UNCTAD/LDC/2004

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Geneva

THE LEAST DEVELOPED COUNTRIES REPORT 2004

Part One: Chapter 1

RECENT ECONOMIC TRENDS

UNITED NATIONS
New York and Geneva, 2004

Recent Economic Trends

Chapter 1

A. Overall economic growth trends

During the period 2000–2002, the latest years for which data are available, the economic performance of the LDCs as a group continued to improve. Indeed, the average annual real GDP growth rate exceeded that of other developing countries during this period. But there are significant differences amongst the LDCs, with some doing very well and some doing very badly. Moreover, the types of LDCs that did best are those which, during the 1990s, experienced the highest levels of growth instability.

During the period 2000–2002, the economic performance of the LDCs as a group continued to improve. But there are significant differences amongst the LDCs.

The real GDP of the LDCs as a group grew faster in the late 1990s than in the early 1990s, and during the period 2000–2002 the group grew slightly faster than during the later 1990s. For the 45 LDCs for which data are available, the average growth rate was 4.9 per cent per annum during 2000–2002, that is 0.5 of a percentage point more than in 1998–2000 (see table 1). It is also estimated that the growth rate of the real GDP per capita of the group of LDCs also accelerated — from an annual average of 2.0 per cent in 1998–2000 to 2.6 per cent in 2000–2002.

Bangladesh, whose economy constitutes a quarter of the total GDP of all the LDCs, pulls up the overall growth rate. But the improvement in growth performance is still evident in the rest of the LDCs — the rate of growth of their real GDP per capita increased from 1.4 per cent per annum in 1998–2000 to 2.5 per cent per annum in 2000–2002 (table 1).

Table 1. Real GDP and real GDP per capita growth rates of LDCs and other country groupings, 1998–2000 and 2000–2002

(Average annual growth rate, percentage)

	Real GDP growth					**Real GDP per capita growth**				
	1998–2000	*2000*	*2001*	*2002*	*2000–2002*	*1998–2000*	*2000*	*2001*	*2002*	*2000–2002*
Least developed countries	4.4	4.3	4.9	5.0	4.9	2.0	1.9	2.5	2.7	2.6
Of which:										
Bangladesh	5.4	5.9	5.3	4.4	4.8	3.6	4.1	3.5	2.6	3.0
Other LDCs	3.9	3.6	4.7	5.2	5.0	1.4	1.1	2.2	2.7	2.5
African LDCs	3.7	3.2	4.9	5.7	5.3	1.2	0.7	2.4	3.2	2.8
Asian LDCs	5.4	6.0	5.0	4.0	4.5	3.4	3.9	3.0	2.0	2.5
Island LDCs	3.0	2.0	1.4	1.9	1.6	0.5	-0.4	-1.0	-0.5	-0.8
Other developing countries	4.4	5.6	2.7	3.5	3.1	2.9	4.1	1.3	2.2	1.8
Low-income countries	4.4	4.1	4.5	4.1	4.3	2.4	2.2	2.6	2.3	2.5
Middle-income countries	3.8	5.3	2.6	3.2	2.9	2.8	4.3	1.7	2.2	2.0
High-income countries	3.3	3.7	0.7	1.3	1.0	2.6	2.9	0.0	0.8	0.4
World	3.4	3.9	1.1	1.7	1.4	2.1	2.6	-0.1	0.5	0.2

Source: UNCTAD secretariat estimates, based on World Bank, *World Development Indicators,* online data.

Notes: Real GDP is measured in constant 1995 dollars. No data were available for Afghanistan, Myanmar, Somalia or Tuvalu.
The group of other developing countries is composed of 78 non-LDC developing countries (excluding Central and Eastern Europe) for which real GDP data were available.
Low-, middle- and high-income countries are country groups defined by the World Bank.
For the classification of LDCs, see the annex to the chapter.

The improvement in the economic growth rate within the LDCs occurred as that of other developing countries slowed down.

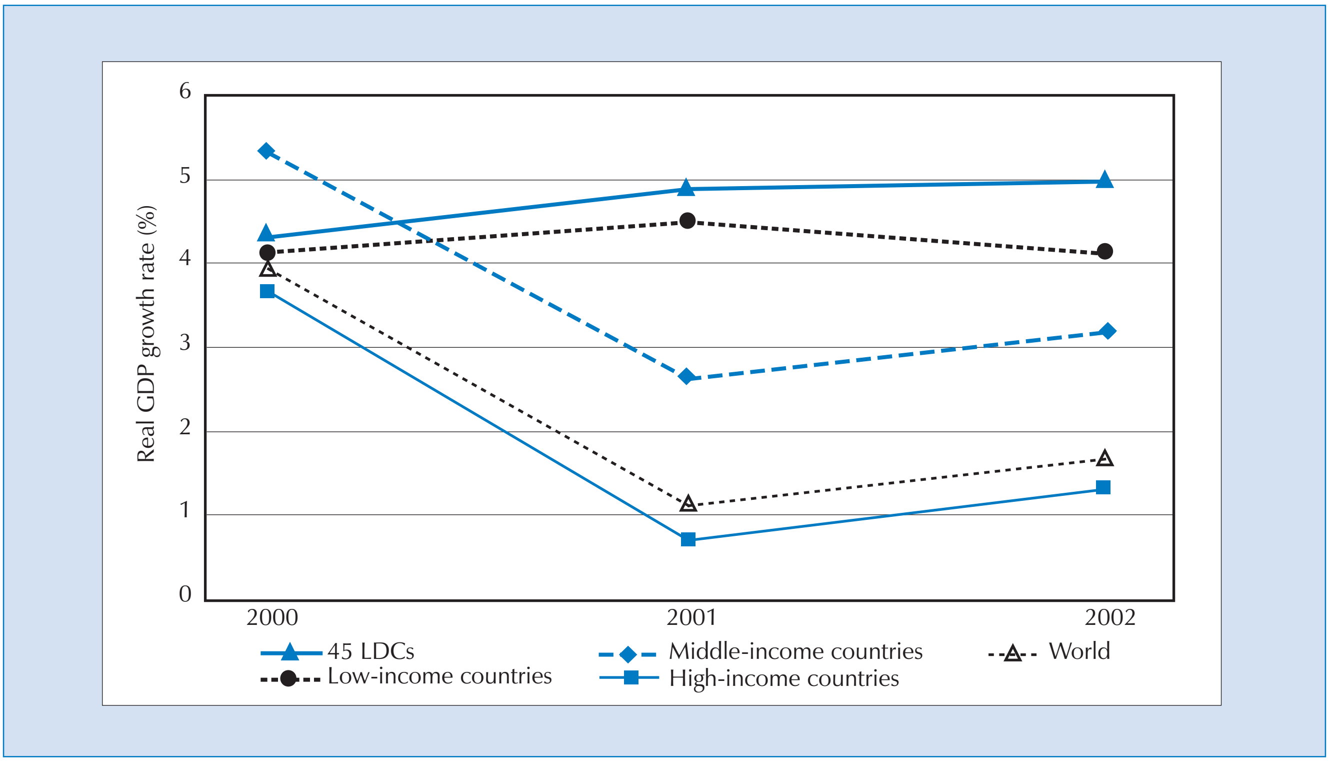
It is notable that this improvement in the economic growth rate within the LDCs occurred as that of other developing countries slowed down — from 2.9 per cent per annum in 1998–2000 to 1.8 per cent per annum in 2000–2002 in real per capita terms. This difference is explained by the fact that the GDP growth of the group of other developing countries decelerated strongly in 2001, with the average per capita GDP growth rate falling from 4.1 per cent in 2000 to 1.3 per cent in 2001, from which point it slowly recovered to 2.2 per cent in 2002. Unlike that of other developing countries, the aggregate GDP growth of LDCs kept pace in 2001. The relative resilience to the global economic downturn in 2001 is also apparent in the group of low-income countries (chart 1).

However, the higher growth rates in the LDCs have not yet been sufficient to reduce the increasing gap in the level of per capita GDP between the two country groups.

The improved growth performance in the group of LDCs in 2000–2002 is encouraging as between 1990 and 1997 real growth rates were lower in the LDCs than in other developing countries. However, the higher growth rates in the LDCs have not yet been sufficient to reduce the increasing gap in the level of per capita GDP between the two country groups. In the 45 LDCs for which data are available, the average growth rate of per capita GDP of 2.6 per annum in 2000–2002 translates into an additional $15 per capita per year in real terms, whereas in the group of other developing countries, the per capita growth rate of 1.8 per cent per annum translates into an additional $54 per capita per year.

There is also much divergence amongst the LDCs. GDP growth decelerated between 2000 and 2001 in all seven Asian LDCs for which data are available. Comparatively, only one-third of the African LDCs experienced GDP deceleration between 2000 and 2001. Globally, out of the 45 LDCs for which real GDP data are available, more than half (24 LDCs) displayed either negative or slow per capita growth rate in the period 2000–2002. In contrast, less than one third (14 LDCs) demonstrated a per capita growth performance exceeding 3 per cent per annum. Only seven LDCs, namely Angola, Bhutan, Chad, Eritrea,

Chart 1. Real GDP growth rates in LDCs, low-, middle- and high-income countries and world in 2000, 2001 and 2002



Source and notes: See table 1.

Mozambique, Rwanda and Sudan, achieved the 7 per cent growth target set under the Programme of Action for the Least Developed Countries for the Decade 2001–2010 (United Nations, 2001: para. 6) (see table 2).

TABLE 2. REAL GDP AND REAL GDP PER CAPITA GROWTH RATES OF LDCS, BY COUNTRY, 1998–2000 AND 2000–2002

(Average annual growth rate, percentage)

	Real GDP growth		Real GDP per capita growth	
	1998–2000	*2000–2002*	*1998–2000*	*2000–2002*
High-growth economies				
Mozambique	4.5	11.8	2.3	9.5
Angola	3.2	9.9	0.3	6.8
Eritrea	-5.9	9.5	-8.5	6.7
Chad	0.8	9.7	-1.9	6.6
Sudan	6.3	8.7	4.3	6.5
Rwanda	6.8	8.0	3.8	5.0
Bhutan	7.0	7.3	3.9	4.4
Ethiopia	5.3	6.4	2.7	4.0
Sierra Leone	-2.3	5.8	-4.3	3.8
United Rep. of Tanzania	4.3	5.8	1.9	3.5
Cambodia	6.3	5.4	4.0	3.4
Mali	5.2	5.5	2.8	3.1
Burkina Faso	4.0	5.6	1.5	3.1
Bangladesh	5.4	4.8	3.6	3.0
Moderate-growth economies				
Lao PDR	6.6	5.3	4.1	2.9
Uganda	5.5	5.5	2.7	2.8
Lesotho	2.7	3.9	1.3	2.6
Benin	5.2	5.1	2.5	2.5
Samoa	4.7	3.7	3.8	2.5
Zambia	2.9	4.0	0.7	2.1
Liberia	21.6	4.7	18.3	2.1
Slow-growth economies				
Mauritania	4.6	4.9	1.1	1.8
Guinea	3.0	4.1	0.7	1.8
Niger	-1.0	5.0	-4.3	1.7
Senegal	5.4	4.1	2.6	1.6
Burundi	-0.9	3.4	-2.8	1.5
Central African Republic	2.9	2.8	1.4	1.3
Cape Verde	7.7	3.6	4.9	1.0
Sao Tome and Principe	2.7	3.0	0.5	0.9
Maldives	6.0	2.9	3.5	0.6
Togo	0.2	2.8	-2.8	0.2
Comoros	0.4	2.5	-2.1	0.0
Regressing economies				
Kiribati	0.2	2.2	-2.4	0.0
Yemen	4.3	3.0	1.4	-0.1
Gambia	6.0	2.6	2.7	-0.1
Nepal	5.3	2.0	2.8	-0.3
Djibouti	1.5	1.6	-0.5	-0.3
Equatorial Guinea	28.6	0.8	25.2	-1.8
Malawi	2.9	0.1	0.7	-1.9
Dem. Rep. of the Congo	-5.7	0.5	-8.3	-2.2
Vanuatu	0.1	-1.1	-2.7	-3.2
Haiti	1.7	-1.3	-0.4	-3.3
Guinea-Bissau	7.6	-2.0	5.4	-4.1
Madagascar	4.7	-3.4	1.5	-6.1
Solomon Islands	-7.6	-7.0	-10.0	-9.6

Source: UNCTAD secretariat estimates, based on World Bank, *World Development Indicators,* online data.

Note: Real GDP is measured in constant 1995 dollars. The countries are ranked by average annual growth rate of real GDP per capita, 2000–2002. No data were available for Afghanistan, Myanmar, Somalia or Tuvalu.

During the period 2000–2002, only seven LDCs achieved the 7 per cent growth target set under the Programme of Action for the Least Developed Countries for the Decade 2001–2010.

World Bank data indicate that in terms of both GDP and GDP per capita, and in spite of a higher population growth rate, African LDCs grew faster than Asian and island LDCs during 2000–2002, and also faster than other developing countries. Furthermore, they experienced the highest growth acceleration between 1998–2000 and 2000–2002. In real per capita terms, GDP increased from 1.2 per cent per annum in 1998–2000 to 2.8 per cent per annum in 2000–2002 in African LDCs, whereas it slowed down from 3.4 per cent to 2.5 per cent in Asian LDCs and from 0.5 per cent per annum to -0.8 per cent per annum in island LDCs over the same periods. The contrast between Africa and Asia reflects the fact that the proportion of African LDCs in which GDP contracted between 2000 and 2001 was smaller than that of Asian LDCs. The negative per capita growth rate displayed by small island LDCs in 2000–2002 reflects the great vulnerability of small island States, and particularly that of their tourism sector, to the effects of terrorism on the volume of airline travel. In Asian LDCs and unlike in other LDC groups, real GDP continued to decelerate between 2001 and 2002, which coincided with the outbreak of the Severe Acute Respiratory Syndrome (SARS) in the Asian region.

African LDCs grew faster than Asian and island LDCs during 2000–2002.

Improvements in the real GDP growth rate from 1998–2000 to 2000–2002 are evident in LDCs whose exports are agricultural commodities and also minerals. In the former group the annual GDP growth rate increased from 4.2 per cent to 5.5 per cent, whilst in the latter it increased from 0.2 per cent to 3.3 per cent. LDC oil exporters also experienced a strong real GDP annual growth — 7.5 per cent — in 2000–2002, largely because of Angola and Sudan. But economic growth in LDCs whose major exports are manufactures and/or services slowed down from 5.2 per cent per annum in 1998–2000 to 4.2 per cent per annum in 2000–2002 (see table 3).

The improved performance of non-oil commodity-exporting LDCs in the period 2000–2002 is a notable feature of recent economic trends. However, a critical question is the sustainability of recent trends. Many LDCs have in the past been characterized by growth instability. Moreover, in the 1990s real GDP growth was over five times more unstable in African than in Asian LDCs and between two and three times more unstable in agriculture-dependent LDCs than in manufactures and/or services-exporting LDCs. Growth rates in mineral-exporting LDCs were between three and four times more unstable than those of manufactures and/or service-exporting LDCs, while those of oil-exporting LDCs were about five times more unstable (see table 3).

Table 3. Real GDP growth rate in LDCs classified by export specialization, 1998–2000 and 2000–2002, and standard deviation, 1991–1999

	Average annual growth rate (%)		**% point difference**	**Standard deviation**[a]
	1998–2000 (a)	*2000–2002 (b)*	*(b-a)*	*1991–1999 (% point)*
Non-oil primary-commodity exporters	2.9	4.9	1.9	2.5
Of which:				
Agricultural exporters	4.2	5.5	1.3	2.3
Mineral exporters	0.2	3.3	3.0	3.1
Oil exporters	5.4	7.5	2.1	4.7
Manufactures and/or services exporters	5.2	4.2	-0.9	0.9
Least developed countries	4.4	4.9	0.5	1.9

Source: UNCTAD secretariat estimates, based on World Bank, *World Development Indicators,* online data.

Note: For the classification of LDCs by export specialization, see the annex to the chapter.

a As proxy for instability of real average annual GDP growth rate.

In short, the GDP data of LDCs indicate that on average the LDC sub-groups which performed best in 2000–2002 and which contributed most to the LDCs' growth acceleration are those which in the 1990s demonstrated highest GDP growth instability. In this regard, the results in relation to the aggregate GDP performance of LDCs in 2000–2002, although immensely encouraging, should not lead to premature conclusions.

The LDCs which performed best in 2000–2002 and which contributed most to the LDCs' growth acceleration are those which in the 1990s demonstrated highest GDP growth instability.

Growth sustainability remains central to the analysis of LDCs' economic performance. In this regard, it is notable that between 2000 and 2002 the ratio of gross capital formation to GDP increased in three quarters of the 28 LDCs for which data on domestic investment and domestic savings are available (table 4). For this group of countries, the ratio of gross capital formation to GDP increased from 20.2 per cent in 2000 (the same level as in 1998) to 23 per cent in 2002. But only seven LDCs (Burkina Faso, Chad, Eritrea, Guinea, Lesotho, Mozambique and Sao Tome and Principe) exceeded the 25 per cent investment target of the Programme of Action for the Least Developed Countries for the Decade 2001–2010 in 2002 (United Nations, 2001: para. 6). Between 2000 and 2002, the average domestic savings rate for the 28 LDCs increased, but only slightly, from 4.4 per cent to 4.8 per cent. The savings rate remains very low in most LDCs, and in seven LDCs it is recorded as being negative in 2002. Thus

TABLE 4. GROSS CAPITAL FORMATION AND GROSS DOMESTIC SAVINGS IN LDCS, 1998–2002
(As a percentage of GDP)

	Gross capital formation			Gross domestic savings			Resource gap[a]		
	1998	*2000*	*2002*	*1998*	*2000*	*2002*	*1998*	*2000*	*2002*
Bangladesh	21.6	23.0	24.0	16.7	17.8	19.4	4.9	5.2	4.7
Benin	17.0	18.9	19.2	6.6	5.9	6.8	10.4	13.0	12.4
Burkina Faso	30.1	25.5	26.0	12.8	7.3	10.8	17.3	18.2	15.2
Burundi	8.8	9.1	7.9	-2.9	-5.7	-4.5	11.6	14.7	12.4
Central African Republic	13.5	10.8	14.4	5.3	7.8	9.9	8.2	3.1	4.5
Chad	17.4	17.0	54.6	4.1	1.5	3.8	13.3	15.5	50.8
Comoros	17.9	13.1	15.7	-4.7	-1.4	-0.3	22.6	14.5	16.0
Dem. Rep. of the Congo	20.0	4.2	7.1	16.9	5.4	4.0	3.1	-1.2	3.1
Eritrea	36.9	35.7	46.7	-31.1	-28.4	-24.2	68.0	64.0	70.8
Ethiopia	17.2	15.3	20.2	7.7	-0.1	1.9	9.4	15.3	18.3
Gambia	18.4	17.0	19.0	2.8	2.7	3.8	15.6	14.3	15.2
Guinea	18.0	21.7	25.6	14.3	16.6	21.3	3.7	5.1	4.3
Lesotho	47.1	39.5	36.1	-27.0	-20.2	-5.8	74.1	59.7	42.0
Madagascar	14.8	15.0	11.8	7.0	7.7	5.9	7.8	7.3	5.8
Malawi	13.5	12.5	9.0	7.5	0.5	-16.0	6.0	12.1	24.9
Mauritania	19.0	31.6	24.7	5.0	17.5	9.0	14.0	14.1	15.7
Mozambique	24.2	36.4	45.7	10.8	14.0	21.6	13.5	22.4	24.0
Nepal	24.8	24.2	24.1	13.8	15.0	13.3	11.1	9.1	10.8
Niger	11.3	10.8	13.3	2.7	3.3	4.1	8.6	7.5	9.2
Rwanda	14.8	17.5	18.8	-2.8	1.4	1.9	17.6	16.1	17.0
Sao Tome and Principe	35.8	43.5	44.0	-7.0	-3.6	-1.4	42.8	47.1	45.4
Senegal	18.6	19.8	20.8	12.9	10.8	13.0	5.7	9.0	7.8
Sierra Leone	5.5	8.0	17.4	-1.7	-8.1	-8.8	7.2	16.1	26.2
Togo	20.8	20.9	21.7	5.5	4.1	4.7	15.3	16.8	17.0
Uganda	16.2	19.8	22.4	4.1	6.9	6.4	12.1	12.9	16.0
United Rep. of Tanzania	13.8	17.6	17.4	-0.8	9.2	9.3	14.7	8.4	8.1
Yemen	32.1	17.6	18.6	11.5	28.3	21.8	20.6	-10.7	-3.2
Zambia	16.4	18.7	18.0	3.9	8.3	2.4	12.5	10.4	15.6
LDCs[b]	**20.2**	**20.2**	**23.0**	**3.3**	**4.4**	**4.8**	**16.9**	**15.7**	**18.2**

Source: UNCTAD secretariat estimates, based on World Bank, *World Development Indicators 2003,* online data.

a Measured by gross capital formation % GDP less gross domestic savings % GDP.

b Simple average based on the 28 LDCs for which data were available for the 1998–2002 period.

reliance on external finance remains high, and indeed slightly increased between 2000 and 2002.

Finally, it is worth noting that the good or bad economic performance of individual LDCs during 2000–2002 is not associated with civil conflict in the way one usually expects. That is to say, conflict is not always associated with stagnation and regression. According to the Uppsala/PRIO data base on armed conflict, 15 LDCs were affected by civil conflict in 2000 and in 2001, and 12 in 2002.[1] But six of the affected countries (five for all three years) were amongst the 14 "high-growth" LDCs during 2000–2002. Moreover, if one adds the inter-State conflict between Eritrea and Ethiopia, which was still active in 2000, half of the high-growth economies were conflict-affected during this period.

This, of course, does not mean that the destabilizing effects of conflict should be played down. The economies of some of the regressing and slow-growth LDCs during the period, notably Burundi, Central African Republic, the Democratic Republic of the Congo, Guinea, Nepal and Senegal, were adversely affected by civil conflict. Nor does it imply that the incidence of civil conflicts is not an important development issue for the LDCs. In 2002, 12 out of 20 of all civil conflicts in developing countries (i.e. 60 per cent) occurred in the LDCs. However, it does show that the relationship between economic performance and civil conflict is a complex one, particularly in countries that have prior experience of conflict and in which conflict is localized in particular parts of the country. This issue will be examined more closely in relation to trade–poverty links in the second part of the Report.

Merchandise exports of the LDCs as a group increased from $26.1 billion in 1998 to a record level of $37.8 billion in 2002. In nominal terms this represents a 44.5 per cent increase.

B. Trends in external trade

The growth rate of merchandise exports of the LDCs as a group slowed down in 2000–2002 after a major surge during 1998–2000. The divergence amongst LDCs in terms of their export performance continued. The LDCs that export manufactures experienced the steadiest growth. The merchandise exports of LDCs that export agricultural commodities also recovered after a decline in 1998–2000. But this increase was founded on the improved performance of a few countries, and the increase for agricultural exporters as a whole in 2000–2002 was not sufficient to offset the decline in 1998–2000. World price instability remained a significant influence on the export performance of all primary-commodity-exporting LDCs.

According to UNCTAD statistics, merchandise exports of the LDCs as a group increased from $26.1 billion in 1998 to a record level of $37.8 billion in 2002 (see table 5). In nominal terms this represents a 44.5 per cent increase. In comparison, merchandise exports increased by 15.3 per cent in other developing countries (without China) between 1998 and 2002.[2]

In interpreting these figures it is important to recognize that a large proportion of the total exports of LDCs come from a few countries and that amongst the LDCs export performance is very mixed. The differences in performance are closely related to what products are exported (see the annex to this chapter for classification by export specialization). For the period from 1998 to 2002, whilst exports for the LDCs as a group increased spectacularly, the merchandise exports decreased by 6 per cent in nominal terms in LDCs exporting agricultural products and by 16.6 per cent in mineral exporters. The merchandise exports of LDCs exporting manufactures and/or services increased by 43 per cent and those of oil exporters by 134.4 per cent.

There is also a significant contrast between export performance in 1998–2000 and in 2000–2002. LDCs' merchandise exports increased by 36.7 per cent between 1998 and 2000, but then by only 5.7 per cent between 2000 and 2002. The rapid expansion of trade in the late 1990s was driven by oil exporters, whose exports more than doubled in value terms between 1998 and 2000. This rapid increase in oil exports mainly reflected the increase in world oil prices and the start-up of Sudan's oil production. The merchandise exports of LDCs exporting manufactures and/or services increased by 25.5 per cent between the same years, but those of non-oil primary commodity exporters contracted by 19.6 per cent. The impressive export performance of oil- exporting LDCs was followed by a slight contraction in 2000–2002. The merchandise exports of manufacture-/service-exporting LDCs continued to increase but at half the 1998–2000 pace, whilst the exports of non-fuel primary-commodity-exporting LDCs reversed the earlier contraction. The 11.4 per cent increase between 2000 and 2002 was not, however, sufficient to bring exports back to the 1998 level.

During the period 2000–2002, 56 per cent of total LDC merchandise exports originated from only five LDCs.

With regard to the period 2000–2002, the concentration of exports amongst LDCs is apparent in the fact that during that period 56 per cent of total LDC merchandise exports originated from only five LDCs, namely Angola, Bangladesh, Equatorial Guinea, Sudan and Yemen. Four of these are oil exporters, and Bangladesh is the largest economy in the LDC group.

The differential performance amongst LDCs is evident in the fact that the nominal value of exports declined between 2000 and 2002 in 23 LDCs.

The differential performance amongst LDCs is evident in the fact that the nominal value of exports declined between 2000 and 2002 in 23 LDCs. Amongst the 20 LDCs whose major exports are agricultural products, total merchandise exports declined in 11 countries. Agricultural exporters that did

TABLE 5. LDCS' EXPORTS, IMPORTS AND BALANCE IN MERCHANDISE TRADE, 1998–2002

	1998	2000	2001	2002	1998–2002	1998–2000	2000–2002
		($, millions)				(% change)[a]	
Merchandise exports							
LDCs	26 140	35 737	35 755	37 780	44.5	36.7	5.7
Of which:							
Non-oil primary-commodity exporters	9 653	7 763	8 547	8 648	-10.4	-19.6	11.4
Agricultural exporters	5 646	4 714	5 025	5 305	-6.0	-16.5	12.5
Mineral exporters	4 007	3 049	3 522	3 343	-16.6	-23.9	9.6
Oil exporters	6 076	14 904	13 040	14 242	134.4	145.3	-4.4
Manufactures and/or services exporters	10 411	13 070	14 168	14 890	43.0	25.5	13.9
Merchandise imports							
LDCs	38 860	41 504	43 863	43 494	11.9	6.8	4.8
Of which:							
Non-oil primary-commodity exporters	13 977	13 189	14 784	14 281	2.2	-5.6	8.3
Agricultural exporters	10 128	9 600	10 903	10 388	2.6	-5.2	8.2
Mineral exporters	3 849	3 589	3 881	3 893	1.1	-6.8	8.5
Oil exporters	6 488	7 368	7 787	9 316	43.6	13.6	26.4
Manufactures and/or services exporters	18 395	20 947	21 292	19 897	8.2	13.9	-5.0
Trade balance							
LDCs	-12 720	-5 767	-8 108	-5 714	-55.1	-54.7	-0.9
Of which:							
Non-oil primary-commodity exporters	-4 324	-5 426	-6 237	-5 633	30.3	25.5	3.8
Agricultural exporters	-4 482	-4 886	-5 878	-5 083	13.4	9.0	4.0
Mineral exporters	158	-540	-359	-550	-448.1	-441.8	1.9
Oil exporters	-412	7 536	5 253	4 926	-1 295.6	-1 929.1	-34.6
Manufactures and/or services exporters	-7 984	-7 877	-7 124	-5 007	-37.3	-1.3	-36.4

Source: UNCTAD secretariat estimates, based on UNCTAD, *Handbook of Statistics 2003*.

a Percentage change in trade values between initial year and end year.

badly in nominal terms included Burundi, Eritrea, Ethiopia and Guinea-Bissau. Burkina Faso, Kiribati, Malawi, Mali, Togo and the United Republic of Tanzania, in contrast, did well, with exports increasing by at least 6 per cent per year in nominal terms during 2000–2002. Amongst the 18 LDCs whose major exports are some combination of manufactures and/or services, the nominal value of merchandise exports declined between 2000 and 2002 in only seven countries — Bangladesh, Gambia, Haiti, the Lao People's Democratic Republic, Madagascar, Nepal and Vanuatu.

Trends and instability in world commodity prices remain important determinants of trade and economic performance in LDCs, and in primary-commodity-dependent LDCs in particular.

Data on the trade balance indicate that the aggregate LDC trade deficit improved by 55.1 per cent between 1998 and 2002. This improvement mostly took place, however, between 1998 and 2000 and was mainly driven by the spectacular export performance of oil-exporting LDCs. The average trade deficit increased by 30.3 per cent in the non-oil primary-commodity-dependent LDCs between 1998 and 2002 and these countries also displayed the lowest import growth (in nominal terms) between these years. The trade deficit of LDCs exporting manufacture and/or services narrowed by 37.3 per cent between the same years.

Trends and instability in world commodity prices remain important determinants of trade and economic performance in LDCs, and in primary-commodity-dependent LDCs in particular. UNCTAD data on world primary commodity prices of importance to LDCs show price firming for cocoa and fish meal between 2000 and 2002 (see table 6). But world prices declined sharply over the same period for aluminium, coffee, copper, cotton, sugar and tea, and, to a lesser extent, for tobacco. World oil prices continue to be relatively high but volatile.

TABLE 6. PRICE INDICES OF SELECTED PRIMARY COMMODITIES OF IMPORTANCE TO LDCs
(Index, 1997 = 100)

	Price indices				Standard deviation[a]
	1997	*2000*	*2001*	*2002*	*1980–2002*
All food	100	69	69	67	16
Coffee (Arabicas)	100	46	33	33	20
Coffee (Robustas)	100	53	35	38	48
Cocoa	100	55	67	110	29
Tea	100	104	83	75	13
Sugar	100	72	76	61	44
Fish meal	100	68	80	100	16
Agricultural raw materials	100	82	80	74	13
Cotton	100	75	61	58	19
Non-coniferous woods	100	97	95	100	19
Tobacco	100	85	85	78	11
Minerals, ores and metals	100	92	83	81	15
Aluminium	100	97	90	84	21
Iron ore	100	96	100	99	8
Copper, grade A	100	80	69	68	21
Copper, wire bars	100	83	72	71	21
Gold	100	84	82	94	23
Memo item: Crude petroleum	100	147	128	130	35

Source: UNCTAD secretariat estimates, based on UNCTAD *Commodity Price Bulletin*, various issues.
a As proxy for instability of price indices.

C. Trends in external finance

1. Overall picture

In nominal terms, following a slump in 2000, aggregate net resource flows to LDCs as a group increased significantly in 2001 and 2002. This surge was successively driven by net FDI inflows to LDCs in 2001 and by grants in 2002. As a consequence, aggregate net transfers to LDCs as a group increased by over 43 per cent between 2000 and 2002. But profit remittances are much higher than they were in the second half of the 1990s, and there are signs that the multilateral debt problem, which the HIPC Initiative was meant to resolve, may be starting to build up again.

In nominal terms, following a slump in 2000, aggregate net resource flows to LDCs as a group increased significantly in 2001 and 2002...and reached a record level of $16.7 billion in 2002 — up from $12.4 billion in 2000.

According to the latest World Bank estimates,[3] aggregate net resource flows to LDCs reached a record level of $16.7 billion in 2002. This was up from $12.4 billion in 2000, which also was a record low since 1990 (table 7). Aggregate net resource flows increased by $3.2 billion between 2000 and 2001, and by an additional $1.1 billion between 2001 and 2002.

In 2001, the driving force of this upsurge in long-term capital inflows to LDCs was a $2 billion increase in FDI inflows, which had previously declined by $2.3 billion between 1999 and 2000. As a result, 63 per cent of the additional long-term capital flows to LDCs in 2001 were attributable to recovery in FDI inflows.

Table 7. Long-term net capital flows to LDCs, by type of flow, and aggregate net transfers, 1990–1994, 1995–1999, 2000, 2001 and 2002

($ millions)

	1990–1994	1995–1999	2000	2001	2002
	Annual average				
Aggregate net resource flows	**14 249.4**	**13 488.3**	**12 368.3**	**15 611.0**	**16 739.0**
Official net resource flows	12 616.7	9 869.8	9 168.9	9 771.3	11 634.5
Grants, excluding technical cooperation	9 005.8	7 413.6	7 331.0	7 235.2	8 811.1
Official debt flows	3 611.1	2 456.2	1 838.1	2 536.4	2 822.8
Bilateral	578.9	-245.5	-589.7	-372.0	-362.1
Bilateral concessional	635.3	-162.2	-485.0	-373.2	-302.8
Multilateral	3 032.2	2 701.7	2 427.8	2 908.4	3 184.9
Multilateral concessional	3 052.2	2 818.1	2 547.4	3 005.7	3 398.1
Private net resource flows	1 632.7	3 618.6	3 199.4	5 839.7	5 104.5
Foreign direct investment	1 262.9	3 525.5	3 564.9	5 608.2	5 160.8
Portfolio equity flows	28.9	-10.7	3.9	-1.7	-
Private debt flows	341.0	103.8	-369.4	233.2	-56.3
Private non-guaranteed	-18.2	-10.9	-49.4	49.2	-51.2
Private, publicly guaranteed	359.2	114.7	-320.0	184.0	-5.1
Aggregate net transfers	**12 090.1**	**10 765.7**	**8 753.0**	**11 867.6**	**12 534.1**
Interest payments on long-term debt	1 071.1	1 170.1	977.0	814.9	1 134.6
Profit remittances on FDI	1 088.3	1 552.6	2 638.2	2 928.7	3 070.4
Memo item:					
IMF, net flows	-137.1	179.0	0.6	240.4	448.1
IMF, concessional net flows	-448.1	-142.8	-57.7	-125.7	-149.1
IMF, non-concessional net flows	311.0	321.8	58.3	366.0	597.2
Debt forgiveness or reduction	-1 370.2	-2 713.3	-916.1	-3 300.0	-3 301.6

Source: UNCTAD secretariat estimates, based on World Bank, *Global Development Finance 2003,* online data.
Note: No data were available for Afghanistan, Kiribati or Tuvalu.

Whereas private net resource flows to LDCs increased by 82.5 per cent between 2000 and 2001, official net resource flows increased by only 6.6 per cent, with grants actually declining by 1.3 per cent. But this impressive surge in private net resource flows was not sustained in 2002. This was a result of the fall in FDI flows and also, to a lesser extent, in private debt flows, which for the majority of the LDCs remain either insignificant or negative. In contrast to private flows, official net resource flows increased by 19.1 per cent between 2001 and 2002, owing to a 21.8 per cent increase in grants worth an additional $1.6 billion, and to a 11.3 per cent increase in official debt flows, driven by an increase in multilateral concessional loans.

The increase in profit remittances on FDI is a significant development.

As a result of these offsetting shifts in the composition of aggregate net resource flows in 2001 and 2002, the structure of long-term capital inflows to LDCs has remained rather stable. Between 1997–1999 and 2000–2002 the share of official capital flows increased slightly from 66 to 69 per cent of aggregate net resource flows, whereas the share of private net resource flows decreased slightly from 34 to 31 per cent. FDI remained the main component of private net resource flows, and portfolio equity flows remained negligible for most LDCs.

In 2000–2002 the sum of interest payments on long-term debt plus profit remittances on FDI represented 50 per cent of grants (excluding technical cooperation) disbursed to LDCs and 23 per cent of grants disbursed to non-oil LDCs.

It is also notable that whereas the share of FDI inflows in aggregate net resource flows to LDCs remained constant between 1997–1999 and 2000–2002 at 32 per cent, the share of profit remittances on FDI within aggregate net transfers increased dramatically from 14.2 per cent in 1997–1999 to over 26.4 per cent in 2000–2002.[4] This is mainly a result of FDI in oil-exporting LDCs. If these LDCs are omitted, the contribution of profit remittances on FDI to aggregate net transfers increased from 5.7 per cent in 1997–1999 to 8.3 per cent in 2000–2002. Over the period 1990–1999, this share was equivalent to about 12 per cent in the group of LDCs as a whole and to 4.8 per cent in non-oil-exporting LDCs. Nevertheless, the increase in profit remittances on FDI is a significant development. In relation to grants, this implies that on average in 2000–2002, 37 per cent of the amount received in the form of grants by the group of LDCs (12 per cent of the amount received by non-oil-exporting LDCs) left the countries through profit remittances on FDI. In the 1990s, this ratio was equivalent to 17 per cent in the group of LDCs (6.9 per cent in the group of non-oil-exporting LDCs). In 2000–2002 the sum of interest payments on long-term debt plus profit remittances on FDI represented 50 per cent of grants (excluding technical cooperation) disbursed to LDCs and 23 per cent of grants disbursed to non-oil LDCs.

Recent trends in aggregate net resource flows imply that LDCs have been receiving increasing shares of aggregate net resource flows to all developing countries (see table 8). The LDC share of long-term capital flows to all

TABLE 8. LDCS' SHARE OF CAPITAL FLOWS TO ALL DEVELOPING COUNTRIES, BY TYPE OF FLOW, 1990–1996, 1997–1999 AND 2000–2002

(Percentage)

	1990–1996	1997–1999 Period average	2000–2002	2000	2001	2002
Aggregate net resource flows	7.5	4.7	7.4	5.7	7.5	9.5
Official net resource flows	24.2	21.8	34.0	27.4	27.7	54.9
Grants, excluding technical cooperation	29.2	26.0	26.6	25.5	25.9	28.2
Private net resource flows	1.3	1.9	2.8	1.8	3.4	3.3
Foreign direct investment, net inflows	2.1	2.6	2.9	2.2	3.2	3.5

Source and note: See table 7.

developing countries increased from 4.8 per cent in 1997–1999 to 7.6 per cent in 2000–2002. There was a particularly marked increase in the share of LDCs in multilateral debt flows to all developing countries, which increased from 13.5 per cent in 1997–1999 to 31.1 per cent in 2000–2002. In comparison, the share of LDCs in grants disbursed to all developing countries increased only slightly — from 26 per cent in 1997–1999 to 26.6 per cent in 2000–2002. At the level of private flows, the share of LDCs increased from 1.9 per cent in 1997–1999 to 2.8 per cent in 2000–2002.

There was a particularly marked increase in the share of LDCs in multilateral debt flows to all developing countries. In comparison, the share of LDCs in grants disbursed to all developing countries increased only slightly.

The increase in the LDC share of multilateral debt flows reflects a sharp decline in such flows to other developing countries (by $14.7 billion) between 2001 and 2002. The increase in the LDC share of private capital flows is mostly attributable to the surge of FDI inflows into LDCs in 2001 and to the fact that between 2001 and 2002 FDI decreased at a slower pace in LDCs (-8 per cent in nominal terms) than in other developing countries (-15.6 per cent).

2. Trends in aid flows

A more detailed account of aid flows in LDCs can be obtained from statistics compiled by OECD's Development Assistance Committee (DAC). These data show that in both nominal and real terms net ODA flows into LDCs grew in 2002 for the third consecutive year. In 1999 aid inflows were $19.1 per capita (in current terms), which was the lowest level of the 1990s. In 2002, this had risen to $25.1 per capita (see table 9).

In real terms, aid inflows increased on average by 13.4 per cent per annum during the period 1999–2002.

In real terms, aid inflows increased on average by 13.4 per cent per annum during the period 1999–2002. Without Afghanistan, a large recipient of aid in 2002, the increase is still an impressive 11 per cent per annum. In real terms this brings the 2002 level of net ODA inflows to LDCs to a level almost comparable with that of the early 1990s. However, in real per capita terms, net aid inflows to

Table 9. Net ODA inflows into LDCs from all donors, 1990–1994, 1995–1999, 2000, 2001 and 2002

	1990–1994 (Annual average)	1995–1999 (Annual average)	2000	2001	2002
Net ODA (current $, millions)					
LDCs	16 578.9	13 878.6	12 449.6	13 633.0	17 282.2
of which:					
Afghanistan	259.6	184.8	140.9	408.2	1 285.0
Other LDCs	16 319.3	13 693.8	12 308.7	13 224.8	15 997.2
Net ODA per capita (current $)					
LDCs	30.5	22.7	18.9	20.2	25.1
of which:					
Afghanistan	13.7	7.8	5.3	15.0	46.0
Other LDCs	31.1	23.3	19.5	20.4	24.2
Net ODA (2001 prices, $ millions)					
LDCs	15 590.9	12 055.3	12 086.8	13 633.0	16 477.6
of which:					
Afghanistan	257.7	158.9	137.8	408.2	1 224.3
Other LDCs	15 333.2	11 896.4	11 949.0	13 224.8	15 253.2
Net ODA per capita (2001 prices, $)					
LDCs	28.7	19.7	18.3	20.2	23.9
of which:					
Afghanistan	13.6	6.7	5.2	15.0	43.8
Other LDCs	29.3	20.2	18.9	20.4	23.1

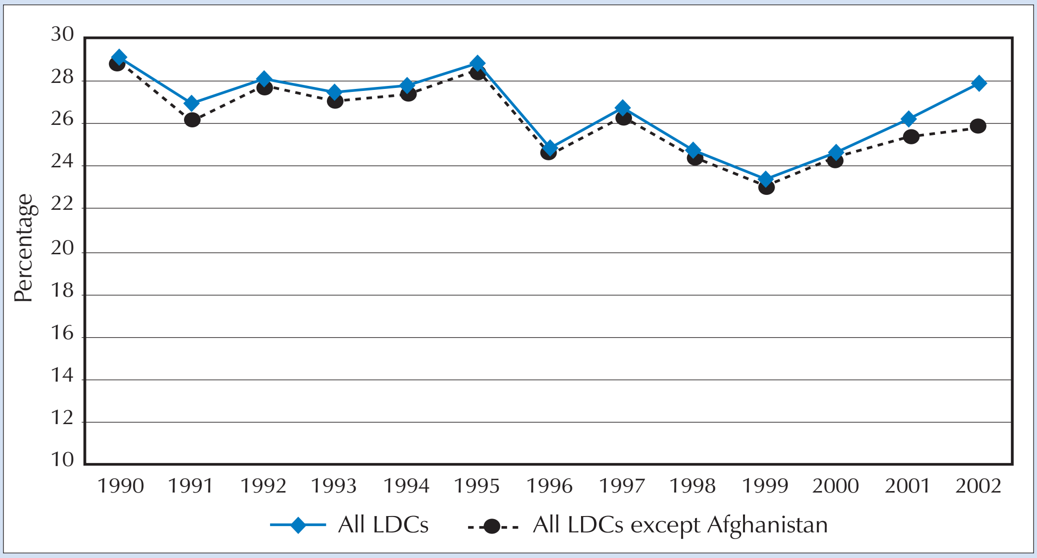
Source: UNCTAD secretariat estimates, based on OECD/DAC, *International Development Statistics,* online data.

In real per capita terms, net aid inflows to LDCs in 2002 were still 16.7 per cent lower than in the early 1990s.

LDCs in 2002 were still 16.7 per cent lower than in the early 1990s ($23.9 in 2002 versus $28.7 in 1990–1994).

Since 2000, the donor community has increasingly concentrated aid inflows on LDC economies (see chart 2). In 2002 LDCs received 27.9 per cent of total ODA disbursements as compared with 23.4 per cent in 1999. Moreover, within the LDC group aid inflows have also become increasingly concentrated. Aid inflows actually declined in 13 LDCs in the period 1999–2002 (see table 10). In contrast, they increased by at least 20 per cent per annum in 16 LDCs. When

Chart 2. ODA disbursements to LDCs as share of total ODA disbursements, 1990–2002



Source: See table 9.

Table 10. Real ODA growth rate per annum in LDCs, by country, 1999–2002

Less than 2.5%		Between 2.5% and 15%		More than 15%	
Liberia	-20.7	Maldives	2.6	Yemen	15.1
Central African Republic	-16.9	Uganda	3.1	Myanmar	18.3
Haiti	-15.9	Angola	3.3	Niger	20.0
Solomon Islands	-12.1	Nepal	3.7	Mauritania	20.9
Togo	-11.9	Benin	4.2	Comoros	21.0
Cape Verde	-11.3	Madagascar	4.5	Eritrea	21.0
Vanuatu	-9.9	Bhutan	7.0	Somalia	22.2
Bangladesh	-7.9	Burkina Faso	8.9	Cambodia	22.3
Zambia	-5.6	Sudan	9.9	Gambia	22.8
Malawi	-4.5	Guinea	10.0	Samoa	26.0
Equatorial Guinea	-4.2	Mali	10.3	Ethiopia	31.3
Senegal	-3.0	United Rep. of Tanzania	10.8	Burundi	34.2
Rwanda	-1.1	Chad	12.5	Tuvalu	34.2
Lao PDR	0.0			Mozambique	34.8
Kiribati	0.1			Lesotho	38.5
Sao Tome and Principe	0.3			Sierra Leone	71.0
Djibouti	1.9			Dem. Rep. of the Congo	81.2
Guinea-Bissau	2.1			Afghanistan	116.7

Source: See table 9.

the latter are omitted, it can be seen that in real per capita terms aid inflows into LDCs increased during the period 1999–2002 by only 1.8 per cent per annum.

Breaking down aid inflows into grant and non-grant disbursements, OECD data show that in real terms grant disbursements to LDCs represented 82 per cent of net aid inflows in 1999–2002. Grants increased by an average annual rate of 10.6 per cent during these years (7.8 per cent without Afghanistan). Loans to LDCs are driven by multilateral concessional loans. These increased by an annual rate of 27.2 per cent during 1999–2002. This needs to be carefully monitored as it implies increasing multilateral debt service obligations.

Since 2000, the donor community has increasingly concentrated aid inflows on LDC economies.

It is possible to have an idea of the sectoral distribution of aid by using OECD/DAC data on ODA commitments. These data clearly indicate that bilateral aid commitments by DAC donors, which were equivalent to about 58 per cent of total ODA commitments to the LDCs in 2000-2002, and multilateral aid commitments are increasingly concentrated on social infrastructure and services. This has, however, been done at the expense of economic infrastructure (see table 11). Between 1994–1996 and 2000–2002, the share of ODA commitments from multilateral institutions to economic infrastructure decreased from 23.3 per cent to 19.6 per cent, whilst the share of commitments going to social infrastructure and services increased from 28.8 per cent to 36 per cent. Bilateral ODA commitments to LDCs' social infrastructure and services increased in real terms by an average 19 per cent per annum in 2000–2002, whereas commitments to the LDCs' economic infrastructure declined by an average 20.3 per cent per annum in the same years. Similarly, the share of ODA commitments to the production sector from all donors decreased from 12.8 per cent in 1994–1996 to 7.5 per cent in 2000–2002. The potential negative implications of the shift away from production sectors for the development potential and prospects of the LDCs, including their ability to reduce their level of aid dependence in the long run, need careful consideration.

During 1999–2002, grants increased by an average annual rate of 10.6 per cent and multilateral loans increased by an annual rate of 27.2 per cent

Emergency assistance continues to be an important element of aid to LDCs, and between 1999 and 2002, total commitments to emergency assistance to those countries more than doubled. This was a sharp increase in an earlier increasing trend. ODA commitments to LDCs in emergency assistance grew annually by 28.2 per cent in 1999–2002, as compared with 15.6 per cent per annum in 1990–1996. From 6.1 per cent of total ODA commitments in LDCs in 1997–1999, the share of emergency assistance reached 10.6 per cent in 2002.

Table 11. Bilateral DAC and multilateral ODA commitments to LDCs, by sector, 1994–1996, 1997–1999 and 2000–2002

(Annual averages, percentage)

Sector	Bilateral DAC ODA commitments, by sector			Multilateral ODA commitments, by sector		
	1994–1996	*1997–1999*	*2000–2002*	*1994–1996*	*1997–1999*	*2000–2002*
Social infrastructure and services	29.9	34.2	35.1	28.8	28.8	36.0
Economic infrastructure, production sectors and multisector	36.6	28.5	22.6	46.9	49.9	35.4
Commodity aid/ general programme assistance	10.5	9.2	13.9	18.8	13.4	22.8
Action relating to debt	14.3	18.8	15.2	-	-	0.5
Emergency assistance	6.8	7.1	11.5	4.3	4.7	4.2
Other	1.8	2.1	1.7	1.2	3.1	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNCTAD secretariat estimates, based on OECD/DAC, *International Development Statistics*, online data.

At the level of bilateral ODA commitments to LDCs in 2000–2002, the share of emergency assistance (11.5 per cent) even exceeded that of economic infrastructure (8.6 per cent). During the period 2000–2002, donors committed ODA to emergency assistance in all but three LDCs, namely Samoa, Sao Tome and Principe, and Tuvalu.

Following a sharp increase in 2001, FDI flows into LDCs slightly declined in 2002.

3. Trends in FDI inflows

The UNCTAD FDI/TNC database indicates that following a sharp increase in 2001, FDI flows into LDCs slightly declined in 2002. In nominal terms, FDI inflows were $5.6 billion in 2001 and $5.2 billion in 2002.

FDI inflows remain highly concentrated (see table 12). The four oil-exporting LDCs — Angola, Equatorial Guinea, Sudan and Yemen — absorbed no less than 45.5 per cent of the total FDI inflows in 2002. If Chad (which is now receiving FDI to develop its infrastructure for oil exporting) is added, these five oil-exporting countries received 62.7 per cent of the total FDI inflows to LDCs in 2002. The top 10 FDI recipients (Angola, Chad, Sudan, Mozambique, Equatorial Guinea, Uganda, United Republic of Tanzania, Zambia, Myanmar and Mali) absorbed 87.3 per cent of total FDI inflows into LDCs in 2002. If the top 10 recipient LDCs are excluded, FDI inflows into the 39 remaining LDCs actually decreased from $766.1 million in 2001 to $665.6 million in 2002. Amongst the top 10, FDI inflows also actually declined between 2001 and 2002 in five countries (Angola, Equatorial Guinea, United Republic of Tanzania, Myanmar and Mali).

FDI inflows remain highly concentrated. In 2002, the top 10 FDI recipients absorbed 87.2 per cent of total FDI inflows into LDCs.

At the regional level, the data indicate a decrease in FDI inflows in 2002 in both African and Asian LDCs. In fact, FDI inflows decreased in all Asian LDCs between 2001 and 2002, except in the Lao People's Democratic Republic, where FDI inflows increased by a mere $1.5 millions, and in Bhutan, where the inflows stagnated. In African LDCs, the massive upsurge of FDI inflows into Chad in 2002 (equivalent to $900.7 million) was not sufficient to offset the regional decline. But the rate of decline in FDI inflows was more than twice as great in Asian than in African LDCs. FDI inflows decreased in 2002 by 44.5 per cent in Asian LDCs and (omitting Chad) by 20.6 per cent in African LDCs (see table 13).

Table 12. FDI inflows to LDCs, by group: 1995–1999, 2000, 2001 and 2002

	1995–1999 Annual average	2000	2001	2002
In $ millions				
Total LDCs	3 570.3	3 427.3	5 628.5	5 231.8
Top ten recipient LDCs	2 649.4	2 762.7	4 862.4	4 566.2
Rest of LDCs	921.0	664.6	766.1	665.6
Oil-exporting LDCs[a]	1 087.9	1 385.0	3 800.0	2 380.8
In percentage				
Share of top ten recipient LDCs	74.2	80.6	86.4	87.3
Share of rest of LDCs	25.8	19.4	13.6	12.7
Share of oil-exporting LDCs[a]	30.5	40.4	67.5	45.5

Source: UNCTAD secretariat estimates, based on UNCTAD, FDI/TNC database.

a Excluding Chad, which in 2002 was not classified as an oil-exporting LDC.
Had it been included, the share of oil-exporting LDCs would have reached 62.7 per cent in 2002.

TABLE 13. FDI INFLOWS INTO LDCS, BY REGION, 1995–1999, 2000, 2001 AND 2002

	Annual average 1995–1999	2000	2001	2002	1995–1999[a]	2000–2001	2001–2002
	($ millions)				(% change)		
Total LDCs	3 570.3	3 427.3	5 628.5	5 231.8	63.5	64.2	-7.0
Africa	2 742.8	2 703.3	5 004.3	4 876.1	80.8	85.1	-2.6
Of which:							
Chad	33.1	114.8	0.0	900.7	-18.4	..	..
Other African LDCs	2 709.7	2 588.5	5 004.3	3 975.3	83.0	93.3	-20.6
Asia	786.0	689.9	612.1	339.7	7.4	-11.3	-44.5
Pacific and the Caribbean	32.2	20.8	7.7	10.3	-26.8	-63.1	34.2

Source: UNCTAD secretariat estimates, based on UNCTAD FDI/TNC database.

Note: In this table, small island LDCs are not presented as a distinct group and are therefore included in their respective regions.

a Percentage change between 1995 and 1999.

D. Trends in external debt

As a result of three years of consecutive decline, external debt stock decreased significantly in the group of LDCs between 1998 and 2001. But almost half of these gains were wiped out in 2002 when the debt stock increased again.

External debt stock decreased significantly in the group of LDCs between 1998 and 2001. But almost half of these gains were wiped out in 2002 when the debt stock increased again.

In nominal terms the debt stock of the 46 LDCs for which data are available declined from $154.4 billion to $137.3 billion between end of 1998 and the end of 2001. This decline was mainly the result of debt forgiveness and changes in cross-country valuation. In 2002, however, and despite large amounts of debt forgiveness and a negative change in interest arrears, the total debt stock of the group of LDCs rose to $145 billion. This was mainly due to cross-country valuation effects and an increase in debt stock from multilateral concessional loans. As a consequence, the average debt stock to GDP ratio of LDCs, which had declined from 128.7 per cent in 1999 to 117 per cent in 2001, increased to 119.8 per cent in 2002 (see table 14).

The increase in debt stock was widespread amongst LDCs in 2002.

The increase in debt stock was widespread amongst LDCs, occurring in 43 out of 46 countries for which data are available. Out of the 33 LDCs (of which 27 are HIPC-LDCs) in which debt stock declined between 1999 and 2001, only two experienced a further decrease in debt stock in 2002, namely the Democratic Republic of the Congo and Mali. However, data indicate that the ratio of debt to GDP declined in 28 LDCs, including 23 HIPC-LDCs, between 1999 and 2001, and that this improvement was sustained in 2002 in half of the countries, including 12 HIPC-LDCs. It should be stressed that in all but the two HIPC-LDC cases mentioned above, the sustained improvement in the debt to GDP ratio between 2001 and 2002 was attributable to an increase in the countries' current GDP.

In 2002, the total debt service payments of 46 LDCs reached a record level of almost $5.1 billion, that is an additional $0.6 billion compared with 2001.

In 2002, the total debt service payments of the group of 46 LDCs for which data are available reached a record level of almost $5.1 billion, that is an additional $0.6 billion compared with 2001. This represented 3 per cent of their combined gross national income (GNI). Not enough data on exports of goods and services, income and workers' remittances are available to provide the corresponding ratio in that year.

TABLE 14. EXTERNAL DEBT BURDEN INDICATORS FOR THE LDCS, 1999–2002[a]

	Total debt stock				Total debt stock			Total debt service			Present value of debt
	As % of GDP[b]				*As % of exports of goods and services, income and workers' remittances*[c]						
	1999	*2000*	*2001*	*2002*	*1999*	*2000*	*2001*	*1999*	*2000*	*2001*	*2001*
Afghanistan	..	..	..	..	..	..	..	..	..	..	..
Angola	169.1	106.2	98.2	89.1	191.9	113.2	142.0	27.8	21.3	27.6	138.3
Bangladesh	36.1	33.2	32.4	36.0	211.7	181.1	166.2	9.2	9.2	7.3	106.1
Benin	70.7	71.0	70.5	68.5	242.5	251.3	264.8	10.1	11.0	7.9	133.6
Bhutan	41.3	42.0	50.3	63.4	141.0	145.5	178.2	5.4	4.7	4.2	164.6
Burkina Faso	62.3	60.9	60.0	55.6	401.2	434.5	465.5	16.4	14.5	11.8	223.7
Burundi	158.4	162.5	155.2	167.5	1 791.9	1 910.9	1 842.7	45.6	37.2	39.8	1 122.1
Cambodia	76.2	78.2	79.3	79.1	225.3	169.2	161.9	2.9	2.0	1.3	137.8
Cape Verde	55.7	58.6	63.9	65.5	154.0	133.9	141.5	9.4	6.6	5.5	91.0
Central African Republic	86.5	90.0	85.0	99.1	896.1	784.6	738.4	18.4	12.9	11.9	481.5
Chad	73.0	79.2	69.0	66.2	388.4	394.0	374.5	11.0	9.3	7.9	213.1
Comoros	102.4	113.4	110.1	105.6	380.2	409.7	382.7	5.2	4.8	3.6	275.6
Dem. Rep. of the Congo	271.7	240.9	222.1	153.0	1 162.2	1 193.1	1 105.0	2.0	2.5	1.7	1 029.1
Djibouti	51.2	47.4	45.6	56.2	112.4	106.9	..	4.1	5.5	..	..
Equatorial Guinea	31.1	18.5	12.9	12.0	19.1	10.5	6.3	0.4	0.2	0.1	5.1
Eritrea	35.9	49.7	60.1	90.6	125.6	101.4	100.2	1.6	1.1	1.7	57.5
Ethiopia	86.0	86.1	91.3	108.9	566.7	520.8	577.5	15.9	13.1	18.5	295.5
Gambia	107.6	114.6	124.7	147.5	186.0	180.8	172.8	8.5	8.0	3.8	93.6
Guinea	101.8	108.9	107.3	107.1	451.9	446.3	381.1	16.4	20.4	12.3	202.8
Guinea-Bissau	416.2	373.3	335.7	324.0	1 608.9	1 135.4	1 177.6	15.7	28.2	41.1	747.1
Haiti	28.5	29.6	33.5	34.8	208.3	219.9	252.0	8.8	7.7	5.2	164.8
Kiribati	..	..	..	..	..	..	..	..	..	..	..
Lao People's Dem. Rep.	174.2	146.2	142.6	158.6	527.8	487.5	516.5	7.7	7.9	9.0	268.1
Lesotho	74.9	74.7	74.6	87.3	125.9	123.7	106.6	10.1	11.4	12.4	73.1
Liberia	470.2	386.6	413.8	412.3	3 230.6	1 513.6	1 361.8	4.0	0.5	0.5	1 320.8
Madagascar	127.9	121.2	90.4	100.1	510.9	388.4	2 678.5	17.1	9.6	43.3	1 316.7
Malawi	152.0	159.1	148.9	154.9	503.0	542.9	518.9	12.6	11.7	7.8	296.3
Maldives	37.1	33.0	37.6	43.8	49.4	44.1	49.9	4.0	4.2	4.6	37.6
Mali	117.5	121.7	110.0	88.6	413.5	408.8	317.1	13.7	12.8	8.8	154.4
Mauritania	264.5	265.8	228.1	234.9	649.5	577.5	552.5	27.1	19.3	22.7	359.2
Mozambique	174.8	191.0	124.7	117.6	1 095.8	917.4	175.2	16.4	11.7	3.4	35.9
Myanmar	..	..	..	..	311.6	252.4	211.6	5.0	3.7	3.1	150.5
Nepal	59.0	51.5	48.4	53.8	201.5	158.3	147.8	7.3	5.6	4.9	85.8
Niger	82.6	93.8	81.7	82.8	477.9	466.2	428.0	9.8	8.1	6.8	282.1
Rwanda	66.9	70.2	75.3	82.7	1 063.8	998.6	787.3	25.9	27.5	11.4	411.1
Samoa	82.9	83.3	83.6	89.7	151.6	251.1	..	5.1	10.8	..	..
Sao Tome and Principe	681.0	677.9	666.5	663.8	2 161.4	2 130.0	1 791.9	29.8	28.4	22.9	573.4
Senegal	80.7	78.2	75.1	79.3	224.0	213.4	215.1	14.3	13.7	13.3	149.6
Sierra Leone	194.0	193.1	172.9	183.4	1 740.5	1 384.3	1 265.4	35.9	52.6	102.0	888.4
Solomon Islands	52.4	53.4	55.3	75.3	72.9	117.9	..	4.8	6.9	..	..
Somalia	..	..	..	..	..	..	..	..	..	..	..
Sudan	151.6	139.9	123.1	121.5	1 044.2	635.5	623.5	3.7	2.5	2.3	591.0
Togo	107.1	117.3	111.7	114.3	301.5	303.3	289.4	8.9	6.3	6.6	205.7
Tuvalu	..	..	..	..	..	..	..	..	..	..	..
Uganda	58.5	59.5	65.9	69.9	450.1	500.5	525.6	16.9	10.7	7.0	162.0
United Rep. of Tanzania	93.4	81.4	71.5	77.2	658.6	551.3	450.9	17.9	14.6	10.3	90.6
Vanuatu	27.6	29.7	29.8	35.7	38.2	36.7	38.2	1.1	1.2	1.0	21.3
Yemen	82.3	54.6	55.9	50.9	135.8	95.3	85.0	3.9	4.5	4.9	61.1
Zambia	187.3	176.9	155.8	162.0	636.0	624.6	512.9	16.1	20.2	11.7	365.1
LDCs (weighted average)	**90.1**	**83.1**	**78.0**	**78.5**	**351.3**	**277.8**	**254.3**	**11.7**	**10.1**	**9.2**	**183.7**
LDCs (simple average)	**128.7**	**123.3**	**117.0**	**119.8**	**616.8**	**526.0**	**530.5**	**12.9**	**12.0**	**12.7**	**323.4**

Source: UNCTAD secretariat estimates, based on World Bank, *Global Development Finance 2003*, online data; and *World Development Indicators 2003*, online data.

Note: This table is based on data as at January 2004. For more recent data, see annex table 31.

a 2002 data were not available for export of goods and services, and income and workers' remittances.

b The LDC group average has been weighted by GDP and excludes Afghanistan, Kiribati, Myanmar, Somalia and Tuvalu, for which no data were available.

c The LDC group average has been weighted by exports of goods and services, income and workers' remittances and excludes Afghanistan, Djibouti, Kiribati, Samoa, the Solomon Islands, Somalia and Tuvalu, for which no data for 2001 were available.

In July 2003 the World Bank classified 26 LDCs as severely indebted (this represents over half of the total number of severely indebted countries), 9 LDCs as moderately indebted countries and 13 LDCs as less indebted.[5] Thirty-two of the LDCs are also classified as highly indebted poor countries (HIPCs). As of July 2003, of the 32 HIPC-LDCs, 7 had reached completion point within the enhanced HIPC initiative, 14 had reached decision point, 2 (both of them oil exporters) were identified as potentially sustainable cases and 9 had not yet reached decision point. Six of these nine countries were classified as conflict-affected LDCs.

The ratio of debt service to government revenue in the 21 HIPC-LDCs that had reached decision point by July 2003 decreased in all but four LDCs between 1999 and 2002.

IMF data on the ratio of debt service to government revenue in the 21 HIPC-LDCs that had reached decision point by July 2003 indicate a decrease in this ratio in all but four LDCs[6] between 1999 and 2002 (see table 15). On average, the ratio of debt service to government revenue declined from 17.4 per cent in 1999 to 10.4 per cent in the seven HIPC-LDCs that had reached completion point. In the LDCs that have reached decision point this ratio declined from 19.9 per cent to 15.3 per cent. In 2002, the ratio of debt service to government revenue still exceeded 15 per cent in 10 out of the 21 HIPC-LDCs which had reached decision point or completion point.

TABLE 15. RATIO OF DEBT SERVICE PAID TO GOVERNMENT REVENUE IN SELECTED LDC-HIPCS,[a] 1999–2002

	Date of approval of		**Debt service paid as % government revenue**			
	Decision point	*Completion point*	*1999*	*2000*	*2001*	*2002*
Benin	July 2000	April 2003	17.3	14.6	9.4	7.2
Burkina Faso	July 2000	April 2002	15.8	15.6	10.6	11.3
Mali	September 2000	March 2003	19.6	20.8	12.7	11.9
Mauritania	February 2000	June 2002	30.4	36.1	36.6	19.9
Mozambique	April 2000	September 2001	12.3	4.1	6.7	8.3
United Rep. of Tanzania	March 2000	November 2001	19.8	16.0	8.5	9.9
Uganda	February 2000	May 2000	12.9	13.6	11.7	8.4
Chad	May 2001		24.0	28.7	14.0	18.4
Dem. Rep. of the Congo	July 2003		1.4	..	..	7.4
Ethiopia	November 2001		11.0	9.7	16.4	12.3
Gambia	December 2000		25.5	16.2	26.3	26.5
Guinea	December 2000		35.3	45.5	22.2	22.0
Guinea-Bissau	December 2000		15.5	31.6	1.2	12.0
Madagascar	December 2000		25.0	14.3	9.7	15.4
Malawi	December 2000		20.5	34.5	23.8	14.1
Niger	December 2000		10.6	14.3	19.1	21.4
Rwanda	December 2000		23.0	23.4	6.2	6.4
Sao Tome and Principe	December 2000		21.4	42.4	17.9	15.9
Senegal	June 2000		22.0	20.7	17.0	16.4
Sierra Leone	March 2000		77.4	44.4	88.6	18.4
Zambia	December 2000		22.9	29.6	21.7	20.0

Source: UNCTAD secretariat compilation, based on IMF and IDA (2003).

a The list includes all LDC-HIPCs which had reached decision point by the end of July 2003.

E. ODA targets for donor countries

1. Quantity of aid

The Programme of Action for the Least Developed Countries for the Decade 2001–2010 includes commitments by donor countries to increase aid to the LDCs and also to improve its quality, amongst other things, by untying most aid other than food aid and technical cooperation (United Nations, 2001: paras. 83–84). The commitments are formulated with some flexibility. But there are long-standing targets, which are now also being monitored as part of the Millennium Development Goals, namely that 0.20 or 0.15 per cent of each donor's GNI should go to LDCs.

Six DAC member countries, namely Denmark, Ireland, Luxembourg, Netherlands, Norway and Sweden, surpassed the target of making net ODA disbursements more than 0.20 per cent of their respective GNI in 2002.

Table 16 shows that six DAC member countries, namely Denmark, Ireland, Luxembourg, Netherlands, Norway and Sweden, surpassed the target of making net ODA disbursements more than 0.20 per cent of their respective GNI in 2002. Between 2001 and 2002 Ireland increased its ODA to GNI ratio from 0.16 to 0.21 per cent. Except for these six countries, all other DAC countries were below the 0.15 per cent target. Moreover, following a $494.2 million fall in net ODA disbursements from the United Kingdom to the LDCs, the ratio of ODA flows to LDCs to GNI of that country fell from 0.12 per cent in 2001 to 0.07 per cent in 2002. In contrast, Italy increased its net ODA disbursements to LDCs by $558.2 million and its ODA to GNI ratio increased from 0.04 to 0.09 per cent. On average, the EU members' contribution, which accounted for 58.6 per cent of total ODA disbursements to LDCs[7] from DAC member countries in 2002, increased only slightly — from 0.09 to 0.10 per cent between 2001 and 2002.

The United States remains the leading ODA contributor for LDCs in value terms amongst DAC member countries. It accounted for 19.9 per cent of total net ODA disbursements to LDCs in 2002. But its ODA to GNI ratio increased only from 0.02 per cent in 2001 to 0.03 per cent in 2002. Japan, the second largest ODA donor to the LDCs, accounted for 12 per cent of total ODA disbursements from DAC member countries. Its ODA to GNI ratio in 2002 stood at 0.04 per cent.

Overall, aid effort of all DAC member countries as measured by the ODA/GNI ratio increased slightly — from 0.05 per cent in 2001 to 0.06 per cent in 2002.

Overall, aid effort of all DAC member countries as measured by the ODA/GNI ratio increased slightly — from 0.05 per cent in 2001 to 0.06 per cent in 2002. As a result, net ODA disbursements to LDCs increased, but they remain below the UN ODA targets for LDCs.

2. The untying of aid

Improving the quality of aid is as important as improving the quantity of aid. In this regard, one of the most important decisions in the Programme of Action is the recommendation that by 1 January 2002 ODA to LDCs be untied in the following areas: balance of payments and structural adjustment support; debt forgiveness; sector and multisector programme assistance; investment project aid; import and commodity support; commercial services contracts; and ODA to NGOs for procurement-related activities. Technical cooperation and food aid, as well as activities with a value of less than SDR 700,000, are excluded from the coverage of the recommendation.

The OECD/DAC is monitoring the implementation of the recommendation. No data are yet available beyond a description of DAC members' initial starting points (see table 16). But it is reported that DAC members' implementation of the recommendation to untie aid has "in general, been rapid and comprehensive" (OECD, 2004: 4). As this progress report goes on,

It is reported that DAC members' implementation of the provision to untie aid has "in general, been rapid and comprehensive".

- "Almost all Members have by now untied all categories of ODA covered by paragraph 7i) of the Recommendation. In the few remaining cases, full implementation of the coverage provisions still awaits the conclusion of the co-ordination process among the various implementing agencies.
- In addition, both prior to and since the Recommendation, numerous Members (e.g. Australia, Finland, France, Germany, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom) have also untied ODA beyond the requirements of the Recommendation — e.g. commitments below the thresholds, technical co-operation, food aid and or ODA beyond the LDCs group of countries.
- Moreover, the Commission of the European Union, in accordance with its commitments, has introduced new provisions in favour of further untying, and has introduced the necessary elements to allow further

Table 16. Net aid disbursements from DAC member countries to LDCs,[a] 2001and 2002, and ODA untying ratio, 1999–2001

	$ millions	% of total DAC	% of donor's total	% of donor's GNI	$ millions	% of total DAC	% of donor's total	% of donor's GNI	ODA untying ratio[b]
	2001				*2002*				*1999–2001*
Norway	449	3.7	33	0.27	625	4.1	37	0.33	0.99
Denmark	540	4.5	33	0.34	547	3.6	33	0.32	0.78
Luxembourg	47	0.4	34	0.25	58	0.4	40	0.30	..
Netherlands	995	8.3	31	0.26	1 180	7.8	35	0.29	0.91
Sweden	458	3.8	27	0.21	629	4.2	32	0.26	0.91
Ireland	143	1.2	50	0.16	210	1.4	53	0.21	1.00[c]
Belgium	295	2.5	34	0.13	353	2.3	33	0.14	0.49[c]
Finland	114	1.0	29	0.10	154	1.0	33	0.12	0.69
France	1 083	9.0	26	0.08	1 626	10.7	30	0.11	0.34
Portugal	119	1.0	45	0.11	120	0.8	37	0.10	0.61
Italy	487	4.1	30	0.04	1 045	6.9	45	0.09	0.30
Switzerland	257	2.1	28	0.10	250	1.7	27	0.08	0.89
Austria	106	0.9	20	0.06	170	1.1	33	0.08	0.36
United Kingdom	1 647	13.7	36	0.12	1 153	7.6	23	0.07	0.53
Germany	1 173	9.8	24	0.06	1 332	8.8	25	0.07	0.43
New Zealand	29	0.2	26	0.07	30	0.2	25	0.06	..
Australia	175	1.5	20	0.05	192	1.3	19	0.05	0.49
Canada	231	1.9	15	0.03	349	2.3	17	0.05	0.40
Japan	1 783	14.8	18	0.04	1 813	12.0	20	0.04	0.76
Spain	193	1.6	11	0.03	252	1.7	15	0.04	0.21
United States	1 673	13.9	15	0.02	3 012	19.9	23	0.03	0.01
Greece	22	0.2	11	0.02	37	0.0[d]	13	0.03	..
Total DAC	**12 019**	**100.0**	**23**	**0.05**	**15 137**	**100.0**	**26**	**0.06**	**0.53**
of which:									
EU Members	7 422	61.8	28	0.09	8 867	58.6	30	0.10	..

Source: UNCTAD secretariat estimates, based on OECD/DAC online data and OECD (2004).

a Including imputed multilateral flows, i.e. making allowance for contributions through multilateral organizations, calculated using the geographical distribution of multilateral disbursements for the year of reference.
b The bilateral LDC ODA untying ratio is: untied bilateral LDC ODA divided by total bilateral LDC ODA (commitments basis).
c 2000–2001 average.
d 0.002 per cent.

> untying of Community assistance. The United States Congress has recently authorized creation of a new Millennium Challenge Corporation (MCC), the purpose of which is to provide additional foreign assistance in a manner that promotes economic growth and the elimination of extreme poverty while strengthening good governance, economic freedom and investments in people. The U.S. Congress appropriated just under US$ 1 billion for the 2004 Fiscal Year. With no legislative preference expressed as to the tying status of MCC financing these funds are currently untied." (ibid.: 4).

It will be important to monitor the progress of untying at the recipient country level as well as at the OECD/DAC level.

It will be important to monitor the progress of untying at the recipient country level as well as at the OECD/DAC level. Given that about 50 per cent of bilateral aid (excluding technical cooperation and food aid) was tied before the recommendation to untie aid to LDCs, the decision could have significant effects in improving the efficiency of aid. In order to maximize the economic benefits, not only will all donors have to proceed swiftly with untying, and as comprehensively as possible, but also the LDCs will have to make major efforts to improve their government procurement systems. It is only in this way that the full economic benefits of the untying decision in terms of lower import costs will be realized. This issue will be taken up further in part two of this Report.

F. Conclusions

The economic performance of the least developed countries as a group continues to improve. In terms of real GDP growth rates, the late 1990s were better than the early 1990s. Similarly, the period 2000–2002, the latest for which international data are available, was better than 1998–2000. Indeed, with growth decelerating sharply in 2001 in many other developing countries, the annual real average annual GDP growth rate of LDCs exceeded that of other developing countries in the 2000–2002 period.

The economic performance of the least developed countries as a group continues to improve...but the tendency for increasing divergence amongst the LDCs also continues.

The encouraging growth performance of LDCs as a group was underpinned by a significant increase in aggregate net resource flows to the LDCs. These capital inflows increased by 35.3 per cent from 2000 to 2002. The increase was driven by increased FDI inflows in 2001 and by increased ODA inflows in the form of grants in 2002. Net ODA inflows to the LDCs have increased by 38.8 per cent in nominal terms and 36.3 per cent in real terms since 2000. The composition of aid commitments, however, is increasingly oriented away from productive sectors.

For the LDC group as a whole, continued progress has also been made in terms of increasing exports. But this has been much slower than during the period from 1998 to 2000, when merchandise exports surged by 36.7 per cent, mainly owing to increased exports of oil and manufactures.

Within this overall growth performance, the tendency for increasing divergence amongst the LDCs, which has emerged since the early 1990s, continues. Whilst the real GDP per capita growth rate exceeded 3 per cent per annum in 14 LDCs during 2000–2002, it stagnated or declined in 24 LDCs, more than half of those for which data are available. Only seven LDCs achieved the 7 per cent growth target of the Programme of Action for the Least Developed Countries for the Decade 2001–2010. Merchandise exports declined in nominal terms in 23 LDCs. Net ODA inflows increased by over 15 per cent between 1999 and 2002 in 18 LDCs, but declined in 13. The four LDC oil exporters, plus Chad, which is establishing an infrastructure for oil exportation, absorbed 68 per cent of net FDI inflows into LDCs in 2001 and 63 per cent in 2002.

One of the most encouraging aspects of the recent economic performance in the LDCs has been the improved performance in African LDCs, including some of those that have been dependent on non-oil commodity exports. But the fact that the African LDCs' growth rates exceeded those of Asian LDCs for the first time is a reflection of the slowdown in economic growth in the latter countries as much as of an improvement in the African countries.

The high level of dependence on external aid inflows, as well as on primary commodity exports with volatile world prices, continues to give cause for concern. Moreover, it is notable that debt stocks in LDCs rose in 2002 for the first time since 1998.

The sustainability of recent growth improvements remains an important issue for all LDCs. Many of the countries which showed an improved economic growth performance in the period 2000–2002 are also those where the instability of GDP growth was highest in the 1990s. The high level of dependence on external aid inflows, as well as on primary commodity exports with volatile world prices, continues to give cause for concern. Moreover, it is notable that debt stocks in LDCs rose in 2002 for the first time since 1998.

Two recent trends deserve careful monitoring in terms of their potential effect on sustainability: the increase in the level of profit remittances on FDI, and the increase in multilateral debt. In 2000–2002, the sum of interest payments on long-term debt plus remittances on FDI were equivalent to 50 per cent of grants (excluding technical cooperation) disbursed to the LDCs and 23 per cent of grants disbursed to non-oil exporting LDCs. The increasing level of profit remittances is not necessarily a problem in itself. But it will become one if FDI inflows do not significantly contribute to the development of domestic productive capacities and value added.

Finally, the weak growth performance of island LDCs may be noted. This reflects the vulnerability of these countries in spite of their having a level of GNI per capita and human assets that is generally higher than that of most other LDCs.

Annex to Chapter 1

The LDCs which are analyzed in this Report do not include Timor-Leste, which was included as the 50th LDC on 4 December 2003. The 49 LDCs are sub-divided into (i) geographical groups, and (ii) according to their export specialization.

Geographical classification

The geographical classification is as follows:

African LDCs (plus Haiti): Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania and Zambia.

Asian LDCs: Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal and Yemen.

Island LDCs: Cape Verde, Comoros, Kiribati, Maldives, Samoa, Sao Tome and Principe, Solomon Islands, Tuvalu and Vanuatu.

Classification according to export specialization

Classification according to export specialization is difficult. First, it is necessary to aggregate data on the composition of merchandise exports with data on services exports. Secondly, there can be year-to-year fluctuations in a country's export structure, particularly as commodity prices change.

The classification used here is the same as that used in *The Least Developed Countries Report 2002*, although Sudan is now classified as an oil exporter. It is based on the export structure of the late 1990s. As with all classifications of this type, some arbitrary decisions have to be made. The decisions are set out in the annex chapter 3 of that Report (UNCTAD, 2002: 131–132).

The classification according to export specialization is as follows:

A. Exporters of primary commodities

1. Non-oil commodity exporters:

(i) Agricultural exporters: Afghanistan, Benin, Bhutan, Burkina Faso, Burundi, Chad, Eritrea, Ethiopia, Guinea-Bissau, Kiribati, Malawi, Mali, Mauritania, Rwanda, Sao Tome and Principe, Solomon Islands, Somalia, Togo, Uganda and United Republic of Tanzania.

(ii) Mineral exporters: Central African Republic, Democratic Republic of the Congo, Guinea, Liberia, Niger, Sierra Leone and Zambia.

2. Oil exporters: Angola, Equatorial Guinea, Sudan and Yemen.

B. Exporters of manufactures and/or services

1. **Manufactures exporters**: Bangladesh, Cambodia, Haiti, Lao People's Democratic Republic, Lesotho, Madagascar, Myanmar and Nepal.
2. **Services exporters:** Cape Verde, Comoros, Djibouti, Gambia, Maldives, Samoa, Tuvalu and Vanuatu.
3. **Mixed manufactures and services exporters:** Mozambique[1] and Senegal.

[1] As from 2001, Mozambique should be classified as a mineral exporter as a result of the surge in its exports of aluminium.

Notes

1. The dataset is a joint project between the Department of Peace and Conflict Studies, Uppsala University and the Centre for the Study of Civil War at the International Peace Research Institute, Oslo (PRIO). Armed conflict is defined as "a contested incompatibility that concerns government and/or territory where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths." (Strand, Wilhelmsen and Gleditsch, 2004: 3).
2. With China, the increase was 25.3 per cent.
3. Data on the value and composition of long-term capital flows to LDCs are available for 46 LDCs from the World Bank's *Global Development Finance* database. No data are available for Afghanistan, Kiribati and Tuvalu. The latest data include new estimates for private capital flows which diverge somewhat from those available at the time of the publication of *The Least Developed Countries Report 2002*.
4. Aggregate net transfers are equal to aggregate net resource flows minus interest payments on long-term debt and profit remittances on FDI. For definition of profit remittances, see World Bank's *Global Development Finance* database.
5. Tuvalu is not listed.
6. These four LDCs, namely the Democratic Republic of the Congo, Ethiopia, Gambia and Niger, were decision point countries.
7. Including imputed multilateral flows.

References

OECD (2004). Implementing the 2001 DAC recommendation on untying official development assistance to the least developed countries, 2004 progress report, DCD/DAC(2005)15, paper submitted for information to the DAC High Level Meeting, 15–16 April 2004.

IMF and IDA (2003). Heavily Indebted Poor Countries (HIPC) Initiative — Status of Implementation, Prepared by the staffs of the IMF and World Bank, September, (http://www.imf.org/external/np/hipc/2003/status/091203.pdf).

Strand, H., Wilhelmsen, L. and Gleditsch, N. (2004). Armed conflict dataset codebook, International Peace Research Institute, Oslo.

UNCTAD (2002). *The Least Developed Countries Report 2002*, United Nations publication, sales no E.02.II.D.13, Geneva.

United Nations (2001). Programme of Action for the Least Developed Countries for the Decade 2001–2010, 8 June, A/CONF.191/11.