes countries to external shocks.

Physical distance from markets continues to be an important source of economic vulnerability. The methodology of the distance-based remoteness indicator reflects the specific challenges of landlocked developing countries in reaching export markets through an adjustment factor. To better reflect this feature, the indicator will be renamed remoteness and landlockedness.

The review further confirmed that the merchandise export concentration index reflects the exposure to shocks in specific product markets, even though it unfortunately excludes services owing to the lack of appropriate data and methodologies.

The review confirmed export instability as an indicator for the vulnerability to trade shocks, as highly variable export earnings typically cause fluctuations in production, employment and foreign exchange availability. For the 2021 triennial review, the methodology will be modified by weighing the volatility of exports in volume terms around their trend with the latest three-year trade dependency (the ratio of exports plus imports to GDP). This revision reflects the fact that export instability is more of an impediment for trade-dependent countries.

Previously, proneness to trade shocks was to some extent captured by the now-eliminated population size indicator in the environmental vulnerability index.

In the environmental vulnerability subindex, the Committee confirmed the share of population living in low-elevated coastal zones as an indicator capturing vulnerability to coastal impacts such as sea level rise and storm surges associated with climate change. The updated indicator version to be published by the Center for International Earth Science Information at Columbia University improves the accuracy of the elevation data and better reflects actual settlement patterns.

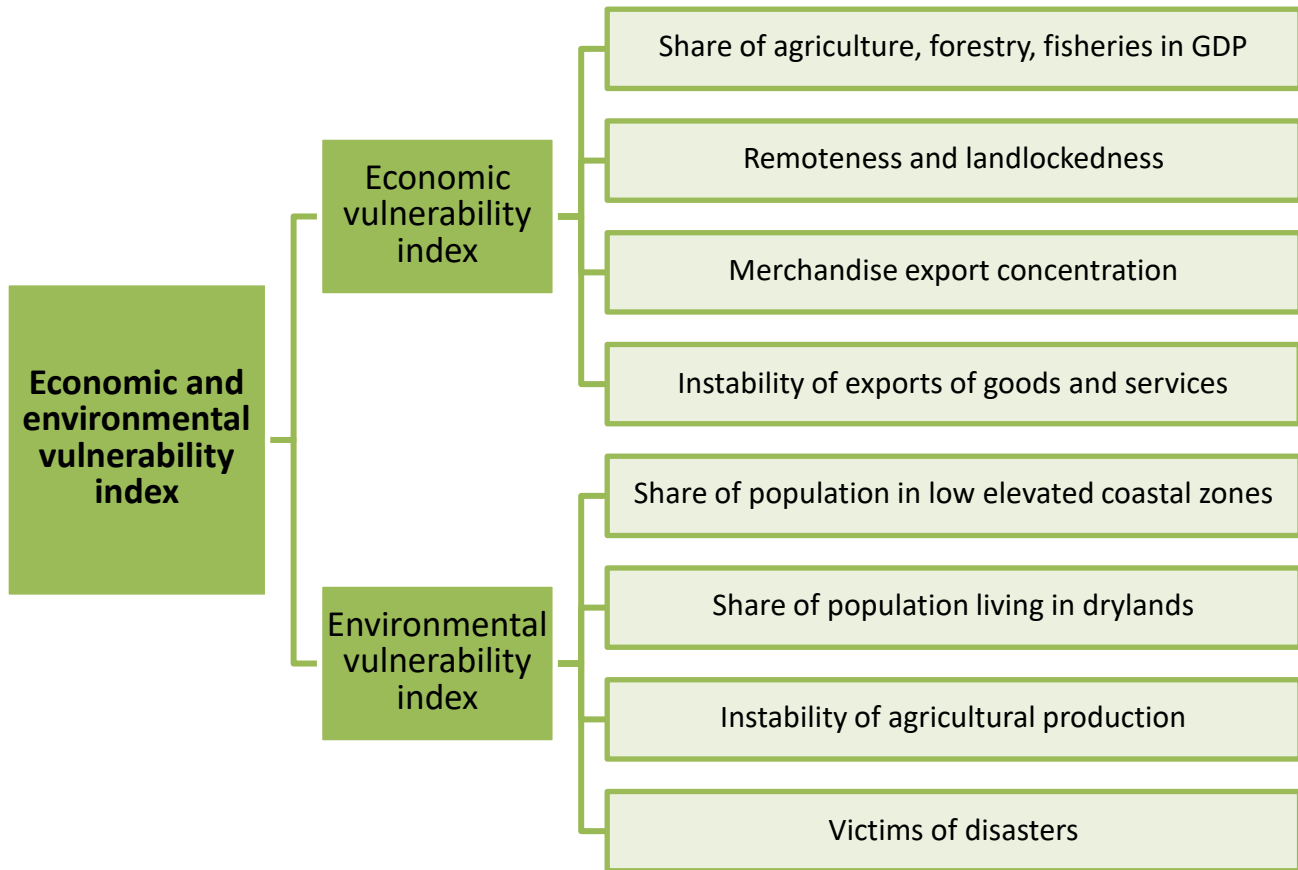
To broaden the coverage of environmental vulnerabilities, an indicator on the share of population living in drylands will be added to the environmental vulnerability index. Drylands and their fragile ecosystems are particularly sensitive to changing rainfall patterns and land degradation induced by climate change. Expansion of drylands is expected to continue, owing to continental warming, threatening to aggravate poverty, food and water insecurity in affected areas. The indicator will be calculated by the secretariat of the Committee on the basis of the definition of drylands in the United Nations Convention to Combat Desertification and using readily and publicly available spatial population and climate data.

The review confirmed the instability of agricultural production as an indicator for vulnerability to the impacts of natural shocks, including droughts and disturbances in rainfall patterns.

The review also confirmed the share of the population killed or affected in disasters as an indicator of the human impacts of disasters associated with natural hazards. The indicator will be renamed as victims of disasters to better align it with common United Nations terminology. The Committee agreed to adopt the Sendai Framework Monitor used for global Sustainable Development Goal reporting as the source when data availability has sufficiently increased.

With these changes, the refined environmental vulnerability index is as follows.

Figure II
Refined economic and environmental vulnerability index



D. Application of the criteria

Thresholds

At each triennial review, the least developed country criteria are applied to all countries in developing regions. Despite the criteria refinements, the overall distribution of index scores around the thresholds remains unaffected, so that the current human assets index thresholds (60 and below for inclusion, 66 and above for graduation) and environmental vulnerability index thresholds (36 and above for inclusion, 32 and below for

graduation) will be applied in 2021. Consistent with the established practice, the inclusion threshold of the income criterion will be set at the simple average of the low-income thresholds established by the World Bank for the years 2017–2019. The graduation threshold will be set 20 per cent above the inclusion threshold and the “income-only” graduation threshold at twice the graduation threshold.

Inclusion and graduation

The review confirmed the basic principles behind inclusion and graduation, including the asymmetry between the inclusion and graduation rules.

Countries need to meet the established inclusion thresholds for all three criteria in a single review to become eligible for inclusion. The Committee removed the additional requirement of having a population size of below 75 million, for simplification. Before recommending a country, the Committee reviews additional country-specific information. Inclusion

requires the consent of the country concerned and becomes effective immediately after the General Assembly takes note of the Committee’s recommendation.

For graduation, a country must meet not just one but two criteria at the established graduation threshold at two consecutive reviews. Countries that are highly vulnerable or have very low human assets are eligible for graduation only if they meet the other two criteria by a sufficiently high margin. For such countries, the

Committee commits to include in its findings an explicit statement as to whether this condition is fulfilled and how the remaining challenges can be addressed.

As an exception, a country whose per capita income is sustainably above the “income-only” graduation threshold becomes eligible for graduation even if it fails to meet the other two criteria. Such a country is deemed

Additional information

Before recommending a country for graduation, the Committee considers additional information and consults with the country concerned. The Committee expects that the quality and consistency of the current impact assessments and vulnerability profiles be further improved through the introduction of the graduation assessments discussed in chapter VI.

The Committee decided to enhance the graduation framework by introducing a set of supplementary graduation indicators. These indicators describe vulnerabilities not fully captured by the least developed country criteria and other factors relevant for graduation, such as inequalities, infrastructure, domestic and external resources, conflict and violence and governance, inter alia. They will be assembled, visualized and

Graduation narrative

The Committee resolved to improve its graduation narrative. As discussed in its 2019 report, the Committee will include a statement on whether the standard three-year preparatory period is appropriate or whether country-specific factors require a longer period, not exceeding five years. Drawing on the improved country-specific information and the new supplementary graduation indicators, the Committee will provide

to have sufficient resources to address its challenges without recourse to least developed country-specific support measures. In the future, the Committee will request an explicit sustainability analysis as part of the country-specific information before making a recommendation under this exception.

published by the secretariat of the Committee for each triennial review, starting in 2021. Indicators will have to be available for most least developed countries and other developing countries and be methodologically sound. These indicators will provide the Committee, as well as the countries concerned, with an additional screening tool for identifying sustainable development challenges faced by countries eligible for graduation. They complement the idiosyncratic information contained in the graduation assessment and related documents. Together with the criteria refinements, the new supplementary graduation indicators also further align the least developed country graduation framework with the 2030 Agenda for Sustainable Development.

suggestions for priorities and the type of support needed to ensure a smooth transition. Overall, the graduation narrative will contribute to moving the graduation debate beyond a country classification exercise towards a discussion of how a country can further its momentum for progress towards sustainable development with the support of the international community.