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Progress Towards UNLDC III Development Targets

Chapter 2

A. Introduction

In May 2001, a new Programme of Action for the Least Developed Countries for the Decade 2001–2010 (POA) was agreed at the Third United Nations Conference on the Least Developed Countries (UNLDC III). The Programme of Action is intended as "a framework for a strong global partnership to accelerate sustained economic growth and sustainable development in LDCs, to end marginalization by eradicating poverty, inequality and deprivation in these countries, and to enable them to integrate beneficially into the global economy" (United Nations, 2001: para. 4). Partnership is founded on mutual commitments by LDCs and their development partners to undertake concrete actions in seven areas:

(i) Fostering a people-centred policy framework;

(ii) Good governance at national and international levels;

(iii) Building human and institutional capacities;

(iv) Building productive capacities to make globalization work for LDCs;

(v) Enhancing the role of trade in development;

(vi) Reducing vulnerability and protecting the environment;

(vii) Mobilizing financial resources.

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This chapter describes the progress which has been made in relation to a number of the quantified development targets of the Programme of Action. Some of these targets overlap with the development targets associated with the Millennium Development Goals (MDGs). However, there are also differences between the MDGs and the UNLDC III targets (see box 1). The targets considered in the present chapter are the following:

(i) Growth and investment targets;

(ii) Poverty reduction targets;

(iii) Human development targets;

(iv) Transport and communications infrastructure development targets;

(v) ODA, debt relief and market access targets;

(vi) Progress towards graduation from the LDC category (for which there are defined and quantifiable thresholds).

The chapter updates and extends earlier assessments of where the LDCs and their development partners stand in relation to the POA targets in UNCTAD (2001), UNCTAD (2002: part I, chapter 2) and UNCTAD (2004: part I, chapter 2, annex 1).

Box 1. How do the UNLDC III targets differ from the Millennium Development Goals?

UNLDC III was held after the UN Millennium Summit and thus the POA includes the major development goals that were written into the Millennium Declaration (United Nations, 2000). However, the UNLDC III targets differ from the MDGs in two major ways.

First, the POA targets go beyond the MDGs by including macroeconomic variables, notably a target growth rate and investment rate, and more far-reaching targets on international trade and physical infrastructure, in particular with respect to transport and communications.

Second, the UNLDC III targets are frequently formulated more ambitiously than the MDGs. For instance, UNLDC III goals are to combat not only hunger, but also malnutrition, especially amongst pregnant women and pre-school children (similar to MDG 1); to promote not only universal primary education, but also computer literacy, especially in junior and high schools and universities, and adult literacy, particularly for women (similar to MDGs 2 and 3); not only to reduce the maternal mortality rate, but also to increase the share of women with access to prenatal and maternal health care services (similar to MDG 5); and not only to halt the spread of HIV/AIDS, but also to actually reverse its spread, particularly in the most affected countries (similar to MDG 6). The Programme of Action also highlights how to achieve education and health-related development goals, namely through equitable access to basic and continuing education for all, including adults, and through unrestricted access by all to the primary health care system, including unrestricted access to the widest possible range of safe, effective, affordable and accepted family planning and contraceptive methods.

A problem with the POA targets that go beyond the MDGs is that they are often not yet specified in a way that enables them to be monitored. Monitoring is impeded by both a lack of agreed indicators and a lack of base years against which progress can be measured. A major effort is required in order to make the quantitative targets of the Programme of Action monitorable, and also to ensure that they are consistent with the MDGs.

There has been a major statistical effort to monitor the MDGs and create an institutional consensus on how they should be monitored. There may therefore be a tendency to use progress towards achieving the MDGs as a basis for monitoring progress towards achieving POA targets. However, neglect of the targets that are specific to the POA would be undesirable. Development in the LDCs requires not only improvements in social areas but also a substantial improvement in productive capacities and economic growth, which depends on higher levels of investment, better infrastructure and trade.

Source: Herrmann (2003).

B. Growth and investment targets

The Programme of Action includes growth and investment targets for the group of LDCs, specifically that "LDCs, with the support of their development partners, will strive to attain a GDP growth rate of at least 7 per cent per annum and increase the ratio of investment to GDP to 25 per cent per annum" (United Nations, 2001: para. 6). Since the start of the POA, growth rates and investment ratios have been improving in many LDCs. As shown in chapter 1, the year 2004 was an exceptionally positive year for the LDCs in terms of GDP growth. However, in aggregate, the LDC performance with respect to these targets is falling behind.

Between 2001 and 2004, only 6 out of the 46 LDCs for which data are available were able to meet or exceed the Programme of Action target of an average annual growth rate of 7 per cent per annum.

Between 2001 and 2004, only 6 out of the 46 LDCs for which data are available were able to meet or exceed an average annual growth rate of 7 per cent per annum. These include three countries which are (or are becoming) oil exporters — Angola, Chad and Equatorial Guinea — together with Maldives, Mozambique and Sierra Leone. Over the same period, 11 LDCs were on track, growing between 5 and 7 per cent per annum; 8 LDCs were, on average, growing moderately (between 3.5 and 5 per cent per annum) but were under the target rate; 16 LDCs were growing at less than half the target rate, which was barely sufficient to ensure positive GDP per capita growth; and finally, GDP was declining in the remaining 5 countries.

With respect to the POA investment target, out of 39 LDCs for which data are available, Bhutan, Chad, Eritrea, Haiti, Lesotho, Maldives, Mozambique, Nepal, Sao Tome and Principe, and Timor-Leste achieved or exceeded an investment/GDP ratio of 25 per cent per annum during the period 2001–2004. Eight LDCs were on track for achieving the target, with average annual gross capital formation rates of between 20 and 25 per cent of GDP; 10 had average annual investment rates of between 17 and 20 per cent; and a last subgroup of 11 LDCs exhibited low levels of gross capital formation.

C. Poverty reduction targets

The Programme of Action states that the "The overarching goal of the Programme of Action is to make substantial progress toward halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote the sustainable development of the LDCs" (United Nations, 2001: para. 6). However, identifying the progress which LDCs have made in meeting the poverty reduction goal through household survey data is very difficult (see box 2).

If the past trend continues, the number of people living in poverty in the LDCs will increase from 334 million in 2000 to 471 million in 2010.

In past LDC Reports UNCTAD has argued that, given the paucity of good household-survey-based estimates of poverty over time in the LDCs, it would be advisable to use national-accounts-based estimates of the incidence of poverty. UNCTAD estimates in the *Least Developed Countries Report 2002* suggest that the incidence of poverty did not decline in the 1990s in the LDCs as a group and has remained at 50 per cent of the total population (UNCTAD, 2002: part II, chapter 1). If this past trend continues, the number of people living in poverty in the LDCs will increase from 334 million in 2000 to 471 million in 2010 (UNCTAD, 2004: 222).

National-accounts estimates of poverty such as these have given rise to lively debate, and some reject their validity, arguing that national-accounts household consumption estimates are too flawed and too broadly specified to give an

Box 2. What do household survey data show about poverty trends in LDCs?

Box table 1 sets out household-survey-based estimates of the proportion of the population living on less than $1 a day in the LDCs using the international poverty line (1993 PPP $), and also the proportion of the population living in poverty according to nationally defined poverty lines reported internationally. The data are drawn from the MDG statistical indicators website and the World Bank online poverty database (PovcalNet).

These sources provide the most comprehensive coverage of household-survey-based estimates of poverty. However, it is clear that the data are not sufficient to provide a clear picture of the situation across all LDCs. There are only 30 LDCs for which there are poverty estimates. Moreover, it is possible to estimate a rate of change in the incidence of poverty using the international poverty line in only 14 LDCs, and using the national poverty line in only 10 LDCs.

The data suggest that poverty trends within the LDCs are very mixed. The incidence of poverty is declining during those periods for which there are data in 6 out of 14 LDCs using the international poverty line and in 7 out of 10 LDCs using the national poverty line.

Drawing any conclusions from these data is even more difficult because there is an inconsistency between the trends that appear when the international poverty line is used and those that appear when the national poverty line is used. In the case of seven LDCs where data are available for both poverty lines, the trend in the incidence of poverty is in a different direction (positive or negative) for the international poverty line compared with the national poverty line. In most cases this reflects the fact that the poverty rates are estimated for different periods during the 1990s. However, the inconsistency means that it is impossible to construct a coherent view of poverty trends in the LDCs in the 1990s using these data.

Box 2 (contd.)

Box table 1. Poverty estimates for LDCs according to international and national poverty lines

	International poverty line: % of population below $1[a] per day consumption				National poverty line: % of population below national poverty line			
	Year	*Latest poverty estimate*	*Period*	*Rate of change per annum*	*Year*	*Latest poverty estimate*	*Period*	*Rate of change per annum*
Bangladesh	2000	36	1996–2000	2.3	2000	50	1996–2000	-0.3
Benin					1995	33		
Burkina Faso	1998	45	1994–1998	-4.5	1998	45	1994–1998	0.2
Burundi	1998	55	1992–1998	1.7				
Cambodia	1997	34			1997	36	1994–1997	-1.0
Central African Republic	1993	67						
Chad					1996	64		
Djibouti					1996	45		
Ethiopia	1995	31	1995–2000	-1.6	1996	46		
Eritrea					1994	53		
Gambia	2000	26	1998–2000	-1.7				
Guinea					1994	40		
Guinea-Bissau					1991	49		
Haiti	2001	67						
Lao People's Dem. Rep.	1997	26	1992–1997	3.6	1998	39	1993–1998	-1.3
Lesotho	1995	36	1993–1995	-3.5				
Madagascar	2001	61	1999–2001	6.0	1999	71	1997–1999	-1.0
Malawi	1997	42			1998	65	1991–1998	1.6
Mali	1994	72			1998	64		
Mauritania	2000	26	1995–2000	-0.6	2000	46	1996–2000	-0.9
Mozambique	1996	38			1997	69		
Nepal	1995	39			1996	42		
Niger	1995	61	1992–1995	6.3	1993	63		
Rwanda	2000	52			1993	51		
Sierra Leone					2004	70		
Senegal	1994	22	1991–1994	-7.7	1992	33		
Uganda	1999	85	1996–1999	-0.3	1997	44	1993–1997	-2.8
United Rep. of Tanzania	1991	49			2001	36	1991–2001	-0.3
Yemen	1998	16	1992–1998	2.0	1998	42		
Zambia	1998	64	1998–1996	4.5	1998	73	1996–1998	1.9

Source: UNCTAD secretariat estimates based on World Bank, *World Development Indicators 2005,* CD-ROM, PovcalNet and United Nations Statistics Division.

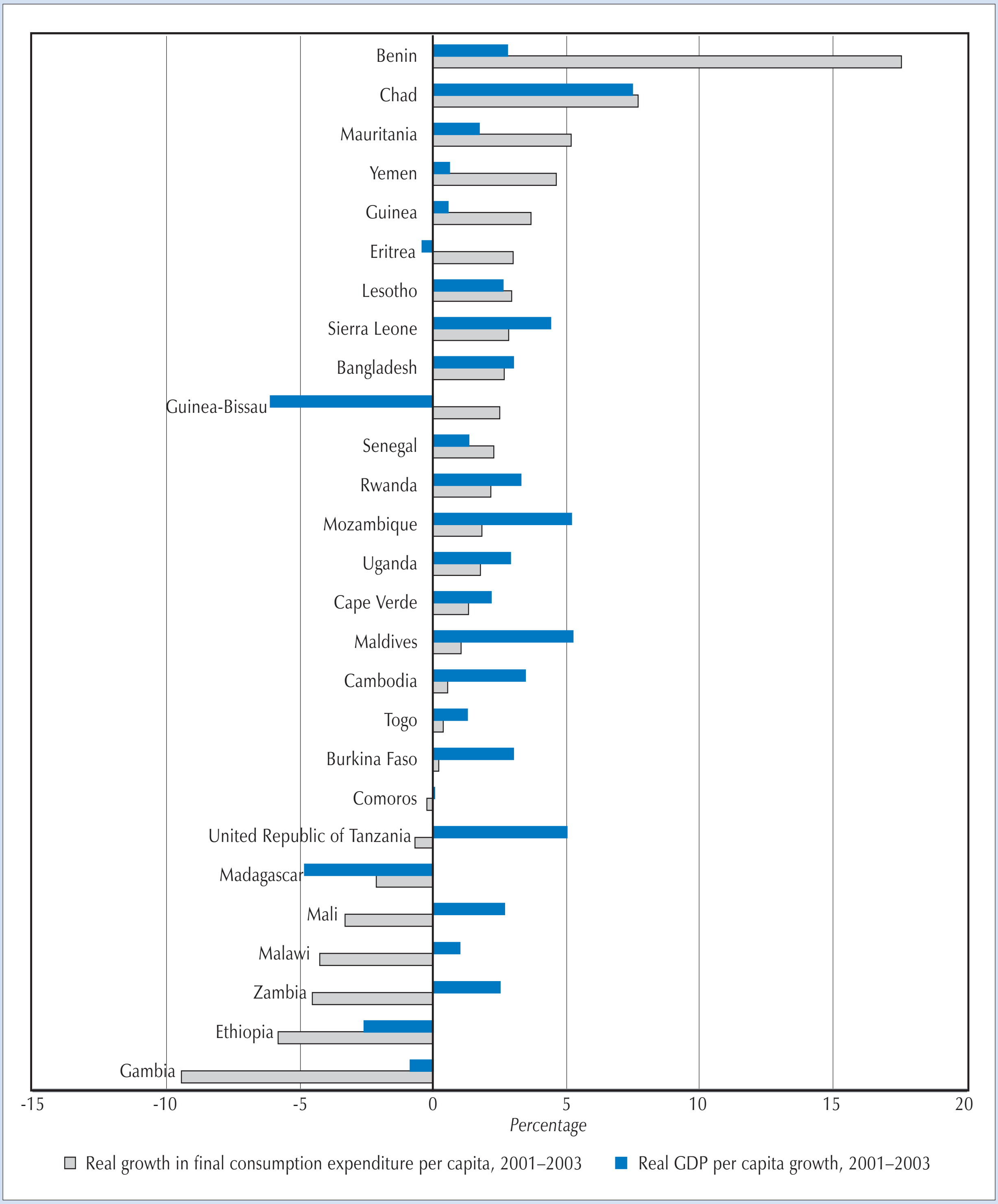
a Measured in 1993 purchasing power parity.

accurate picture of household poverty.[1] However, as stated in the *LDC Report 2002,* national-accounts-based poverty estimates "offer as plausible poverty estimates as purely household-survey-based estimates" (UNCTAD, 2002: 47). On pragmatic grounds, the only way in which it will be possible to monitor poverty trends in the LDCs as a group will be to use national accounts data, used as sensitively as possible and with an awareness of its flaws.

With this in view, chart 7 shows the real average annual growth rates for private consumption per capita in 27 LDCs for which data are available during the period 2001–2003. Private consumption per capita is falling in eight of the LDCs and is growing at less than 0.5 per cent per annum in a further three countries. Without data on income distribution changes it is impossible to say definitely that falling private consumption per capita implies increasing poverty. But in the LDCs there is a very close long-term relationship between increases in average private consumption per capita and the incidence of poverty

CHART 7. PRIVATE CONSUMPTION PER CAPITA AND GDP PER CAPITA IN LDCs, 2001–2003

(Annual average growth rates)



Source: UNCTAD secretariat estimates based on World Bank, *World Development Indicators* 2005, CD-ROM.

(UNCTAD, 2002: part 2, chapter 3). There is thus a strong probability that the incidence of poverty is increasing in these countries.

Chart 7 also includes evidence of real GDP per capita growth rates. In general, private consumption per capita is increasing in LDCs with increasing GDP per capita, and decreasing in LDCs with decreasing GDP per capita. However, this is not always the case. There are a number of countries —

Comoros, Malawi, Mali, the United Republic of Tanzania and Zambia — in which positive GDP per capita growth is associated with declining private consumption per capita. In some of these countries, this happens because real gross capital formation per capita has been increasing faster than GDP per capita. This is increasing the capacity to produce goods and reduce poverty in the future. But investment is occurring at the expense of current consumption. This indicates that there can be a short-term trade-off between achieving the UNLDC III investment target and poverty reduction target.[2] This can be attenuated through access to foreign savings, which, as shown in chapter 1, have increased significantly in recent years.

Even though no LDC has yet managed to reduce by half the proportion of the population that is undernourished, approximately one third have made great strides towards reductions since the beginning of the 1990s.

D. Human development targets

The Programme of Action includes a large number of human development targets, which for the most part overlap with the MDGs. This section focuses on progress towards achieving the following seven targets:

(i) Halving, between 1990 and 2015, the proportion of people suffering from hunger;

(ii) Ensuring that, by 2015, children everywhere, boys and girls alike, are able to complete a full course of primary schooling;

(iii) Eliminating gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015;

(iv) Reducing, by two thirds, between 1990 and 2015, the under-5 mortality rate;

(v) Halving, by 2015, the proportion of people without access to safe drinking water;

(vi) Halting and beginning to reverse the spread of HIV/AIDS;

(vii) Achieving a 50 per cent improvement in levels of adult literacy by 2015.[3]

Although available data for LDCs are patchy, there is sufficient information on the first five indicators to show trends from 1990 to 2003 for a large number of LDCs. The countries are classified into four groups: (i) those that have achieved the target by 2003; (ii) those that are on track to achieve the target by 2015 if the rate of progress between 1990 and 2003 continues; (iii) those that are making progress, but on past rates, are likely to miss the 2015 targets; and (iv) those in which there is a reversal or stagnation. For the sixth indicator, data are available only for 2001 and 2003, and thus it is possible to see whether the HIV prevalence rate is increasing or decreasing only between those years. For the seventh indicator, data on adult literacy rates are available for the period from 1990 to 2002, enabling a projection to be made until 2015.

But in 11 of them, the proportion of undernourished people is increasing.

Table 16 summarizes the trends for the first five indicators. It shows that even though no LDC has yet managed to *reduce by half the proportion of the population that is undernourished*, of the 34 LDCs covered, approximately one third have made great strides towards reductions since the beginning of the 1990s. The cases of Angola, Chad, Haiti, Malawi and Mozambique are notable. The proportion of undernourished people in those countries fell by between 24 and 17 per cent from 1990 to 2002, having been over 50 per cent in 1990.

Nevertheless, it is a matter of concern that there is very slow progress, stagnation or reversals in 21 of those LDCs. In 11 of them, the proportion of undernourished people is increasing. The Democratic Republic of the Congo and Burundi exemplify this situation: the proportion of undernourished people in those countries increased by 40 and 20 per cent respectively between 1990 and 2002. It is unlikely that, at current levels of progress, this set of countries will achieve the hunger target by the 2015 deadline.

The majority of LDCs have low levels of progress towards meeting the primary education target.

With respect to the *primary education target*, with full data available only for 26 LDCs, Cape Verde is the only LDC to have achieved the target. Nine more LDCs were on track to meet the 2015 deadline. Guinea managed to increase net primary enrolment rates by 40 per cent between 1990 and 2003. However, the majority of LDCs have low levels of progress towards meeting the primary education target. Furthermore, any assessment of progress needs to take into account great disparities in initial enrolment rates. Island and, generally, Asian LDCs had initial primary enrolment ratios of above 70 per cent and in some cases above 90 per cent. Although the experience of African LDCs varies, with some countries having initial enrolment rates of as low as 8 per cent and others as high as 79 per cent, the average initial proportion of enrolment in 1990 in African LDCs is much lower than for the other two LDC groupings.

With respect to the primary education target, 10 out of 26 LDCs have achieved or are on track to meet the 2015 deadline.

Improvement towards *eliminating gender disparities* in primary education has been relatively good, with 10 LDCs (out of 36 for which data are available) having achieved the target, and 9 others considered to be on track to achieve it by 2015. For example, the ratio between girls' and boys' primary enrolment increased from 35 per cent in 1990 to 69 per cent in 2003 in Yemen, and during the same period from 68 per cent to 98 per cent in Gambia, from 47 per cent to 77 per cent in Guinea and from 60 per cent to 89 per cent in Nepal. However, approximately half of LDCs for which data are available are experiencing low levels of progress.

Improvement towards eliminating gender disparities in primary education has been relatively good.

Progress towards reducing levels of *child mortality* in LDCs is very slow in over 80 per cent of the cases for which data are available, and several LDCs are experiencing setbacks. Only 11 LDCs are on track to meet the target. Impressive reductions have been made by Bhutan, Guinea, Mozambique and the Lao People's Democratic Republic.

The Central African Republic, Myanmar and the United Republic of Tanzania have met the target of decreasing by half the proportion of the population without *sustainable access to water*. Between 1990 and 2002, access in those countries increased from 38 per cent to 73 per cent, from 48 per cent to 80 per cent and from 48 per cent to 75 per cent respectively. Of the remaining LDCs for which data were available, 10 were on track to meet the 2015 deadline, 16 were progressing very slowly and 5 were experiencing stagnation or reversals.

Progress towards reducing levels of child mortality in LDCs is very slow and only 11 LDCs are on track to meet the target.

Many of the LDCs have been particularly badly affected by the HIV/AIDS epidemic. According to data from UNAIDS (2004), by the end of 2003:

- 28 per cent of the estimated global population of adults and children in the world and 27 per cent of all the world's adult infected population lived in the LDCs.
- 32 per cent of the world's women with HIV were living in the LDCs.
- 45 per cent of the world's children (aged 0–14) with HIV were living in the LDCs.
- An estimated 34 per cent of AIDS deaths (children and adults) occurred in the LDCs.
- 43 per cent of children orphaned by HIV/AIDS lived in the LDCs.

Table 16. Progress towards achievement of selected human development targets in the LDCs, 1990–2003[a]

Target	Data availability	Achieved by 2003	Achievable by 2015	Low progress	Reversal/ stagnation
Hunger	**34 LDCs**		**13** Angola Benin Cambodia Chad Guinea Haiti Lao People's Dem. Rep. Lesotho Malawi Mauritania Mozambique Myanmar Togo	**9** Bangladesh Burkina Faso Central African Rep. Nepal Niger Rwanda Somalia Sudan Uganda	**12** Afghanistan Burundi Dem. Rep.of Congo Gambia Liberia Madagascar Mali Senegal Sierra Leone United Rep. of Tanzania Yemen Zambia
Primary education	**26 LDCs**	**1** Cape Verde	**9** Cambodia Gambia Guinea Lao People's Dem. Rep. Lesotho Mauritania Rwanda Togo Vanuatu	**14** Bangladesh Burkina Faso Burundi Chad Eritrea Ethiopia Madagascar Maldives Mali Mozambique Niger Senegal United Rep. of Tanzania Yemen	**2** Zambia Myanmar[b]
Gender equality in education	**36 LDCs**	**10** Bangladesh Lesotho Madagascar Maldives Myanmar Rwanda Samoa United Rep. of Tanzania Vanuatu Uganda	**9** Cambodia Gambia Guinea Malawi Mauritania Senegal Togo Yemen Nepal	**14** Benin Burkina Faso Cape Verde Central African Rep. Chad Comoros Djibouti Ethiopia Lao People's Dem. Rep. Mali Mozambique Niger Sudan Zambia	**3** Afghanistan Burundi Eritrea
Child mortality	**50 LDCs**		**11** Bangladesh Bhutan Cape Verde Comoros Eritrea Lao People's Dem. Rep. Maldives Nepal Samoa Solomon Islands Vanuatu	**24** Benin Djibouti East Timor Equatorial Guinea Ethiopia Gambia Guinea Guinea-Bissau Haiti Kiribati Lesotho Madagascar Malawi Mali Mozambique Myanmar	**15** Afghanistan Angola Burkina Faso Burundi Cambodia Central African Republic Chad Dem. Rep. of Congo Liberia Mauritania Rwanda Sao Tome and Principe Somalia United Rep. of Tanzania Zambia

Table 16 (contd.)

Target	Data availability	Achieved by 2003	Achievable by 2015	Low progress	Reversal/ stagnation
Child mortality (contd..)				Niger Senegal Sierra Leone Sudan Togo Tuvalu Uganda Yemen	
Access to water	**34 LDCs**	**3** Central African Republic Myanmar United Rep. of Tanzania	**10** Angola Burundi Comoros Eritrea Haiti Kiribati Malawi Mauritania Nepal Rwanda	**16** Bangladesh Benin Burkina Faso Chad Dem. Rep. of the Congo Djibouti Guinea Liberia Madagascar Mali Niger Senegal Sudan Togo Uganda Zambia	**5** Ethiopia Maldives Samoa Vanuatu Yemen

Source: UNCTAD secretariat estimates based on UNDP Human Development Report Office: direct communication.

a The quantitative variables used to monitor the targets on hunger, primary education, gender equality in education, child mortality and access to safe water are: undernourished people as a percentage of total population, the net primary school enrolment ratio, the ratio between girls' and boys' primary enrolment (gender parity index), the under-5 child mortality rate (per 1,000 live births) and the percentage of people with access to improved water sources, respectively.
To estimate progress towards achievement, data for the following years were used: for the hunger target: 1990/1992 and 2000/2002, for the primary education target: 1990/1991 and 2002/2003, for gender equality in education: 1991 and 2003, for child mortality: 1990 and 2003, and for access to water: 1990 and 2002. Projections are based on the assumption that annual average rates of change between 1990 (or the nearest year) and 2003 (or the nearest year) will continue until 2015.

b Achieved in 2000, but has since experienced a reversal.

Table 17 summarizes recent progress in terms of *HIV prevalence* in the 32 LDCs for which data are available.[4] HIV prevalence rates for those aged 15–49 were increasing in 13 LDCs, stagnant in 9 LDCs and decreasing in 10 LDCs between 2001 and 2003. UNCTAD (2004: part 1, chapter 2) discusses the major economic and social impacts of the epidemic in the LDCs. Unless further progress is made on this front, it is unlikely that the target will be met by 2015.

The majority of LDCs should increase their adult literacy rates by over 33 per cent above the 2001 level by the year 2015.

Table 18 summarizes progress towards the POA *adult literacy target*, which has been estimated by assuming that the target is to increase adult literacy by 50 per cent above the 2001 level by the year 2015. From the table it is apparent that if the trend that prevailed from 1990 to 2001 continues until 2015, only one LDC — Mali — will be lagging far behind in terms of achieving this target. Only three LDCs are on track, but the majority of those for which there are data should increase their adult literacy rates by over 33 per cent.

TABLE 17. HIV PREVALENCE RATE AND DIRECTION OF CHANGE IN LDCS, 2001 AND 2003
(Prevalence rate: percentage of 15–49 age group)

	2001	2003	Direction of change
Burundi	6.2	6.0	decreasing
Cambodia	2.7	2.6	decreasing
Chad	4.9	4.8	decreasing
Eritrea	2.8	2.7	decreasing
Lesotho	29.6	28.9	decreasing
Malawi	14.3	14.2	decreasing
Togo	4.3	4.1	decreasing
Uganda	5.1	4.1	decreasing
United Republic of Tanzania	9.0	8.8	decreasing
Zambia	16.7	16.5	decreasing
Benin	1.9	1.9	stagnant
Burkina Faso	4.2	4.2	stagnant
Central African Republic	13.5	13.5	stagnant
Democratic Republic of the Congo	4.2	4.2	stagnant
Gambia	1.2	1.2	stagnant
Lao People's Democratic Republic	0.1	0.1	stagnant
Mali	1.9	1.9	stagnant
Senegal	0.8	0.8	stagnant
Rwanda	5.1	5.1	stagnant
Angola	3.7	3.9	increasing
Djibouti	2.8	2.9	increasing
Guinea	2.8	3.2	increasing
Haiti	5.5	5.6	increasing
Liberia	5.1	5.9	increasing
Madagascar	1.3	1.7	increasing
Mauritania	0.5	0.6	increasing
Mozambique	12.1	12.2	increasing
Myanmar	1.0	1.2	increasing
Nepal	0.4	0.5	increasing
Niger	1.1	1.2	increasing
Ethiopia	4.1	4.4	increasing
Sudan	1.9	2.3	increasing

Source: UNAIDS estimates; UN Statistics Division.

E. Transport and communications infrastructure development targets

The Programme of Action contains the following six infrastructure-related targets:

The Programme of Action contains six infrastructure-related targets.

"(a) Increasing road networks or connections in LDCs to the current level of other developing countries and urban road capacities, including sewerage and other related facilities, by 2010;

(b) Modernizing and expanding ports and airports and their ancillary facilities to enhance their capacities by 2010;

(c) Modernizing and expanding railway connections and facilities, increasing their capacities to the level of those in other developing countries by the end of the decade;

(d) Increasing LDCs' communication networks, including telecommunication and postal services, and improving access of the poor to such services in urban and rural areas to reach the current levels in other developing countries;

TABLE 18. PROGRESS OF LDCS TOWARDS ACHIEVEMENT OF ADULT LITERACY TARGET, 1990, 2001 AND 2015

(Adult literacy rate: percentage of population aged 15 and above)

	1990	2001	2015 *target*	2015 *expected*[a]
Bangladesh	34	41	61	49
Benin	26	39	58	54
Burundi	37	49	74	65
Cambodia	62	69	100	77
Cape Verde	64	75	100	89
Central African Republic	33	49	73	68
Chad	28	44	66	65
Comoros	54	56	84	59
Ethiopia	29	40	60	55
Haiti	40	51	76	65
Lao People's Dem. Rep.	57	66	98	77
Lesotho	78	81	100	86
Liberia	39	55	82	75
Malawi	52	61	91	73
Maldives	95	97	100	100
Mali	19	19	29	19
Mauritania	35	41	61	48
Mozambique	33	45	68	60
Myanmar	81	85	100	90
Nepal	30	43	64	59
Niger	11	17	25	23
Rwanda	53	68	100	87
Samoa	98	99	100	100
Senegal	28	38	57	51
Sudan	46	59	88	75
Togo	44	58	88	76
Uganda	56	68	100	83
United Rep. of Tanzania	63	76	100	93
Yemen	33	48	71	67
Zambia	68	79	100	93

Source: UNCTAD secretariat estimates and projections based on *World Development Indicators 2005,* CD-ROM.

a The expected adult literacy rate in 2015 is calculated assuming that rates of progress between 1990 and 2001 will have continued between 2001 and 2015.

(e) Increasing computer literacy among students in higher institutions and universities by 50 per cent and in junior and high schools by 25 per cent by 2015;

(f) Increasing average telephone density to 5 main lines per 100 inhabitants and Internet connections to 10 users per 100 inhabitants by the year 2010" (United Nations, 2001: para. 43).

To assess the LDCs' progress in achieving goals (a) and (f), it has been assumed that these goals specifically aim at bringing, by 2010, the LDCs to the level that other developing countries (ODCs) had in 2001.

The unavailability of data seriously limits the extent of the analysis. Except for goals (a) and (f), there are too few observations to permit comparison. With regard to goal (a) lack of recent data meant that evaluation was based on growth rates in the 1990s to the most recent year, which were then projected to the year 2010. The estimated values, which assume that the growth rates before the

Programme of Action will be maintained, are then compared with the corresponding 2001 value in other developing countries. For goal (f), more recent data is available, and evaluation of progress is based on estimating the average annual growth rate experienced by the LDCs over the period 2001-2003 and making projections for the year 2010.

Table 19 shows the progress of each LDC towards the achievement of goals (a) and (f). The following conclusions can be drawn:

16 LDCs are on track for achieving by 2010 the same length of roads per capita as ODCs had in 2001, against 17 LDCs that are far behind.

- Island LDCs have better transport and communications infrastructures than the remaining LDCs and seem more likely to achieve the POA goals.
- Regarding the transport infrastructure goal, 16 LDCs are on track for achieving by 2010 the same length of roads per capita as ODCs had in 2001, against 17 LDCs that are far behind. When a measure of infrastructure quality, for example paved roads, is taken into account, a different picture emerges: 24 LDCs are far behind, 5 have achieved the goal and only 1 is on track. This shows that it is not sufficient to increase the length of the road network when roads are of poor quality and barely usable.
- The digital divide is not likely to be closed before 2010. The majority of the LDCs are far behind as regards the goals of having 5 main telephone lines and 10 Internet users per 100 inhabitants by 2010. It is interesting to note that in the case of the number of Internet users, 21 LDCs are on track for achieving the goal, on the assumption that the growth rate of the period 2001–2004 is maintained until 2010.

F. ODA, debt relief and market access targets for development partners

1. Quantity of aid

The digital divide is not likely to be closed before 2010. The majority of the LDCs are far behind as regards the goals of having 5 main telephone lines and 10 Internet users per 100 inhabitants by 2010.

Under commitment 7 of the Programme of Action, "Mobilizing financial resources", it is stated, *inter alia,* that "Donor countries will implement the following actions that they committed to at the second United Nations Conference on the Least Developed Countries as soon as possible:

(a) Donor countries providing more than 0.20 per cent of their GNP as ODA to LDCs: continue to do so and increase their efforts;

(b) Other donor countries which have met the 0.15 target: undertake to reach 0.20 per cent expeditiously;

(c) All other donor countries which have committed themselves to the 0.15 per cent target: reaffirm their commitment and undertake either to achieve the target within the next five years or to make their best efforts to accelerate their endeavours to reach the target;

(d) During the period of the Programme of Action, the other donor countries: exercise individual best efforts to increase their ODA to LDCs with the effect that collectively their assistance to LDCs will significantly increase" (United Nations, 2001: para. 83).

Table 19. Progress of LDCs towards POA transport and communications infrastructure targets, 2010

(Before and after the Brussels conference)

	Transport target		**Communications infrastructure target**	
	Roads km/000 people	*Paved roads km/000 people*	*Telephone mainlines per 100 people*	*Internet users per 100 people*
Afghanistan	Far behind	Far behind	Far behind	On track
Angola	Lagging	Slipping back	Far behind	On track
Bangladesh	Far behind	Far behind	Far behind	Far behind
Benin	Far behind	Far behind	Far behind	On track
Bhutan	On track	Achieved	Slipping back	Far behind
Burkina Faso	Far behind	Slipping back	Far behind	Far behind
Burundi	..	..	Far behind	Far behind
Cambodia	Slipping back	Far behind	Far behind	Far behind
Cape Verde	Far behind	Achieved	Achieved	On track
Central African Republic	On track	Far behind	Far behind	Far behind
Chad	On track	Far behind	Far behind	On track
Comoros	..	..	Lagging	On track
Dem. Rep. of the Congo	..	..	Slipping back	Far behind
Djibouti	On track	Far behind	Far behind	On track
Equatorial Guinea	On track	..	Far behind	On track
Eritrea	Far behind	Far behind	Far behind	Far behind
Ethiopia	Far behind	Slipping back	Far behind	Far behind
Gambia	Far behind	Far behind	Lagging	On track
Guinea	On track	Far behind	Far behind	On track
Guinea-Bissau	Lagging	Far behind	Far behind	On track
Haiti	Far behind	Far behind	Lagging	On track
Kiribati	..	..	On track	Far behind
Lao PDR	On track	Achieved	Far behind	Far behind
Lesotho	On track	Far behind	On track	On track
Liberia	On track	Far behind	Slipping back	Far behind
Madagascar	On track	Slipping back	Slipping back	Far behind
Malawi	On track	Lagging	Far behind	Far behind
Maldives	..	..	Achieved	On track
Mali	Far behind	Far behind	Far behind	Far behind
Mauritania	Lagging	Far behind	Lagging	Far behind
Mozambique	Far behind	Far behind	Slipping back	On track
Myanmar	Far behind	Far behind	Far behind	Far behind
Nepal	Far behind	Slipping back	Far behind	Far behind
Niger	Slipping back	Slipping back	Far behind	Far behind
Rwanda	Far behind	Slipping back	Slipping back	Far behind
Samoa	..	Achieved	On track	On track
Sao Tome and Principe	..	Achieved	On track	Achieved
Senegal	Far behind	Far behind	Slipping back	On track
Sierra Leone	Slipping back	Slipping back	Far behind	Far behind
Solomon Islands	On track	Far behind	Slipping back	Far behind
Somalia	Lagging	Far behind	On track	Far behind
Sudan	Far behind	Far behind	On track	On track
Timor-Leste	..	..	..	..
Togo	Far behind	Far behind	Far behind	Far behind
Uganda	..	..	Far behind	Far behind
United Rep. of Tanzania	On track	Slipping back	Slipping back	On track
Vanuatu	On track	On track	Slipping back	Far behind
Yemen	On track	Far behind	On track	On track
Zambia	On track	Lagging	Slipping back	On track

Source: UNCTAD secretariat estimates and projections based on World Bank, *World Development Indicators 2005*, CD-ROM, and *World Telecommunications Indicators 2005,* CD-ROM.

Note: The gap with respect to the other developing countries for the first goal (i.e. goal A) was calculated by applying the average annual growth rate of the period 1990–1999 to the latest available year and by making projections until the year 2010. The following nomenclature is used:
"Achieved" (the country is already at the same level as the ODC average); "On track" (the country has already attained 95 per cent of the ODC average); '"Lagging" (the country has achieved between 75 and 94 per cent of the ODC average); "Far behind" (the country has achieved between 0 and 74 per cent of the ODC average); "Slipping back" (the country's level worsened during the 1990s).
The progress towards the achievement of the latest goal (i.e. goal E) was estimated by applying the average annual growth rates of the period 2001–2004 to the latest available figure and by making projections until the year 2010.

As table 20 shows, seven DAC member countries, namely Belgium, Denmark, Ireland, Luxembourg, Netherlands, Norway and Sweden met the POA target of making net ODA disbursements equivalent to 0.20 per cent of their respective GNI in 2003. In 2004, Portugal, Norway, Luxembourg, Denmark, the Netherlands, Sweden and Ireland achieved the target. In 2004, Belgium and France met the 0.15 per cent target (0.18 per cent and 0.15 per cent of GNI respectively). The combined EU member States' contributions, which accounted for 63.6 per cent of total ODA disbursements to LDCs in 2004, decreased slightly from 0.13 to 0.12 as a percentage of GNI between 2003 and 2004, but represent an increase over the 2000–2001 period (0.09 per cent in 2001 and 0.10 per cent in 2002).

Seven DAC member countries met the POA target of making net ODA disbursements equivalent to 0.20 per cent of their respective GNI in 2003.

Among the DAC member countries, the United States continues to be the leading donor to the LDCs in absolute terms, accounting for 19.2 per cent of total DAC net aid disbursements to LDCs in 2004. Nevertheless, the United States' ODA to LDCs as a share of GNI increased only marginally — to 0.04 per cent in 2003 and 2004, up from 0.03 per cent in 2002. France became the second largest DAC donor to LDCs in absolute terms in 2004.

TABLE 20. NET AID DISBURSEMENTS FROM OECD/DAC MEMBER COUNTRIES TO LDCS,[a] AND ODA UNTYING RATIO OF ODA TO LDCS, 2003 AND 2004

(Ranked in descending order of % of donors' GNI)

	2003				2004				2004
	$ 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]
Portugal	205	0.9	64	0.14	878	3.7	85	0.53	0.99
Norway	801	3.6	39	0.36	837	3.6	38	0.33	1.00
Luxembourg	65	0.3	34	0.27	87	0.4	37	0.31	1.00
Denmark	673	3.0	38	0.32	735	3.1	36	0.31	0.80
Netherlands	981	4.4	25	0.20	1 453	6.2	35	0.25	0.96
Sweden	822	3.7	34	0.27	762	3.2	28	0.22	0.98
Ireland	266	1.2	53	0.21	322	1.4	53	0.21	1.00
Belgium	1 088	4.9	59	0.35	645	2.7	44	0.18	0.99
France	2 965	13.3	41	0.16	3 169	13.5	37	0.15	0.85
United Kingdom	2 273	10.2	36	0.12	2 988	12.7	38	0.14	1.00
Switzerland	405	1.8	31	0.12	399	1.7	26	0.11	0.95
Germany	2 508	11.3	37	0.10	2 312	9.8	31	0.08	0.66
Finland	183	0.8	33	0.11	153	0.6	23	0.08	1.00
Canada	634	2.9	31	0.07	702	3.0	27	0.07	0.76
New Zealand	45	0.2	27	0.06	65	0.3	31	0.07	0.36
Australia	259	1.2	21	0.05	350	1.5	24	0.06	0.91
Austria	169	0.8	33	0.07	168	0.7	25	0.06	0.68
Italy	1 104	5.0	45	0.08	788	3.4	32	0.05	0.80
Spain	342	1.5	17	0.04	424	1.8	17	0.04	0.95
United States	4 474	20.1	27	0.04	4 504	19.2	23	0.04	0.03
Japan	1 922	8.6	22	0.04	1 684	7.2	19	0.04	0.81
Greece	55	0.2	15	0.03	65	0.3	14	0.03	0.41
Total DAC	22 237	100.0	32	0.08	23 490	100.0	30	0.08	0.68
of which:									
EU Members	13 697	61.6	37	0.13	14 949	63.6	35	0.12	..

Source: UNCTAD secretariat estimates based on OECD/DAC online data and, for untying ratio, OECD (2006).

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 the following: untied bilateral LDC ODA divided by total bilateral LDC ODA (commitments basis).

In terms of volume, net ODA disbursements from DAC member countries to LDCs almost doubled in 2004 in comparison with the 2001 levels (rising from $12,019 million in 2001 to $23,490 million in 2004). The aid effort of all DAC member countries, as measured by the ODA to GNI ratio, stood at 0.08 in both 2003 and 2004, having increased from 0.06 in 2002. Nevertheless, in global terms, the ODA to GNI ratio still remains below the ODA targets for the LDCs in the Programme of Action.

2. The untying of aid

With regard to improving the effectiveness of aid to the LDCs, the Brussels Programme of Action includes a commitment on the part of donor countries to implement the 2001 OECD/DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (DCD/DAC (2001)12/FINAL). This entered into force on 1 January 2002.

The bilateral LDC ODA untying ratio continues to rise... and most Members have untied their aid beyond the requirements of the Recommendation.

As shown in table 20, the bilateral LDC ODA untying ratio continues to rise. The average bilateral ODA untying ratio to the LDCs for the composite of DAC Members in 2004 surpassed the Members' agreed reference point, 0.60. It is further reported in the 2006 OECD/DAC progress report that, "In 2005, the implementation of the Recommendation continued to proceed well, ….. and most Members have untied their aid beyond the requirements of the Recommendation" (OECD, 2006: 2-3).

Furthermore, according to the 2006 progress report:

- All Members had implemented the coverage provisions of the Recommendation.
- In response to the Paris Declaration and calls from major international conferences to increase the share of aid that is untied, the DAC has discussed "approaches to extend the benefits of untied aid, especially in terms of improved aid effectiveness and greater value for money". (OECD: 2006: 7). One of the actions adopted includes: the elimination of coverage thresholds in order to improve effort-sharing among donors; these provisions are expected to enter into force on 1 July 2006.
- Although technical cooperation is excluded from the coverage of the Recommendations, a further step taken involves "studying the possibilities for untying procurement related technical cooperation" (OECD, 2006:8). Notwithstanding, in 2004, Australia adopted a policy of untying technical cooperation to the LDCs.
- In 2005, the European Community adopted two new regulations on access to EC external assistance, in which all aid to the LDCs will be untied. With the new adopted regulation "all expertise, e.g. technical cooperation, will be untied and based on the dual criteria of quality and price" (OECD, 2006: 3), and food aid will additionally be untied.

The process of untying aid towards LDCs has been evolving at a rapid pace, and there seems to be consensus that further untying would further contribute to the aid effectiveness agenda.

In sum, the process of untying aid towards LDCs has been evolving at a rapid pace, and there seems to be consensus that further untying would further contribute to the aid effectiveness agenda.

3. Debt relief

The Programme of Action highlights a number of key measures to be taken in relation to debt relief and debt management on the part of the LDCs and their development partners. The cornerstone of action by development partners is the effective implementation of the enhanced HIPC Initiative.

As of August 2005, 22 LDCs had reached decision point and 13 had reached completion point in the HIPC process.

Thirty LDCs are currently identified as potentially eligible to receive debt relief under the enhanced HIPC Initiative. As of August 2005, 22 of those countries had reached decision point and 13 had reached completion point in the HIPC process (see table 21).[5] Most countries reached decision point in the year 2000. Since May 2001, only four more LDCs have reached decision point. But over this period 12 LDCs have reached completion point, including eight, namely Benin, Ethiopia, Madagascar, Mali, Niger, Rwanda, Senegal and Zambia, since 2003.

In 2004, the "sunset clause" of the enhanced HIPC Initiative was extended until the end of 2006. This will allow additional countries to qualify under the enhanced HIPC Initiative if income and indebtedness criteria are satisfied utilizing end-of-2004 data. On the basis of analysis by the IMF and the IDA, 10 LDCs have estimated debt burden indicators above the enhanced HIPC Initiative thresholds. These include seven LDCs which were already recognized as potential beneficiaries of the Initiative but which had not yet reached decision point — the Central African Republic, Comoros, the Lao People's Democratic Republic, Liberia, Somalia, Sudan and Togo — and also Eritrea, Haiti and Nepal. Two LDCs (Afghanistan and Cape Verde) have ratios below the enhanced HIPC Initiative thresholds, and in the case of three LDCs incomplete data have not allowed a final assessment to be made. These countries are Bangladesh and Bhutan, and also Myanmar, which was already identified as potentially eligible. It is therefore possible that up to 5 more LDCs may be added to the 30 LDCs currently on the list of HIPCs.

In those LDCs that have reached completion point, the debt problem has not been completely resolved... It is in this context that additional measures to cancel bilateral and multilateral debt, which are also identified as desirable in the Programme of Action, become important.

In net present value terms, the LDC-HIPCs that have reached completion point have received committed debt relief equivalent to $14.2 billion, 60 per cent of which has been received by Ethiopia, Mozambique, the United Republic of Tanzania and Zambia. The LDC-HIPCs that have reached decision points have received $9.7 billion, 65 per cent of which has been received by the Democratic Republic of the Congo.

Table 21 shows how a key indicator of the debt burden, namely the ratio of debt service paid to government revenue, changed in those countries between 2000 and 2004. The ratio decreased in 17 out of the 22 LDCs-HIPC that had reached decision point before September 2005. The five exceptions, where debt service paid to government revenue has increased despite debt relief, are Burundi, the Democratic Republic of the Congo, the Gambia, Mozambique and Zambia. In the 22 LDCs that have reached decision point the ratio of debt service paid to government revenue declined from 22.3 per cent in 2000 to 16.6 per cent in 2004. The decrease was even more pronounced in the 13 completion point LDC-HIPCs. But the average ratio of debt service to government revenue was still just over 10 per cent in 2004.

This indicates that although debt relief has led to considerable improvements in the debt situation of those LDCs that have reached completion point, the debt problem has not been completely resolved. In countries struggling to develop infrastructure and meet human development goals, the fiscal burden of debt remains significant. It is in this context that additional measures to cancel bilateral and multilateral debt, which are also identified as desirable in the

TABLE 21. RATIO OF DEBT SERVICE TO GOVERNMENT REVENUE IN SELECTED LDC-HIPCS, 2000–2004

	Date of approval of		Debt service paid as a % of government revenue				
	Decision point	*Completion point*	*2000*	*2001*	*2002*	*2003*	*2004*
Benin	July 2000	March 2003	14.6	9.4	7.8	5.4	5.4
Burkina Faso	July 2000	April 2002	18.5	11.4	10.3	8.1	5.8
Ethiopia	November 2001	April 2004	10.2	15.5	8.9	6.4	8
Madagascar	December 2000	October 2004	13.9	9.8	14.3	9.3	11.9
Mali	September 2000	March 2003	20.9	12.9	12.5	9.1	9.8
Mauritania	March 2000	June 2002	36.1	40.2	20.9	15.6	12.6
Mozambique	April 2000	September 2001	4.1	6.7	12.3	11.6	6.5
Niger	December 2000	April 2004	14.5	18.8	23	9.3	6.8
Rwanda	December 2000	April 2005	23.4	11.8	8.1	7.2	7.1
Senegal	June 2000	April 2004	21.8	19.6	16.5	13.8	8.1
Uganda	March 2000	May 2000	15.3	9.3	8.6	8.6	10.5
United Rep. of Tanzania	April 2000	November 2001	16.1	8.3	8	6.8	7.7
Zambia	December 2000	April 2005	29.3	21.7	18.3	23.6	37.6
Burundi	August 2005		16.5	11.9	22.7	22.3	69.7
Chad	May 2001		29.4	9.3	18.6	14.9	12.4
Dem. Rep. of the Congo	July 2003		..	..	8.2	21	13.6
Gambia	December 2000		26.6	26.3	43.2	22	34
Guinea	December 2000		33.1	18.5	19.7	18.1	16.7
Guinea-Bissau	December 2000		31.3	1.2	6.9	12.8	28.2
Malawi	December 2000		36.1	25.7	18.6	28.6	17.4
Sao Tome and Principe	December 2000		38.7	46.4	39.2	36.6	18.6
Sierra Leone	March 2002		44.4	88.6	19.2	12.7	28

Source: International Monetary Fund and International Development Association, Heavily Indebted Poor Countries (HIPC) Initiative: Status of implementation, prepared by the staffs of the IMF and World Bank, 19 August, 2005.

Note: 2004 figures preliminary.

Programme of Action, become important. In this regard, the debt cancellation decision, for African LDCs that had already reached HIPC completion points, agreed at the G8 Gleneagles Summit in July 2005 and endorsed at the September IMF/World Bank meetings is a positive development.

4. MARKET ACCESS

The Programme of Action recognizes the importance of trade for the LDCs and addresses a number of trade-related policy issues, including the heavy dependence of LDCs on a narrow range of primary commodity exports, the need for improved special and differential treatment, and weaknesses in supply capacities. With regard to market access, there is a specific quantifiable target — duty-free and quota-free market access for all LDCs' products to the markets of developed countries — progress on which can be monitored.[6]

Excluding arms and oil, 72.1 per cent of LDC imports entered duty-free, an increase of almost two percentage points over 2001.

In 2003, the latest year for which data are available, 80.5 per cent of total developed country imports by value (excluding arms) from LDCs were admitted duty-free and quota-free. This represents an increase of three percentage points over 2001. Excluding arms and oil, 72.1 per cent of LDC imports entered duty-free (table 22), an increase of almost two percentage points over 2001.

There have been a number of initiatives, since 2001, by the Quad countries (Canada, the European Union, Japan and the United States) to offer quota- and duty-free market access for an increasing range of LDC products.[7] However, if oil and arms are excluded, the proportion of total developed country imports from LDCs that are admitted duty-free actually fell between 1996 and 2003. As table 22 shows, it is developing countries other than LDCs that have in practice seen the greatest increase in the share of their imports into developed country

TABLE 22. PROPORTION OF TOTAL DEVELOPED COUNTRY IMPORTS (BY VALUE) FROM DEVELOPING COUNTRIES AND LEAST DEVELOPED COUNTRIES ADMITTED FREE OF DUTY, 1996, 2001, 2002 AND 2003

	1996	2001	2002	2003
Excluding arms				
Developing countries	48.2	62.6	64.8	69.7
LDCs	70.3	77.5	78	80.5
Excluding arms and oil				
Developing countries	44.7	60.2	63.4	63.9
LDCs	77.4	70.4	69.2	72.1

Source: UNCTAD-WTO estimates compiled by UNCTAD and WTO in consultation with the World Bank, based on WTO Integrated Database and complemented by ITC Market Access Map and UNCTAD Trade Analysis and Information System (TRAINS), CD-ROM (Geneva, annual).

markets that are admitted duty-free. A likely reason for this, given the new market access initiatives in favour of LDCs, is the greater supply capacity of the other developing countries.

At the Sixth WTO Ministerial Conference, held in Hong Kong (China), in December 2005 it was agreed that developed country Members, and developing country Members in a position to do so, should “provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008 or no later than the start of the implementation period in a manner that ensures stability, security and predictability” and “ensure that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access”, and that “Members facing difficulties at this time to provide market access as set out above shall provide duty-free and quota-free market access for at least 97 per cent of products originating from LDCs, defined at the tariff line level, by 2008 or no later than the start of the implementation period” (Hong Kong Declaration, Annex F).

The effective benefits of market access will depend on whether sensitive products are included... and on simple and transparent rules of origin, as well as efforts to increase export supply capacity.

Whether this will enhance effective market access for the LDCs will depend on whether sensitive products such as textiles, rice, dairy products and fish are included. If they are not, the Hong Kong commitment will only guarantee the current level of duty-free and quote-free market access. Also, the effective benefits of market access will depend on simple and transparent rules of origin, as well as efforts to increase export supply capacity.

G. Progress towards graduation from LDC status

The Programme of Action considers graduation from LDC status to be one of the criteria for judging the success of its implementation.

The Programme of Action for the Least Developed Countries for the Decade 2001–2010 considers graduation from LDC status to be one of the criteria for judging the success of its implementation. The principle of graduation was adopted in 1991 by the Committee for Development Planning (now the Committee for Development Policy), a group of independent experts appointed by the Economic and Social Council (ECOSOC) and responsible, inter alia, for the triennial review of the list of LDCs.

The graduation criteria are conceptually similar to the criteria for placing countries on the list: a low-income criterion, a human capital weakness criterion and an economic vulnerability criterion. The graduation methodology is based on specific quantitative thresholds for the aggregate or composite indicators relevant to those criteria: gross national income per capita, the Human Assets Index (HAI) and the Economic Vulnerability Index (EVI) respectively (see box 3).

The 2003 review of the list led the Committee for Development Policy to recommend the graduation of Cape Verde and Maldives, two countries that were meeting graduation thresholds under the low-income and human capital weakness criteria while remaining economically vulnerable. The General Assembly's decision that these two countries would eventually be removed from the list was adopted in 2004, a few days before Maldives was struck by the tsunami of 26 December. The major economic setback suffered by Maldives as a result of this natural disaster led the General Assembly, in 2005, to grant it an exceptional three-year moratorium before the regular three-year grace period towards graduation actually began. This now takes to early 2011 the expected date of Maldives' graduation from LDC status. Meanwhile, Cape Verde would normally graduate from the list in early 2008.

Samoa was deemed to be eligible for graduation in 2003, when the country met two graduation thresholds (those relevant to the low-income and human capital weakness criteria). This eligibility was confirmed at the time of the 2006 review of the list, which led the CDP to recommend Samoa's graduation. The latter will take place, unless conditions change, in early 2010. Eligibility for graduation in accordance with the graduation rule was noted by the CDP, in 2006, for three other LDCs, namely, Kiribati, Tuvalu and Vanuatu.

Box 3. The methodology for reviewing graduation from LDC status

Box table 2 shows the specific quantitative thresholds for the aggregate or composite indicators used to decide admission to and graduation from the LDC list.

For each of these indicators, there is a margin between the threshold for adding a country and the threshold for graduating a country. This margin is considered to be a reasonable estimate of the additional socio-economic progress that ought to be observed in the relevant country once the latter has risen above the threshold below which a country would be added to the list: the graduating country is expected not only to exceed the thresholds for inclusion, also to exceed them by a standard margin. This rule warrants the robustness of the assumption that a graduating country must be undergoing structural progress, and it removes the risk of graduation being dictated by temporary or insignificant economic circumstances.

Two other fundamental aspects of the graduation rule also warrant structural progress in the graduating country: (i) at least two of the three graduation criteria must be met for the country to be found eligible for graduation, whereas a symmetrical application of the inclusion and graduation rule would have implied that only one criterion had ceased to be met, since all three criteria should be met for a country to be added to the list; (ii) after eligibility for graduation has been observed once on the occasion of a review of the list, full qualification for graduation will not be recognized until the relevant graduation criteria have been met again in a second consecutive review of the list.

If a recommendation to graduate a country in accordance with the above rule is endorsed by ECOSOC and the United Nations General Assembly, actual graduation will in principle take place after a three-year moratorium. This pre-graduation period was instituted by the General Assembly in December 2004 as a grace period to enable the graduating country to negotiate with its development partners a "smooth transition" strategy. By using the notion of "smooth transition" to prevent graduation from disturbing the development process, the UN encourages the development partners of LDCs to ensure that the loss of concessionary treatment, if inevitable, will take place in a gradual, non-disturbing manner.

An important amendment to the graduation rule was introduced by the Committee for Development Policy in 2005 (and applied for the first time in 2006) in the light of the atypical case of Equatorial Guinea. The Committee decided that in the event that a country would meet only the graduation threshold relevant to the low-income criterion, and would do so with a substantial margin above the graduation line, that country would be regarded as eligible for graduation as if it had met two graduation criteria. The rationale for this amendment, as set out by the CDP, was founded on the assumption that a country that is suddenly enjoying financial comfort (notably in the context of oil exports) has acquired a capacity to remedy, without exceptional external support, the structural weaknesses that are measured through the other two criteria. The Committee decided that this exceptional rule would apply whenever the gross national income per capita is more than twice as high as the relevant graduation threshold. In the case of Equatorial Guinea, as shown in box chart 1, the ratio to the graduation threshold was nearly 4 (see also box charts 2 and 3). The Committee therefore found the country eligible for graduation, and subject to the regular time frame under the graduation rule, which implies, unless conditions change, a loss of LDC status for Equatorial Guinea in early 2013.

Box 3 (contd.)

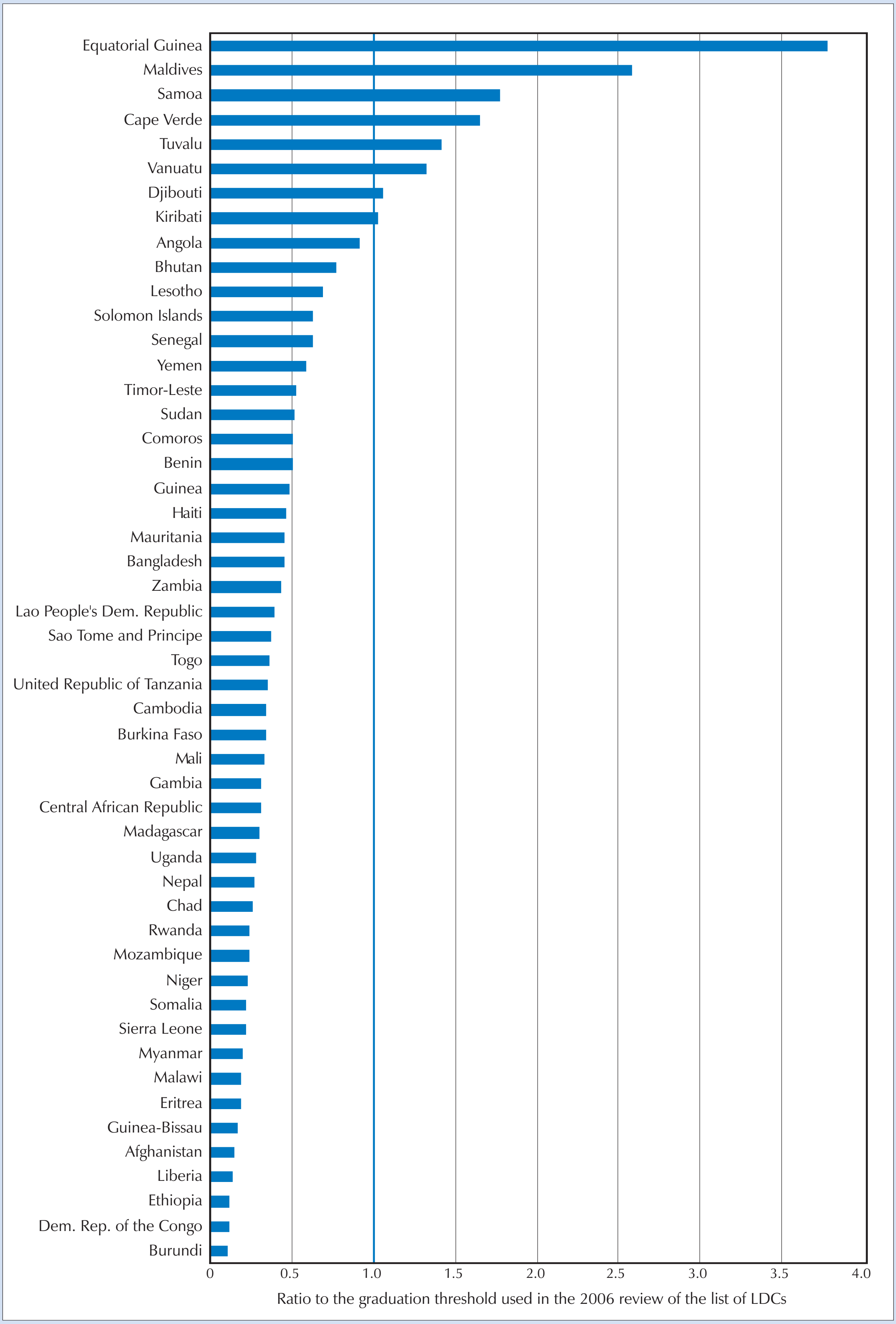
Box table 2. Evolution in the UN's criteria for reviewing the list of LDCs, as at 2006

Criteria used before 2000 to review the list of LDCs	Criteria used in 2003 to review the list of LDCs	Criteria used in 2006 to review the list of LDCs
Low-income criterion: *Per capita gross domestic product (GDP):* 3-year (1993–1995) average (under $800 for addition cases; above $900 for graduation cases)	**Low-income criterion:** *Per capita gross national income (GNI):* 3-year (1999–2001) average (under $750 for addition cases; above $900 for graduation cases)	**Low-income criterion:** *Per capita gross national income (GNI):* 3-year (2002–2004) average (under $750 for addition cases; above $900 for graduation cases)
"Quality of life" criterion: *Augmented Physical Quality of Life Index (APQLI):* Composite index based on the following four indicators: * average per capita daily calorie consumption * life expectancy at birth * combined primary and secondary school enrolment rate * adult literacy rate	**Human assets weakness criterion:** *Human Assets Index (HAI):* Composite index based on the following four indicators: * average per capita daily calorie consumption as % of relevant minimum requirements * under-5 child mortality rate * gross secondary school enrolment rate * adult literacy rate	**Human assets weakness criterion:** *Human Assets Index (HAI):* Composite index based on the following four indicators: * percentage of population undernourished * under-5 child mortality rate * gross secondary school enrolment rate * adult literacy rate
Economic diversification criterion: *Economic Diversification Index (EDI):* Composite index based on the following four indicators: * share of manufacturing in GDP * share of labour in industry * per capita electricity consumption * export concentration index	**Economic vulnerability criterion:** *Economic Vulnerability Index (EVI):* Composite index based on the following five indicators: * index of instability of agricultural production * index of instability of exports of goods and services * share of manufacturing and modern services in GDP * merchandise export concentration index * population (in log.) A variant formulation of the EVI, with the proportion of population displaced by natural disasters as an additional component, was also considered.	**Economic vulnerability criterion:** *Economic Vulnerability Index (EVI):* Composite index based on the following seven indicators: * index of instability of agricultural production * proportion of population displaced by natural disasters * index of instability of exports of goods and services * share of agriculture, forestry and fisheries in GDP * merchandise export concentration index * population (in log.) * index of remoteness
For graduation cases: A country would be recommended for immediate graduation if it had met at least two of the three criteria (subject to a margin between the thresholds for addition to, and graduation from, the list of LDCs) in at least two consecutive triennial reviews of the list. However, the CDP would not consider a graduation case unless a vulnerability profile of the country was made available to it.	**For graduation cases:** A country could be recommended for immediate graduation if it had met at-least two of the three criteria (subject to a margin between the thresholds for addition to, and graduation from, the list of LDCs) in at least two consecutive triennial reviews of the list.	**For graduation cases:** A recommendation to graduate a country can be made by the CDP on the basis of the same graduation rule, but actual graduation will not take place before a three-year grace period beginning after the General Assembly has decided to endorse the recommendation (after ECOSOC itself has endorsed it) has elapsed, in accordance with General Assembly resolution 59/209 of 20 December 2004.

Source: Methodology summary by UNCTAD secretariat.

Box 3 (contd.)

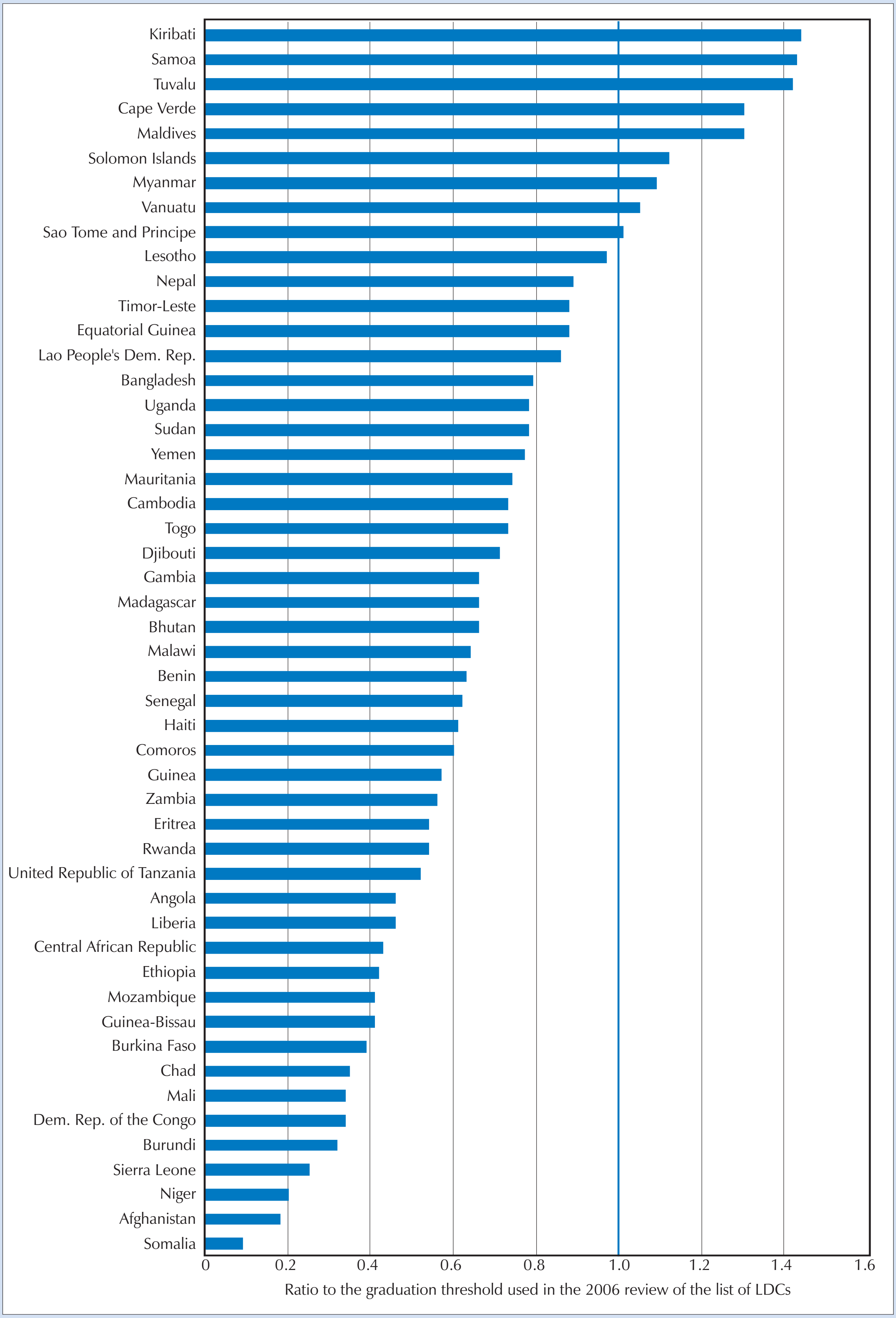
Box chart 1. Low income criterion (average gross national income per capita, 2002–2004)



Source: UNCTAD secretariat estimates, based on data provided by the UN Committee for Development Policy (2006).

Box 3 (contd.)

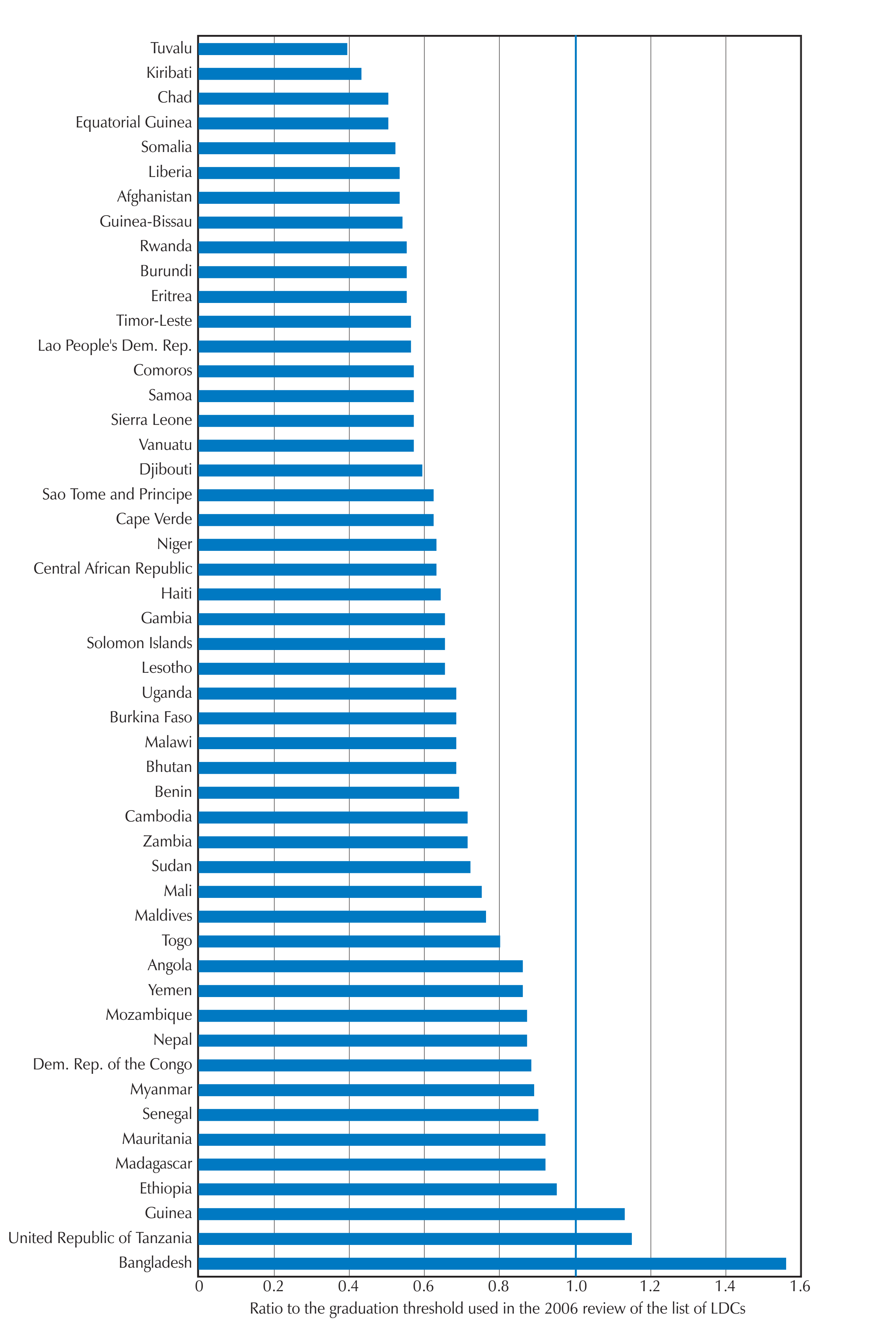
Box chart 2. Weak human assets criterion (Human Assets Index)



Source: Same as for box chart 1.

Box 3 (contd.)

Box chart 3. Economic vulnerability criterion (Economic Vulnerability Index)



Source: Same as for box chart 1.

While seven countries are considered to be on the road to graduation between 2008 and 2013, over 70 per cent of all LDCs were not meeting any graduation criterion.

Table 23 summarizes the pattern of LDCs' progress towards graduation. While seven countries are considered to be on the road to graduation between 2008 and 2013, over 70 per cent of all LDCs (36 out of 50) were not meeting any graduation criterion at the time of the 2006 review of the list. Of these 36 countries, 10 had demonstrated no long-term progress towards any of the three graduation thresholds, while 17 had recorded some progress under one criterion, 7 under two criteria and 2 under three criteria.

Seven LDCs met one graduation criterion in 2006 (Bangladesh, Djibouti, Guinea, Myanmar, Sao Tome and Principe, Solomon Islands and the United Republic of Tanzania). Progress towards a second graduation threshold can be expected in only three of those seven countries (Bangladesh, Djibouti and Myanmar).

In short, on current trends, prospects for progress towards graduation in the foreseeable future are very slim in nearly 7 LDCs out of 10, and remain insignificant in nearly 2 out of 10. There is, to a varying extent, scope for eventual graduation in one LDC or two out of 10. Also, a vertical reading of

Table 23. Classification of the LDCs according to their progress toward graduation thresholds, 2006

Classification of LDCs	LDCs demonstrating little or no progress since the start of implementation of the Brussels Programme of Action	LDCs demonstrating significant progress since the start of implementation of the Brussels Programme of Action
LDCs meeting no graduation criterion in 2006:		
LDCs demonstrating no long-term progress under any criterion	Afghanistan, Central African Rep., Chad, Dem. Rep. of the Congo, Guinea-Bissau, Haiti, Liberia, Senegal, Sierra Leone	Burkina Faso
LDCs demonstrating some long-term progress:		
* under one criterion	Burundi, Cambodia, Comoros, Gambia, Lao PDR, Malawi, Mozambique, Niger, Somalia, Togo, Zambia	Benin, Ethiopia, Lesotho, Mali, Sudan, Timor-Leste
* under two criteria	Madagascar, Rwanda Uganda, Yemen	Angola, Bhutan, Mauritania,
* under three criteria	Eritrea	Nepal
LDCs meeting only one graduation criterion in 2006:		
* LDCs meeting the graduation criterion relevant to low income		Djibouti
* LDCs meeting the graduation criterion relevant to weak human assets		Myanmar, Sao Tome and Principe, Solomon Islands
* LDCs meeting the graduation criterion relevant to economic vulnerability		Bangladesh, Guinea, United Rep. of Tanzania
LDCs meeting two graduation criteria in 2006:		
* LDCs found eligible for graduation in 2013		Kiribati, Tuvalu, Vanuatu
* LDCs qualifying for graduation in 2010		Samoa
LDC found eligible for graduation in 2013 though meeting only one graduation criterion in 2006 (exception to the rule)	Equatorial Guinea	
LDCs earmarked for graduation:		
* Graduation normally expected in 2008		Cape Verde
* Graduation normally expected in 2011		Maldives
LDC already graduated		Botswana (1994)

Source: UNCTAD secretariat estimates.

table 23 reveals that over half of all LDCs (27 out of 50) have demonstrated significant progress towards graduation since implementation of the Programme of Action started. Whether or not this is due to implementation of the latter or to other factors requires further research.

H. Conclusion

The most striking feature of progress towards the UNLDC III targets since 2001 is the strong engagement of development partners in meeting commitments with respect to aid, debt relief and market access. In contrast to the 1990s, when aid to LDCs fell sharply and debt relief initiatives were very limited, there has been a significant increase in aid and important progress on debt relief. These efforts to increase development finance for the LDCs have been complemented with new initiatives to improve market access.

The most striking feature of progress towards the UNLDC III targets since 2001 is the strong engagement of development partners in meeting commitments with respect to aid, debt relief and market access.

Aid inflows have still not reached the levels commensurate with the aid-to-GNI targets in the POA. However, recent trends are a major turnaround from the 1990s. During that decade, many LDCs engaged in significant and far-reaching economic reforms, including extensive trade liberalization, financial liberalization and privatization. But in real per capita terms, aid fell by 45 per cent between 1990 and 1998 (UNCTAD, 2000).

Growth rates and investment ratios in the LDCs have not yet achieved the ambitious targets of the POA. However, the growth and investment performance in the LDC group as a whole was better during the period 2001–2004 than during the 1990s.

However, aid inflows have still not reached the levels commensurate with the aid-to-GNI targets in the POA.

There are nevertheless certain disturbing features in progress made so far towards the UNLDC III targets.

First, there are growing divergences amongst the LDCs in terms of growth performance. Eighteen out of the 42 LDCs for which data are available have been unable to achieve per capita growth rates of more than 1.0 per cent per annum during the period 2001–2004, which is far too low to have a serious effect on the extreme poverty in which about half the population of LDCs live. Similarly, half of the LDCs are on track to achieve the road infrastructure target, with the length of roads per capita in 2010 equivalent to that in other developing countries in 2001 if past trends continue. But at the same time, the other half of the LDCs are far behind, and even more so if the quality of roads (in terms of the percentage paved) is taken into account. This weak performance has important negative consequences for production and trade, and also for human welfare.

Half of the 42 LDCs for which data are available have been unable to achieve per capita growth rates of more than 0.5 per cent per annum, which is far too low to have a serious effect on the extreme poverty in which about half the population of LDCs live.

Second, progress towards human development goals is very mixed. Although often slow, more progress is being made in human development dimensions that are directly affected by the quantity and quality of public services (primary education, gender equity in education and access to water) than with regard to those that are the outcome of both public services and levels of household income (hunger and child mortality).

Third, an important feature of the LDCs' situation is their economic vulnerability and, in view of this, it is unclear to what extent the recent improvement will prove to be sustainable. The effects of very high recent oil prices, for example, are not evident given the years for which data are available.

The sustainability of economic and social progress in the LDCs will ultimately depend on building up their productive base.

The sustainability of economic and social progress in the LDCs will ultimately depend on building up their productive base so that they can increasingly rely on domestic resource mobilization and private rather than official sources of external finance, and can compete in international markets without special market access preferences. The POA targets wisely have a wider reach than the MDGs, emphasizing the importance of developing productive capacities. Ultimately, the increased external resources being provided by development partners will not translate into sustained economic and social progress unless development finance for LDCs continues to be scaled up, to be complemented with more effective trade development measures and to be linked to efforts to develop domestic productive capacities. It is this last issue that will be considered in the next part of the Report.

Notes

1. For the debate on this, see Deaton (2003) and Ravallion (2001). Karshenas (2004) offers a unified view which seeks to use all the information in both household surveys and national accounts.
2. On the trade-off between increased investment and poverty reduction in LDCs, see Storm (2005).
3. This is a Programme of Action target which is not an MDG.
4. The main Millennium indicators used to track progress in this area are the following: HIV prevalence among pregnant women aged 15–24 years, condom use rate of the contraceptive prevalence rate, condom use at last high-risk sex, percentage of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS, the contraceptive prevalence rate, and the ratio of school attendance of orphans to school attendance of non-orphans aged 10–14 years. However, data for these indicators are very sparse for the group of LDCs; therefore, the indicator used for the analysis is that of the HIV prevalence rate in the population aged 15–49.
5. For discussion of the HIPC process, including the significance of the decision point and completion points, see UNCTAD (2000).
6. The overall goal on market access is more complex, as follows: "Improving preferential market access for LDCs by working towards the objective of duty-free and quota -free market access for all LDCs' products. This will apply in the markets of developed countries. Improvements in market access for LDCs should be granted on a secure and predictable basis. They should be combined with simplified rules of origin that provide transparency and predictability so as to help ensure that LDCs benefit from the market access granted, and multi-donor programmes, such as the Integrated Framework for Trade-related Technical Assistance (IF), to upgrade LDCs' production and export capacities and capabilities. Consideration should also be given to proposals for developing countries to contribute to improved market access for LDCs' exports" (United Nations, 2001: para. 68).
7. Just before UNLDC III, the EU introduced the Everything But Arms Initiative to benefit LDCs. Other developed countries followed this lead. Canada and Japan have expanded the market access preferences that they provide to the LDCs, and the United States has, through the African Growth and Opportunity Act, expanded market access preferences that it provides to a number of African countries, including LDCs. LDCs in the Asia-Pacific region continue to benefit from preferential market access to the United States under the Generalized System of Preferences, and Haiti, the only LDC in the Latin American and Caribbean region, continues to benefit from preferential market access to the United States under the Caribbean Basin Initiative. In addition, there are other developed countries and advanced developing countries that provide market access preferences for LDCs. For a discussion of the different initiatives, see UNCTAD (2003, 2004, 2005).

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