



Review of the least developed country criteria *

The Committee reviewed its criteria for the identification of least developed countries and undertook refinements to the composition of the criteria and their application procedure, while confirming their structure and principles for the 2024 triennial review.

Every three years, the Committee is mandated to review the list of least developed countries and to make recommendations to the Council on which countries should be added to or graduated from the list. For that purpose, it has developed a set of three criteria as a basis for its recommendations as well as a set of procedures for their application. Over time, the Committee has regularly revised its criteria, in line with the evolution of development thinking and changes in the availability of data. Accordingly, it reviewed and refined the criteria and their application procedures for the 2024 triennial review. The Committee confirmed its long-standing principles for reviewing the criteria and built on its comprehensive multi-year review of the criteria implemented between 2017 and 2020. The Committee confirmed that it defined least developed countries as low-income countries suffering the most severe structural impediments to sustainable development.

Income criterion

The Committee confirmed that for the 2024 triennial review, the income criterion would be measured by the three-year average of GNI per capita in United States dollars, using conversion factors based on the World Bank Atlas methodology. It noted the important link between the World Bank income classification and the least developed country income criterion, with the World Bank low-income threshold serving as the basis for the least developed country income thresholds. The Committee recalled its previous findings that purchasing power parity (ppp) conversion factors were better suited to the comparison of income levels of countries. It welcomed progress by the International Comparison Programme, which mitigated its previous concerns concerning possible drastic swings in reported GNI between different International Comparison Programme rounds. The Committee will consider moving from Atlas conversion factors to ppp conversion factors in calculating GNI per capita when the World Bank adopts ppp conversion factors for its income classifications, while in the interim paying special attention to ppp-based GNI per capita before making recommendations for graduation.

Human assets index

The Committee confirmed the three health-related indicators of the human assets index: the under-five mortality rate, as an indicator for the overall health situation of the country; the maternal mortality ratio, as an indicator to reflect specific risks associated with pregnancy as well as broader development handicaps such as poorly developed health-care systems and gender inequality; and prevalence of stunting, as a measure for structural impediments caused by chronic malnutrition.

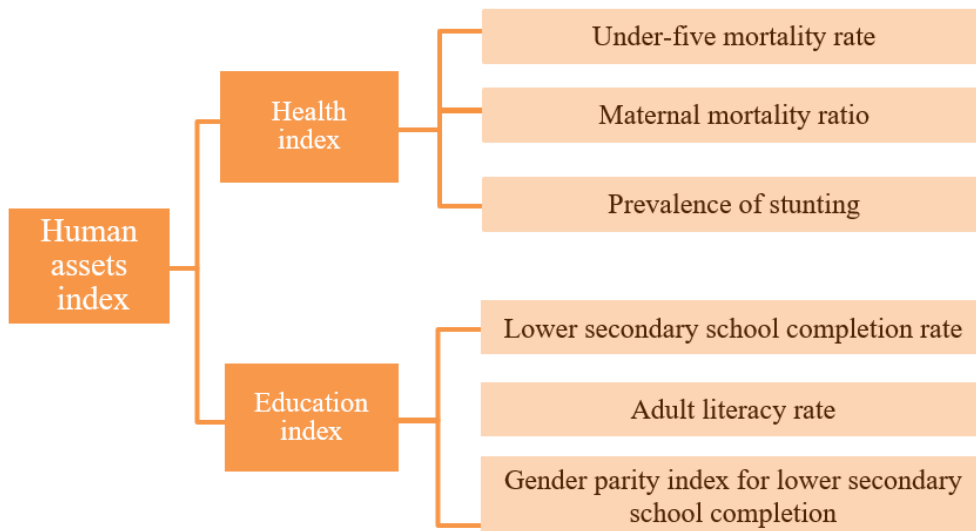
The Committee confirmed adult literacy rate as a measure for the base available for enlarging trained and skilled human resources. It welcomed the progress made by the United Nations Educational, Scientific and Cultural Organization in publishing consistent and timely information on school completion rates for most developing countries, thereby providing an improved measure for the level of skills deemed necessary for significant future development progress. Hence, it decided to replace the current indicator “gross secondary school enrolment” with “lower secondary school completion rate”. To ensure consistency of the least developed country criteria, it also decided to replace the gender parity index for gross secondary school enrolment with “gender parity index for lower secondary school completion”.

* Excerpt from Committee for Development Policy, Report on the twenty-fifth session, See Official Records of the Economic and Social Council, 2023, Supplement No. 13 (E/2023/33)

Indicators are converted into indices using the established methodologies and are aggregated giving each indicator equal weight. The refined human assets index is shown in figure I.

Figure I

Refined human assets index



Economic and environmental vulnerability

Within the economic vulnerability sub-index, the Committee confirmed share of agriculture, forestry and fishing in gross domestic product as an important and readily available indicator to reflect a lack of structural transformation that exposes countries to external shocks. It confirmed remoteness and landlockedness as a measure for capturing vulnerabilities caused by physical distance from markets, adjusted for specific challenges of landlocked countries, and export instability as an indicator for vulnerability to trade shocks, as highly variable export earnings typically cause fluctuations in production, employment and foreign exchange availability.

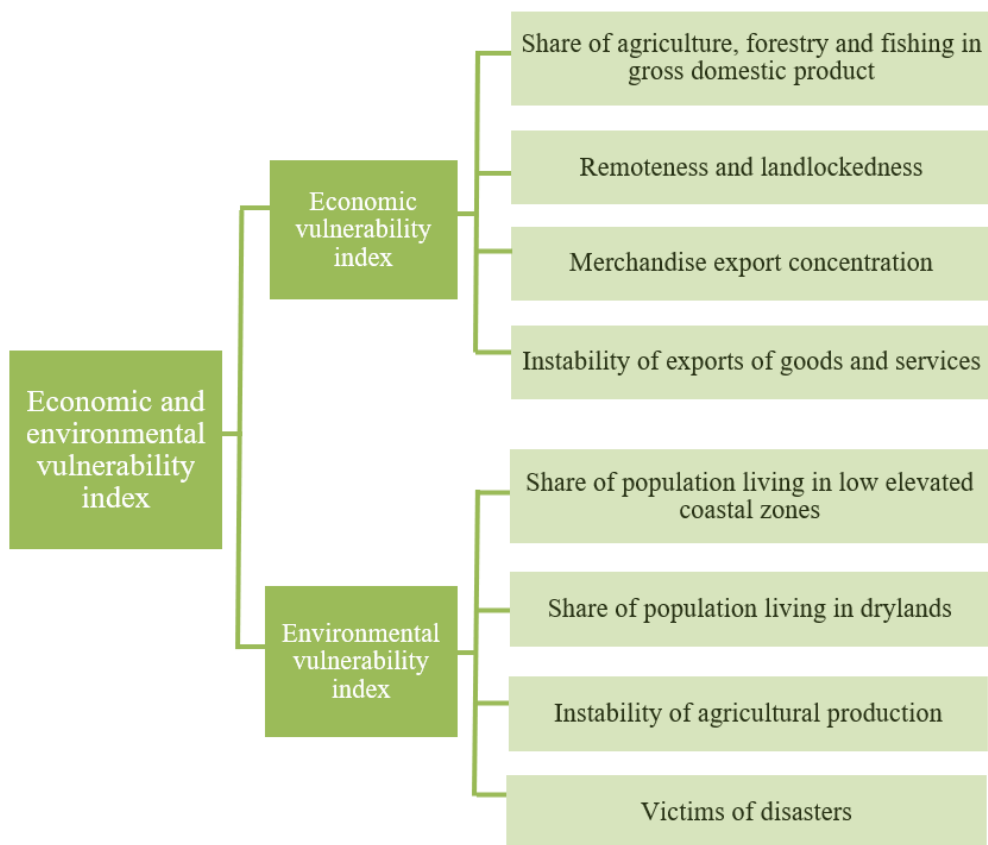
The Committee confirmed that export concentration reflected a key impediment faced by least developed countries, namely, a lack of economic diversification. It decided to maintain the indicator on merchandise export concentration but to adapt its methodology to cover not only product but also market concentration, given that the problem of a narrow set of export markets exposes many least developed countries to the risk of country-specific external demand shocks. The Committee commits to exploring options for broadening the export concentration indicator to also cover services exports in the future if data availability improves.

In the environmental vulnerability sub-index, the Committee confirmed 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. as well as share of population living in drylands as an indicator to capture vulnerabilities in areas that are particularly sensitive to changing rainfall patterns and land degradation induced by climate change. The review also confirmed instability of agricultural production as an indicator for vulnerability to the impacts of natural shocks, including droughts and disturbances in rainfall patterns.

The Committee confirmed victims of disaster as an indicator of the human impacts of disasters associated with natural hazards. It welcomed the improved coverage of data from the Sendai Framework monitor reported by the United Nations Office for Disaster Risk Reduction, including for selected Sustainable Development Goal targets, and adopted the monitor as a main data source owing to its official status and the high quality of the data.

Indicators are converted into indices using the established methodologies and are aggregated giving each indicator equal weight. The refined economic and environmental vulnerability index is shown in figure II.

Figure II
Refined economic and environmental vulnerability index



Application of the criteria

At each triennial review, the least developed country criteria are applied to all countries in developing regions. Despite the refinements of the criteria, 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 economic and environmental vulnerability index thresholds (36 and above for inclusion, 32 and below for graduation) will apply in 2024. Consistent with the established practice, the inclusion threshold of the income criterion will be the simple average of the low-income thresholds established by the World Bank for the years 2020 to 2022 and the graduation threshold will be 20 per cent above the inclusion threshold.

The Committee reconfirmed the basic rules for identifying countries for inclusion and graduation. Countries need to meet the established inclusion thresholds for all three criteria in a single review to become eligible for inclusion. 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 at least two criteria at the established graduation threshold at two consecutive reviews. Countries that are highly vulnerable, have very low human assets or have low per capita income would not be recommended for graduation if they do not meet the other two criteria by sufficiently high margins.

The Committee reviewed experiences and concerns in respect of the “income-only” exception to the graduation rule, which allowed countries with a sufficiently high and sustainable level of per capita income to be eligible for graduation even if they failed both of the other criteria. The Committee decided to maintain the principle of allowing such countries to become eligible in cases in which their inability to meet the other criteria was not a consequence of external structural factors. However, it decided to raise the threshold in such cases to three times the regular graduation threshold.

Regarding recommendations for graduation and inclusion, meeting the basic rules is necessary but not sufficient. For inclusion, the Committee considers a country assessment and the country views expressed in writing. For graduation, the Committee considers a set of supplementary graduation indicators available on its website, country-specific analysis through a graduation assessment (incorporating a vulnerability profile prepared by the United Nations Conference on Trade and Development, an

ex-ante impact assessment prepared by the Department of Economic and Social Affairs and additional information from relevant United Nations entities and other organizations) and the views of the country expressed in dedicated consultations and in writing.

The additional information is critical for the Committee to reflect relevant issues that cannot be captured or are only partially captured in the least developed country criteria, including inequality, debt vulnerability, climate change vulnerability and the biodiversity crisis. It also serves as an entry point for identifying policy priorities and support needs for a smooth transition from the least developed country category, which the Committee includes in any recommendation.

Given that least developed country criteria aim to capture longer-term progress and because of time lags in producing official data, least developed country indicator scores are limited in capturing short-term changes. The Committee therefore confirmed that before making recommendations, it would continue considering estimates and other suitable techniques for least developed country criteria when appropriate, particularly in case of major external shocks. The Committee highlighted the importance of keeping the least developed country criteria under review in future work programmes.