
THE RATIONALE OF THE LEAST DEVELOPED COUNTRIES CATEGORY OVER HALF A CENTURY

Patrick Guillaumont

F&Di

FONDATION POUR LES ÉTUDES
ET RECHERCHES
SUR LE DÉVELOPPEMENT
INTERNATIONAL

**Fifty years of
Least Developed Countries
Rationale and Impact
of a Differential Treatment**



1. A category set up to mobilize a *special support*

- *A category effective in 1971 after decision of UNGA and through a first identification of (25) LDCs by the CDP*
- *After several years of UN discussion on the need to officially recognize a group of « least advanced » developing countries as beneficiaries of special measures*
- *A category conceived as an exception in the UN international development strategy ...*
- *Category support preferred to a gradual one, such as a support tailored according to continuous criteria*
- *Criteria however needed to shape the category...and to be used beyond the category*

2. A category targeting poor countries facing *most severe handicaps* to development

- Countries that, due to handicaps inherited from the past, i.e. *out of the current will of governments*, challenged by *exogenous* «constraints to rapid growth»... could be said « *caught in a trap* », out of «convergence »,...or simply “more likely than other countries to stay poor”
- « *structural handicaps* », a key concept of the category
- In line with a principle of international *justice*, more and more understood as equal(izing) opportunities (between nations)
- A rationale of the category to be *reflected by handicap criteria*, adapted over the years and likely to be used beyond the category, as recommended by UNGA (2012) for ODA allocation

3. A category identified through 3 criteria, alternatively absolute and relative

- *Low level of GDP/ GDN pc, and 2 handicap criteria: low level of human capital and weak economic structure, with changing design, initially 2 single indicators, then 2 composite indices (now HAI/ EVI)*
- Since 1991 the low income criterion refers to the (constant) threshold of LICs... and the 2 handicap criteria refer to a *threshold in the handicap composite indices*, initially (from 1991 to 2012) «relative» to their value in other comparable countries, then fixed
- *Should the thresholds reflect absolute or relative handicaps, in a world of increasing competition ?*
- An issue for the category, not for *using the criteria beyond it*,

4. Three *complementary* 3 identification criteria: What it means

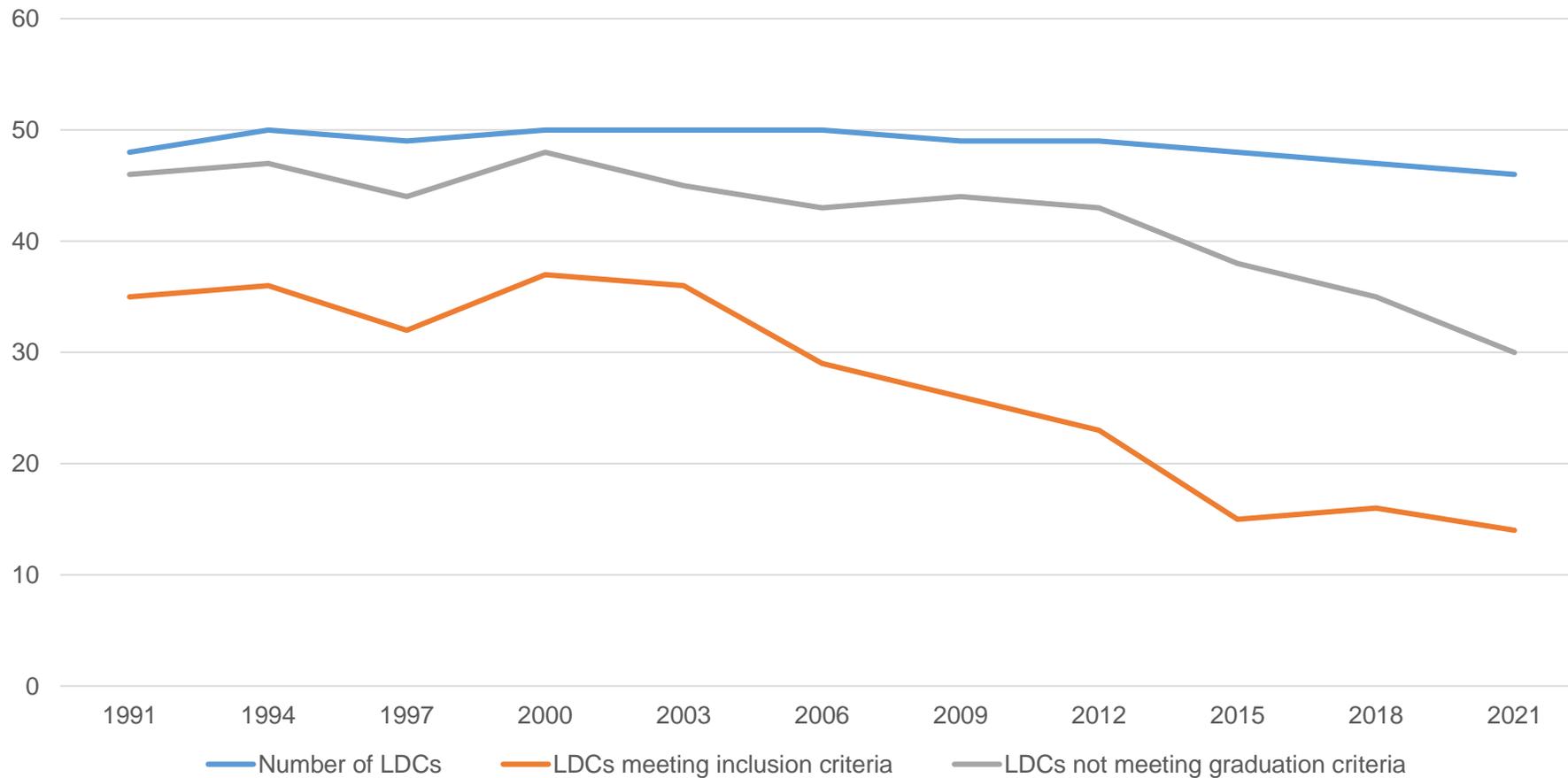
- The 3 criteria have to be met for inclusion into the list of LDCs: they are complementary. Economic growth is supposed undermined by the *conjunction of the two kinds of handicaps*, and not by one or the other... Early 70s theoretical mind...
- indeed the 2 handicaps significant negative factors of growth
- but hypothesis of complementarity or limited substitutability between them more debatable, in particular for last decades,...and no similar basis with respect to meeting SDGs
- Strict complementarity weakens the category rationale
- *could be replaced by a single structural handicap index, merging the 2 indices* (possibly allowing only a limited substitutability)

5. *Asymmetry* between inclusion and graduation rules: Its high impact

- In 1991, graduation rules introduced: done cautiously, to avoid reversal or disruption in development path :
 - 1) Minor asymmetry: the margins between the inclusion and graduation criteria thresholds, (as well as to the need to assess the graduation eligibility at 2 successive reviews)
 - 2) Major asymmetry: for graduation, countries *need to no longer meet 2 criteria, and not just only one*
- This second asymmetry has strongly slowed the path to graduation...and led to a sharp increase in the number of countries no longer meeting the inclusion criteria without meeting the graduation criteria (20/46). (See Graph)

6. Inclusion and graduation. How the composition of the category has evolved,

(source: Guillaumont P. (2018) "Reforming the criteria for identifying Least Developed Countries according to the rationale of the category", FERDI Policy brief B176)



7. *Making the asymmetry between inclusion and graduation rules more consistent*

- Major asymmetry not consistent with complementarity
- Consistency improved with *aggregate index* of structural handicaps
- And considering *graduated LDCs as countries no longer « poor » and no longer suffering from most severe structural handicaps*
- A design in line with the basic rationale of the category and allowing to *take into account the diversity of structural handicaps revealed by the new shocks and trends* faced over years by LDCs (covid, digital divide, terrorism,...)

8. Structural vulnerability becoming a key concept in the design of LDCs category

- In 2000, EVI replaced EDI. Did not modify the eligibility of graduating countries (from GNIpc and HAI), but highlighted the vulnerability challenge more and more important for last 25 years
- EVI designed as an *index of «structural economic vulnerability»*, modified several times, some environmental components added.
- But other dimensions of vulnerability left aside (to exogenous social shocks: epidemics, conflict and violence,...), as well as a direct measurement of vulnerability to climate change
- Although renamed «Economic and Environmental Index», EVI is not yet a fully «multidimensional vulnerability index»

9. Multidimensional vulnerability as a handicap to sustainable development

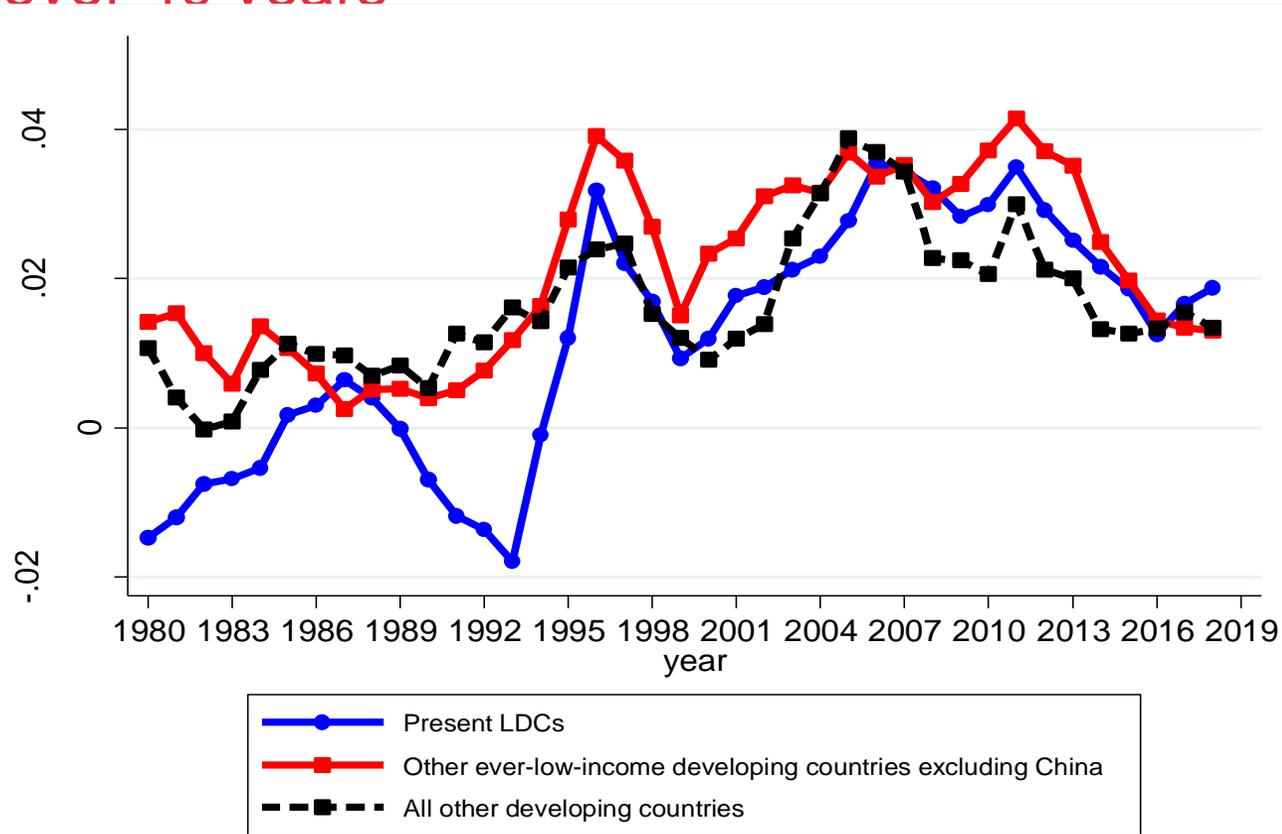
- In Dec 2020 request from the UNGA to the UNSG for a MVI (*multidimensional vulnerability index*) likely to be used by SIDS, as well as other vulnerable countries, for mobilizing financial support
- This index, for its exogenous components, may be used for LDCs as an index of structural handicap
- While HAI captures the core of structural resilience
- In line with considering the category as «*Countries facing severe impediments to sustainable development*» as done as soon as 2012 by the CDP and consistent with the SDGs adopted in 2015
- Strong rationale for considering *LDCs as poor countries facing structural handicaps to move towards SDGs...*and for the new program of action to tackle these handicaps

10. The rationale of category reinforced by its impact, and reinforcing it

- Has the category membership helped LDCs escape the poverty trap? and “converge”? It would reveal and legitimate its rationale...
- Difficult to assess the real impact of category membership (cf. Session 2)
- But it will appear that this impact, although quite below the expected one, has been progressively evidenced, as through a reversal of the average relative rates of growth of LDCs in the last 20 years
- *If category helped, it should be reinforced by an ambitious new programme, effectively implemented, to make easier the LDCs move towards the SDGs*
- *Enhancing the rationale of the category and improving consistently its criteria, recognized as universal criteria beyond the category itself will strengthen its international support*

THANK YOU

11. Compared evolution of the average rate of growth of income pc in LDCs, other developing countries, among which those having been LICs over 40 years



- 12 Comments on the graph
- 2 sub-periods
- (1970)1980- 1995: Negative rate of GNIpc growth of LDCs, while other developing countries (DCs) are growing, in particular those having been LICs, suggesting an LDC trap
- 1995- 2019: Positive rate of growth of LDCs, close to that of other DCs (becoming even higher from 2005 to 2019), suggesting a late impact of the category, still lower than that of countries having been LICs, suggesting a persistent influence of the handicaps