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Local development and global issues

Report of the Committee for Development Policy on the fifth session
7-11 April 2003

United Nations

DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

Local Development and Global Issues

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NOTE

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FOREWORD

Formulation of development policy is increasingly becoming a complex undertaking. There are, among others, two major challenges. First, developing policy tools and approaches to pursue diverse and at times competing political and economic goals in a cohesive manner. This involves harmonization of socio-economic, ecological and political objectives. Second, devising policy frameworks to deal with emerging concepts like global public goods and many new challenges posed by the ubiquitous phenomenon of globalization. These are indeed formidable tasks for policy makers.

The United Nations has played an important role in facilitating the tasks of policy makers. In this context, the Committee for Development Policy has contributed to various endeavours to find answers to the emerging questions and to deal with the multidimensional challenges of development. At its fifth session, which was held in New York from 7 to 11 April this year, the Committee deliberated on diverse issues, such as an integrated approach to rural development for poverty reduction and sustainable development in developing countries, global public goods (GPGs) and the triennial review of the list of least developed countries.

While recognizing the potential of GPGs for generating effective and equitable paths towards development, the Committee recommends further clarification of the concept of GPGs so that it lends itself to open and transparent policy dialogue and policy formulation. The Committee makes some thought-provoking observations regarding the financing of GPGs that require further discourse. There are some useful practical recommendations for promoting integrated rural development and on the question of graduation of the least developed countries.

It is hoped that the present report will serve to initiate an open, constructive and solution-oriented debate on the questions that still surround these areas of economic development.

Nitin Desai

Nitin Desai
Under-Secretary-General
for Economic and Social Affairs

PREFACE

The Committee for Development Policy

The Committee for Development Planning was established in 1965 as a subsidiary body of the Economic and Social Council. Its original terms of reference were subsequently modified and, in 1998, the Committee was renamed the Committee for Development Policy.

The Committee provides inputs and independent advice to the Council on emerging cross-sectoral development issues and on the multilateral process, focusing on medium- and long-term aspects. The Committee is also responsible for undertaking, once every three years, a review of the list of least developed countries, on the basis of which it makes recommendations to the Council for changes in the list.

For its part, the Council is an intergovernmental body responsible for formulating policy recommendations to Member States and the United Nations system on matters pertaining to development. It is also responsible for coordinating the work of the United Nations specialized agencies, its own subsidiary functional commissions and the five United Nations regional commissions.

Each year, the Council advises the Committee about the theme(s) that the Committee should consider at its annual session. The General Assembly, the Secretary-General and the subsidiary bodies of the Council can also propose, through the Council, issues for consideration by the Committee. In addition, the Committee itself often makes suggestions to the Council concerning its work programme.

The annual meeting of the Committee usually takes place in April of each year and lasts five working days. During this period, the Committee discusses the agreed topics and drafts its own report on the basis of inputs from members. The report is subsequently submitted to the Council at its substantive session in July.

Membership

In accordance with the resolutions of the Council, the Secretary-General nominates 24 experts, in their personal capacity, as members of the Committee for three-year terms. The Council has responsibility for deciding on the recommendations.

In making the nominations for the Committee, the Secretary-General takes into account the need to have a diversity of development experience, including ecologists, economists, and social scientists, as well as geographical balance, gender balance, and a balance between continuity and change in the membership of the Committee.

Work programme

Since 1999, the Council, as a contribution to its deliberations at its high-level segment, has requested the Committee to address the following themes:

- The role of employment and work in poverty eradication in the context of globalization: the empowerment and advancement of women;
- The role of information technology in development;
- The role of the United Nations system in supporting the efforts of African countries to achieve sustainable development;
- The contribution of human resources development, including in the areas of health and education, to the process of development;
- Promoting an integrated approach to rural development in developing countries for poverty eradication and sustainable development.

During the same period, the Committee also examined the following themes:

- An international development strategy for the first decade of the new millennium;
- Governance responsibilities in a globalizing world;

- Aid effectiveness in Africa;
- Global public goods and innovative financial mechanisms in the pursuit of sustainable development.

The Committee also undertook two reviews (in 2000 and 2003) of the list of least developed countries, and continued its work on improving the methodology for the triennial review of the list (e.g. by introducing economic vulnerability as a criterion for the designation of least developed countries).

The reports of the Committee are available on the Internet at www.un.org/esa/analysis/devplan/.

Contents of this publication

At its fifth session, held from 7 to 11 April 2003, the Committee for Development Policy addressed three topics: the promotion of an integrated approach to rural development for poverty reduction and sustainable development in developing countries; global public goods; and the identification of the least developed countries. The report of the Committee on its fifth session has been issued as part of the official records of the Economic and Social Council, 2003 (Supplement No. 13 (E/2003/33), also available at www.un.org/esa/analysis/devplan/) and has been reproduced in this volume. Also available on the Internet at the same address is a review paper on Global Public Goods produced by a member of the Committee.

In addition to the report of the Committee for Development Policy on its fifth session, this volume also contains the report of an expert group meeting on the review of the list of least developed countries, which along with other background material was discussed at the fifth session of the Committee. It is hoped that the work of the Committee will contribute to discussions on these matters at all levels, leading to practical solutions, policies and actions by all concerned.

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REPORT OF THE EXPERT GROUP MEETING ON THE REVIEW OF THE LIST OF LEAST DEVELOPED COUNTRIES

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I. Organization of the session

1. The fifth session of the Committee for Development Policy was held at United Nations Headquarters from 7 to 11 April 2003. Fifteen members of the Committee attended: Ms. N'Dri Thérèse Assié-Lumumba, Mr. Albert Binger, Mr. Olav Bjerkholt, Mr. Eugenio B. Figueroa, Mr. Leonid M. Grigoriev, Mr. Patrick Guillaumont, Mr. Ryokichi Hirono, Ms. Marju Lauristin, Ms. Mona Makram-Ebeid, Mr. P. Jayendra Nayak, Mr. Milivoje Panic, Ms. Suchitra Punyaratabundhu, Ms. Sylvia Saborio, Mr. Udo Ernst Simonis and Ms. Funmi Togonu-Bickersteth. Nine members were unable to attend: Ms. Lourdes Benería, Mr. Shangquan Gao, Ms. Louka T. Katseli, Ms. Mari Elka Pangestu, Mr. Eul Yong Park, Mr. Delphin G. Rwegasira, Mr. Nasser Hassan Saidi, Mr. Ruben Tansini and Ms. Dorothéa Werneck.

2. The officers of the Bureau at the fifth session were:

Chairman:
Mr. Ryokichi Hirono

Vice-Chairman:
Mr. Eugenio B. Figueroa

Rapporteur:
Ms. Mona Makram-Ebeid

3. Mr. Ryokichi Hirono, Chairman of the Committee, opened the session. Mr. Nitin Desai, Under-Secretary-General for Economic and Social Affairs, made an introductory statement emphasizing the importance of the Committee in adding value to the topics that were to be discussed. He pointed to the need for a broader socio-economic perspective at both the global and local levels, and for coherence in different dimensions of policy. One such example was the overall approach to human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS): the priority given by the international community to this problem was in some ways being contravened by the difficulties in incorporating the treatment of HIV/AIDS into the Agreement on Trade-related Aspects of Intellectual Property Rights.[1] Such issues could not be addressed by limited sectoral approaches but needed to be reflected in all aspects of policy.

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1 See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

4. The main items in the agenda were: the promotion of an integrated approach to rural development for poverty reduction and sustainable development in developing countries; global public goods; and the identification of the least developing countries.

5. It was suggested that both Governments and the market have a role in improving the status of rural populations in the developing countries. The Committee might produce new models of rural development where all issues (such as self-employment, income transfer, wage employment, infrastructure) can complement each other.

6. Concerning global public goods, it was suggested that these might serve as a means of strengthening the United Nations system, as people and States could be brought together to address issues of international concern such as water shortages and investment in renewable energy. It was further emphasized that there was a need to clarify the way in which global public goods are discussed as the current debate is very diffuse. The fact that public goods such as health and education, which are particularly important, need international action, brings to the fore the international dimension of trade and aid. In addition, the preservation of cultural diversity was also seen as an important aspect of global public goods.

7. The topic of the graduation of least developed countries was addressed and the growing sensitivity of the issue was emphasized by noting the resistance to graduation of countries qualifying for it. It was also recommended that the question on how the international community could assist least developed countries "cushion" or absorb potential shocks of graduation in order to prevent disruptions in their development process be examined as a theme.

8. The Committee benefited from the active participation of a number of United Nations entities. The Department of Economic and Social Affairs of the United Nations Secretariat provided substantive services for the session. The following bodies, agencies, and programmes and funds of the United Nations system were represented:

- Commonwealth Secretariat
- Food and Agriculture Organization of the United Nations

- United Nations Conference on Trade and Development
- United Nations Children's Fund
- United Nations Development Programme
- United Nations Educational, Scientific and Cultural Organization
- United Nations Environment Programme
- United Nations Industrial Development Organization
- Population Division, Department of Economic and Social Affairs of the United Nations Secretariat
- Least Developed Countries Coordination Unit, Economic and Social Commission for Asia and the Pacific
- Department of Economic and Social Affairs of the United Nations Secretariat
- Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
- Economic and Social Commission for Asia and the Pacific
- International Labour Office
- International Monetary Fund
- World Bank
- World Food Programme
- World Health Organization

II. Promoting an integrated approach to rural development in developing countries for poverty eradication and sustainable development

A. Introduction

1. The attainment of the Millennium Development Goals[2] will not be possible without development's making a substantial impact on rural poverty, since three quarters of the extreme poor in the world live in rural areas, and urban areas are unable to absorb all potential poor rural migrants. It is even more imperative to focus on the eradication of rural poverty now that economic growth worldwide is faltering, pushing millions more into poverty and causing tens of thousands of children to die from malnutrition and deprivation. Eradicating poverty would also contribute to the elimination of the causes of conflict and terrorism. Poverty eradication is a long-term proposition but the alternative is a never-ending cycle of poverty and violence.

2. Rural development as a strategy to eradicate poverty must reflect the multidimensional nature of poverty and thus must be multi-targeted. It has to extend across different disciplines and must encompass demographic, economic, social, institutional and political factors, thus constituting an integrated approach. This integrated approach would differ from previous, more sector-specific but context-neutral ("one size fits all") experiences in rural development. Thus, although the concept of an integrated approach has not changed, the understanding of what it entails has changed.

3. Among the major causes of the persistence of rural poverty in most developing countries are low or stagnant economic growth in rural areas, often below the rate of population growth, inadequate investment in human capital, agricultural technology and infrastructure, and inadequacies in institutional mechanisms that address the needs of the rural poor. These causes are also often seen as the consequences of poverty — inadequate economic growth limits the amounts available to be invested in human and physical capital, technology and institutions. The

2 See General Assembly resolution 55/2; and A/56/326, annex.

rural poor can then be seen as caught in a vicious circle or "poverty trap". In order to tackle rural poverty and help the rural poor escape this trap, it is necessary to look at these old problems with new lenses in order to address the new challenges. A fundamental reorientation of integrated rural development should focus on enhancing rural employment and income-generation so as to create the conditions for decent living conditions in rural areas. More resources should also be directed towards rural areas which currently receive only 25 per cent of major donors' expenditures.

4. The enormous heterogeneity of conditions under which the rural poor live and work requires creativity and flexibility in project design and implementation which have to be achieved locally through decentralization, capacity-building and participation. Decentralization needs to be carefully conducted to ensure that rural elites do not appropriate for themselves most of the benefits of rural development. Institutions serving the rural poor have to be strengthened in order to empower poor people, and give them a stronger voice in processes of decision-making on resource mobilization, allocation and utilization. Strengthened institutions should help foster self-respect and respect for local culture and values consistent with environmental sustainability in order to preserve social cohesion, as reiterated at the World Summit on Sustainable Development held in Johannesburg, South Africa, in August-September 2002. To achieve the full benefits of this integrated approach to rural development, Governments, the international community, civil society, the business community and local communities must work in partnership.

B. The background situation and major consequences of rural poverty

1. The poor state of health and education

5. Underlying all analysis of the possibility of escape from rural poverty is the situation with respect to health and education. Rural people in developing countries have long suffered from a variety of water-borne and insect-borne diseases which have reduced their capacity for productive work and thus diminished their chances of escaping from poverty.

6. Progress has been made in reducing the incidence of schistosomiasis, but malaria, tuberculosis and HIV/AIDS still constitute major obstacles, given the vulnerability of the rural poor. The prevalence of HIV/AIDS, in sub-Saharan Africa in particular, has reduced the number of adults able to support their families and the broader rural economy.[3]

7. Malaria aggravates rural poverty because of the costs of treatment and of lost work time. Much more effort is needed from the international community, Governments and the private sector — as called for by the Abuja Declaration on HIV/AIDS, Tuberculosis and Other Related Infectious Diseases[4] and the Roll Back Malaria campaign (involving the World Health Organization (WHO), the World Bank, the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF)) — to implement treatment and prevention and, in view of the increasing resistance of parasites and mosquitoes, to promote needed research on better drugs and insecticides.[5]

8. Another consequence — and cause — of rural poverty is a low level of educational provision in rural areas and a high dropout rate, as children leave school because their parents either cannot afford to pay for their attendance or require their labour to assist in maintaining the family budget. Dropouts from schools tend to remain poor throughout their lives and to transmit poverty to future generations. This is particularly true for girls, as the education of girls and women has a wide impact, given their role as family and community caregivers.

2. Excessive rural-urban migration

9. For individuals, one possible path out of the rural poverty trap is through migration to the urban areas, but this often worsens the situa-

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3 For example, in Burkina Faso, it is estimated that 20 per cent of rural families have reduced their agricultural work or even abandoned their farms because of AIDS (Joint United Nations Programme on Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (UNAIDS), *Report on the Global HIV/AIDS Epidemic*, 2002 (Geneva, UNAIDS, July 2002), p. 49).

4 Available at http://www.uneca.org/adf2000/Abuja%20Declaration.htm.

5 The Roll Back Malaria campaign notes that spending an additional 1 billion dollars a year — one third of 1 per cent of sub-Saharan Africa's gross domestic product (GDP) — on cost-effective forms of malaria control would be fully justified, as estimates suggest that malaria's economic costs exceed 1 per cent of the region's GDP.

tion in both the urban and the rural areas. In many countries, especially those with rapid population growth, urban areas are not able to provide all migrants from rural areas, particularly the uneducated and unskilled, with productive employment. This has caused a growing incidence of unemployment and underemployment and an expansion of slums in urban areas, leading to a growing sense of personal insecurity and uncertainty and creating a breeding ground for social discontent, unrest, crime, including organized crime, and, in some cases, recruitment for terrorist activities. Excessive rural-urban migration often leads to a further increase of urban poverty and the ruralization of urban areas, whereby the poverty and lack of skills of the rural areas are reproduced in the shanty towns of urban conglomerations.

10. The migration of the heads of poor rural households to urban areas has resulted, in many cases, in the weakening of family values and of the fabric of rural society, and in an increase in delinquency and crime among the youth because they are insufficiently supervised by the family. Furthermore, migration of the male heads of rural households has major implications for the composition of the rural labour force, agricultural production, social cohesion and overall rural development. In many countries in sub-Saharan Africa, the women left behind have to provide for their families. The task is complicated by gender inequalities in accessing resources, such as land and credit, which further contribute to the feminization of poverty.

11. Most rural migrants are adults in their most productive years. As a consequence, a large part of the elderly are left behind in rural areas and lack the day-to-day support of adult children. The care of grandchildren often prevents the elderly, predominantly grandmothers, from the pursuit of their own normal economic activities. Thus, the migration of adults from the rural communities leads to a decline in the productivity and income level of rural areas and to a decrease in the stock of human capital, further reinforcing poverty in rural areas. This situation assumes even more serious dimensions in those communities affected by the HIV/AIDS pandemic.

12. Individuals who are forced by poverty to seek a livelihood in an environment unfamiliar to them, exemplified by members of rural populations migrating to urban areas, are exposed to a range of unaccustomed risks.

These include various forms of exploitation and abuse, such as sub-standard working conditions and trafficking. Trafficking in human beings is a fast-growing form of transnational organized crime to which migrants from rural areas are particularly vulnerable. Women and children, particularly girls, are especially vulnerable to this form of abuse and slavery. Victims often end up contracting life-threatening diseases, such as HIV/AIDS. Their life prospects are greatly reduced. Child labour — either in the towns to which the rural poor migrate or in the rural areas themselves where children are used to supplement the family income — is another serious consequence of rural poverty.

3. Environmental degradation

13. Rural poverty is resulting in environmental degradation, since poor rural inhabitants are exerting increasing pressure on natural resources. Forests are being depleted in many African, Asian and Latin American countries to provide fuel for cooking and heating of houses. Soil erosion is an increasing problem in many developing countries owing to forest depletion, overcultivation of unstable soils and agricultural malpractices. Underground- and surface-water extraction, on the one hand, and water contamination, on the other, are increasing in many areas, reducing agricultural production and aggravating health problems in rural areas. Poor people lack the human, financial and institutional resources to ensure the sustainable use of their natural resources. The result is another "vicious circle of poverty".

C. Major findings and recommendations

14. The above considerations underline the urgency of addressing rural poverty. As indicated above, this is a complex and multifaceted task, requiring intensive efforts in a large number of areas by a wide range of actors. Within this range of issues, the Committee believes that both developing countries and the international community should focus on the following priority areas:

(a) Expanding education and health services and providing incentives for rural people to take advantage of them;

(b) Increasing agricultural productivity and non-farm activities through the use of technology, diversification and access to inputs and credit;

(c) Improving access to local, national and global markets;

(d) Examining all policies through "rural lenses" with a special focus on women.

1. Expanding education and health services and providing incentives for rural people to take advantage of them

15. As discussed in the Committee's 2002 report,[6] improvements in the status of health and education have synergetic effects on other development objectives — individual and collective empowerment, protection of the environment and good governance. Moreover, social capacity-building fosters attitudinal changes and new ways of thinking about sustainable development. Greater gender equity and avoidance of discriminatory measures against women would make a strong contribution to rural poverty reduction.

16. Sometimes it is the prohibitive opportunity cost of attending school or securing medical treatment, rather than the supply of these services, that is detrimental for rural families and communities. This cost needs to be offset through incentives. A good example is publicly provided school lunches which have an additional beneficial impact on community income when they are produced locally.

17. **The Committee therefore recommends that efforts should be made by Governments, multilateral organizations and development partners to build the capacities of rural people and empower them to utilize fully their potential by providing relevant education and accessible and acceptable health-care services, particularly for women. Education and health policy in rural areas should aim at building capacity in rural communities and should be tailored to their needs. Educational opportunities should enable them to**

6 See *Capacity-building in Africa: Effective aid and human capital. Report of the Committee for Development Policy on the fourth session* (8-12 April 2002) (United Nations publication, Sales No. E.02.II.A.4).

acquire relevant knowledge and skills, including in information and communication technologies (ICT), for farm and non-farm work. Policy should include a broad-based expansion of schooling, with parental and community involvement in nutrition programmes, mother and child health programmes, vaccination and other health interventions. Community-based schemes to protect water resources and other elements of the natural environment should be promoted.

18. **Multilateral organizations and development partners should invest in enabling the rural population to gain access to information and to enhance their productive activities by utilizing the new knowledge.**

2. Increasing agricultural productivity and non-farm activities through the use of technology, diversification and access to inputs and credit

19. There are many policies that can improve agricultural productivity, such as land reform, ensuring access to water and other inputs, and establishing a regime where property rights are respected and enforced. However, these are usually country-specific and so will not be dealt with below. Challenges of universal applicability include the following.

(a) Improving agricultural productivity, diversification and technology use

20. Increasing agricultural productivity is critical to achieving food security and increasing the incomes of the rural poor. The large benefits generated by the green revolution arose from the increased productivity of agricultural inputs (seeds, land, fertilizers etc.) that it brought about. The revolution helped provide food security in many parts of the world and released resources, including labour, for the expansion of other activities. Crop and product diversification is also crucial to increasing income and food security in agricultural areas. It reduces the risks associated with the cultivation of a few crops which can be negatively affected by natural phenomena or price variations. The experience of Chile, China, Malaysia and South Africa demonstrates that diversification may also open export opportunities for agricultural products.

21. Many new developments have occurred in agricultural technology and research and development (R&D). The trend has been towards greater private sector participation, including public-private participation, and more involvement of farmers themselves in the R&D process. Public involvement in agricultural R&D and extension services is still critical given its public good characteristic.[7] Maintaining public expenditures in agricultural and agriculture-related R&D should be regarded as a priority in the event of fiscal retrenchment in developing countries.

22. **The Committee recommends that the international community should make greater efforts to develop and transfer appropriate agricultural technologies to developing countries and foster better utilization of indigenous technologies. Agricultural research in poor countries should be directed towards pro-poor technology, that is to say, it should focus on cereal and root crops, which constitute 80 per cent of the nutritional intake of the poor; maximize the use of inputs that are available to poor households, including labour and biomass; focus on improving poor soils, as it is on marginal lands that the poor live; be geared towards mixed farming systems; and provide qualitative improvements to agricultural produce, including higher vitamin content.**

(b) Enhancing non-farm activities

23. Small-scale industry in rural areas can help provide work for the landless and additional income for smallholders. Production techniques that take advantage of local knowledge would contribute to the empowerment of rural people, especially women. The promotion of agro-allied industries is essential to enhancing rural employment and income, but current rural development policies have not been effective in generating such enterprises in sub-Saharan Africa in particular. In this respect, it is vital to reduce incentives and subsidies that encourage the location of industries in urban areas. The township and village enterprises in China are one example of an undertaking that has encouraged non-farm employment and increased rural incomes.

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7 See *World Economic and Social Survey, 2002* (United Nations publication, Sales No. E.02.II.C.1), chap. V, entitled “Public-private interaction in agricultural technology”.

24. **The Committee recommends that agro-industries should be established that adopt employment-creating technologies and processes, particularly in selected high value added sectors. For this purpose, there is an urgent need to provide rural communities with financial and tax incentives as well as with technical know-how. While encouraging non-farm activities, Governments should ensure that these do not result in further environmental degradation.**

25. Tourism — especially ecotourism, ethnic tourism and cultural tourism, which are in high demand and where communities can be involved — is now emerging in many developing countries. This kind of community-based and supply-driven tourism could be coupled with improvements in craftsmanship. Education in many countries is now geared towards providing skills for tourism services and local crafts production. This niche of the tourism industry needs to be marketed and ICT can be used for this purpose. ICT is increasingly required to facilitate networking among tourism providers so that they can improve the management of the natural and cultural resources that attract tourists. ICT can also help suppliers to learn best practices for the sale of local craft products via the Web, as has been the case in Bolivia, Chile, China, India and South Africa. **The Committee recommends that ICT should be promoted to ensure that information about tourist attractions is made available to potential visitors and that networking among tourism providers and local product suppliers is facilitated.**

(c) Improving access to credit

26. The rural poor find it difficult to obtain access to credit. Formal financial institutions frequently determine that rural areas are not profitable enough and the rates charged by moneylenders are often unaffordable. However, microfinance, which typically comprises credit services but is increasingly encompassing deposit and insurance services, provides affordable loans; although these loans are directed mainly towards the urban areas, they can be expanded, after suitable adaptation, to the rural poor. It is non-profit organizations that often provide microfinance, but some financial institutions do have microfinance departments. Microfinance has the potential to stimulate growth in incomes and assets and helps safeguard poor households against extreme vulner-

ability. Loans, savings and insurance help even out income fluctuations and maintain consumption levels during lean periods. Evidence from microfinance clients demonstrates that access to financial services enables poor people to reduce vulnerability, increase their incomes and build assets.

27. **The Committee recommends that Governments should encourage the microfinance industry to expand into rural areas. Where necessary, Governments and the international community should provide funds to nurture the growth of a self-sustaining microfinance industry able to supply banking services, and especially credit, to the rural poor.**

3. Improving access to local, national and global markets

28. The inadequacy of rural infrastructure, such as transport, information and communication networks, often impedes smooth access to markets. Enhancing rural infrastructure would complement farmers' efforts to improve the marketability of their produce. The export of their products requires efficient and dynamic management on the part of the rural enterprises so that they are capable of dealing with such matters as certification and branding of products and contracts with overseas purchasers.

29. **The Committee recommends that public investment in rural infrastructure, such as road, transport, information and communications networks, should be expanded to connect rural with urban areas.** In this way, the products of farmers and rural entrepreneurs in small-scale industries would be distributed and marketed more widely and thus yield higher income and profits. **Donors and multilateral organizations should reassess their policies and ensure that a greater percentage of an expanding total of aid goes to rural areas.**

30. The export of many products is still constrained by distortions in international product markets: in particular, the subsidies given to their farmers by the developed countries amount to $340 billion a year, compared with a foreign aid budget of $60 billion.

31. **The Committee recommends the removal as soon as possible of obstacles to commercializing agricultural products from**

developing countries. In this regard, the Committee feels that it is imperative for developed countries to remove all agricultural subsidies, distortions and barriers in the immediate future so that developing countries can expand their exports and see their domestic markets protected from dumping.

4. Examining policies through "rural lenses", with a special focus on women

32. The harmful effect of agricultural distortions in developed countries on the rural poor in developing countries shows that not just national but also international policy initiatives must be scrutinized through "rural lenses" — that is to say, from the point of view of their potential impact on rural areas and the sustainability of the increase in well-being of rural communities. In all cases, the gender dimension should be taken into special consideration, as women and girls often constitute a majority of the rural population and therefore stand to be the most important contributors to, as well as beneficiaries of, accelerated rural development; and in many of the poorest developing countries, women account for the largest share of agricultural output. **Specific needs of women and the issue of the removal of constraints on their full participation in economic activity should be addressed as a matter of urgency.**

III. Global public goods and innovative financial mechanisms in the pursuit of sustainable development

1. The deliberations of the Committee focused on the contribution of the perspective on global public goods to thinking regarding development in developing countries and, notably, to accelerated progress towards meeting the Millennium Development Goals.

A. The present situation

2. Increasing globalization of the world economy has encompassed greater trade, investment and financial flows among countries. It is also characterized by an increasing convergence of outcomes, whether with respect to consumption patterns and aspirations towards modern lifestyles or, more deleteriously, criminal activity. In substance, the production of and trade in private goods and services underpin this interdependence among countries.

3. This can lead, however, to cross-border externalities, some positive and some harmful. International cooperation to manage such externalities is therefore necessary. It can entail either the encouragement of the provision of global public goods[8] or, equivalently, the minimization of public "bads". The Committee considers global public goods (GPGs) as those goods that meet the following two criteria: first, "their benefits have strong qualities of publicness, that is, they are marked by non-rivalry in consumption and non-excludability"; and second, "their benefits are global in terms of countries, people … and generations".[9]

4. In a globalized world, the one-way donor-recipient relations that characterized linkages between rich and poor countries are changing into mutual dependencies. The emerging global society is also becoming a global risk society, where the risks of pollution, the spread of contagious diseases, the devastation of non-renewable biological and

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8 In the economic literature, global public goods are sometimes referred to as "global externalities".

9 See Inge Kaul, Isabelle Grunberg and Marc Stern, eds., *Global Public Goods: International Cooperation in the 21st Century* (New York, Oxford University Press for the United Nations Development Programme (UNDP), 1999).

cultural resources and the rise of violent conflicts cannot be prevented without concerted international efforts.

5. The contribution of the developing countries to the mitigation of global risks and their effective participation in the global knowledge society presume their access to the global information networks and innovative technologies. The participation of developing countries in the provision and consumption of global public goods is also an important aspect of attaining the Millennium Development Goals, in particular those targeted at achieving universal education, combating HIV/AIDS and ensuring environmental sustainability.

6. Many GPGs are provided by Governments at the national level because they recognize their value for society's well-being. However, since domestic financing is usually insufficient, there is typically underprovision of GPGs, with many countries attempting to freeride on the budgetary financing of other countries. Where the international financing of GPGs does occur, it is often included as part of official development assistance (ODA), in which case the donors themselves are also among the beneficiaries of such expenditures.

7. From the perspective of the development agenda, it is important to disentangle ODA from the financing of GPGs, with ODA retaining its rationale primarily as a mechanism for supporting developing countries in their national development efforts. The provision of GPGs to enhance global welfare, reduce global bads and mitigate global risks has its own rationale. Accordingly, it is essential to ensure that financing the provision of GPGs is not carried out at the expense of development aid meant to provide for national public goods that developing countries need and/or at the expense of these countries' private goods. Additional resources need to be mobilized to provide GPGs. In addition, institutional arrangements and decision-making processes for the provision of GPGs should take into account the interests and concerns of developing countries, both as consumers and as potential providers of GPGs.

8. It has been estimated that, currently, up to about one third of the annual global allocation of ODA,[10] which has itself declined signifi-

[10] Estimates of the total amount and its distribution vary according to sources. According to one estimate, funds covering GPGs are distributed as follows: "(g)lobal environmental public goods attract about half, with health, knowledge management, governance, and conflict prevention sharing the other half". See Inge Kaul and others, eds., *Providing Global Public Goods: Managing Globalization* (New York, Oxford University Press for UNDP, 2003).

cantly in recent years to about $50 billion a year, is used to finance global public goods. In the opinion of the Committee, there are a number of potential sources from which revenue could be generated to provide additional funding for GPGs without diverting ODA.

9. In order to meet urgent needs, a number of new financing arrangements for GPGs were created in the recent past, for example, the Global Environment Facility (GEF), the Multilateral Fund for the Implementation of the Montreal Protocol, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the clean development mechanism and the emissions trading mechanisms under the Kyoto Protocol[11] to the United Nations Framework Convention on Climate Change.[12] So far, these measures have emerged in a more or less ad hoc fashion. Proposals for new funding mechanisms (including international taxes, charges, user fees and compensation mechanisms) have also been put forward. Thus, the examination of what has been accomplished to date and whether the right tools are in place for today's challenges and those that are foreseen for the future, is timely.

10. The Committee is of the opinion that there is a strong need to raise global awareness about the nature and role of GPGs in the age of globalization and to develop a methodology for the assessment of the level of demand and provision of GPGs by sectors and categories. It is also important to create and apply sound analytical tools for evaluating the global components and effects in respect of the provision and consumption of national public goods.

B. Action required at the national and international levels

11. Many global problems — diseases, pollution and financial crisis contagion — are the result of externalities spilling across borders. In addressing these problems, it is important to follow the principle of subsidiarity, by placing the responsibility on the agents with the most at stake and the ability to lower transaction costs, in order to avoid overcentralization and the inefficiencies and inequities resulting from taking

11 FCCC/CP/1997/7/Add.1, decision 1/CP.3, annex.

12 United Nations, *Treaty Series*, vol. 1771, No. 30822.

corrective action.[13] What can be done nationally ought to be done at that level; but the provision of international assistance ought to be considered for developing countries lacking the resources to internalize externalities that are deemed vital to their economic and social development.

12. The concept of GPGs provides a useful framework within which to explore the institutional arrangements at all levels and the financing mechanisms for the provision or containment of cross-border externalities.

13. Governments have a key role, albeit often only a facilitating one, in the provision of GPGs. To better understand what can be done nationally and internationally, it is useful to distinguish between core and complementary activities related to the provision of public goods.

14. *Core activities* aim at producing GPGs that are made available through international cooperation, such as programmes undertaken with a transnational or multi-country interest in mind, as well as activities focused in one country with benefits to others. *Complementary activities* (the primary responsibility for which lies within each country) enable States to be prepared to reap the benefits of GPGs that core activities make available, while simultaneously creating valuable national public goods (NPGs). Research, for example, is a core activity in the production of knowledge, but education is complementary to its production; the provision of schools and teachers is complementary to the use of knowledge (see table 1).

C. Institutional and financial arrangements

15. The existing institutional arrangements and financing mechanisms of GPGs need to be examined. Although national and local public goods receive funding, as they are viewed as infrastructure-creation worthy of financing, there is an institutional vacuum and very low financing of GPGs by the international financial institutions. The "purer" a GPG, the more pronounced the financing gap, since it would then usually be considered common property, with a greater number of

13 For a discussion on the concepts of financing mechanisms of GPGs, see, for example, F. Sagasti and K. Bezanson, *Financing and Providing Global Public Goods: Expectations and Prospects* (Stockholm, Ministry of Foreign Affairs of Sweden, November 2001).

Table 1
CLASSIFYING PUBLIC GOODS BY SECTOR, AND CORE AND COMPLEMENTARY ACTIVITY

Public goods and sectors	Core activity	Complementary activity: Production	Complementary activity: Consumption
Environment			
International	Emmissions reductions	Research	
National	Conservation	Agricultural support	Poverty reduction
Knowledge			
International	Research centres	Internet services	Global networks
National	Educational services	Universal education	Schools
Health			
International	Elimination of disease	Research on disease	
National	Preventive health care	Health care system	Health clinics
Security			
International	Conflict prevention	Peacekeeping Security council	
National	Crime reduction	Policing	Poverty reduction
Governance			
International	Global institutions	Research	Financial stability
National	"Good government"	Government capacity	Equity

Source: Oliver Morrissey, Dirk Willem te Velde and Adrian Hewitt, "Defining international public goods: conceptual issues", in *International Public Goods: Incentives, Measurements and Financing*, M. Ferroni and A. Mody, eds. (Dordrecht, Netherlands, Kluwer Academy Publishers and International Bank for Reconstruction and Development/World Bank, 2002).

users prone to becoming freeriders. GPG financing therefore requires international mediation; but in the absence of institutional support at this level, there is also a stronger need for efforts at the national level, for example, collection of revenues.

16. In the absence of a global government with tax-raising powers, voluntary cooperation and collective action are the main instruments for supplying GPGs. In the view of the Committee, financing should not pose insurmountable problems for many GPGs, given the existence of untapped potential resources. The efficient provision of different types

of GPGs also requires different institutional arrangements depending on the "technology of aggregation".[14] The provision of pure public goods, for example, would be most efficiently carried out by the international community through international treaties and regimes; other goods, like research undertaken to find cures for disease, may require public-private partnerships; still other group-specific goods can be provided through the development of private collectives that finance the shared good through fees or tolls, and the development of robust yet flexible regional institutions. Therefore, the Committee notes the need to explore the feasibility of taxes, user fees, and charges for use of the global commons.

17. The Committee recognizes, however, that financing GPGs may imply not only new resource mobilization, but also resource reallocation. For example, current budgetary allocations could be restructured in such a way as to eliminate harmful subsidies (for example, the subsidization of coal production), which today are estimated at about $900 billion a year worldwide. Likewise, instead of merely addressing the consequences of the underprovision of a GPG (for example, in the containment of financial crises), efforts could be reoriented towards enhancing the provision of the GPG itself (for example, through national capacity-building for banking supervision to enhance financial stability). Regulation and other actions could be used to change the incentive structures that enlarge a set of options for enhancing the provision of GPGs. For example, efforts to fight global communicable diseases could become more affordable if medicines were priced differentially, according to the ability to pay in developed and developing countries.

18. In addition, it would be advisable to focus on non-rival GPGs, insofar as the provision of these goods can, by nature, be increased at a low cost, making them more politically viable. One example is knowledge. Lack of knowledge is often a key obstacle to development. While there is a need to provide incentives to inventors, there is room for additional innovative arrangements to foster the widest possible diffusion of development-relevant knowledge without compromising the incentives

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14 For a review of the techniques on how to best provide different types of GPGs, see for example, P. B. Anand, “Financing the provision of global public goods”, Discussion Paper, No. 2002/110 (Helsinki, United Nations University/World Institute for Development Economics Research (UNU/WIDER), November 2002).

for its generation, as for example, through global health initiatives or a more flexible Agreement on Trade-related Aspects of Intellectual Property Rights. These innovative arrangements would enhance both efficiency and equity of access, and could cover such priority areas as: ICT, communicable disease control, renewable energy development and energy efficiency, water scarcity, food security, and community development.

19. In general, the main potential sources for financing GPGs of priority interest to developing countries are: (a) additional financial allocations by donors; (b) increased support by the World Bank and regional development banks; (c) debt relief under the extended Heavily Indebted Poor Countries (HIPC) Initiative; (d) freeing up of resources, for example, through removal of energy, water and other similar subsidies; (e) speeding up of macroeconomic reforms in order to create a more favourable investment climate so as to attract foreign direct investment (FDI); (f) grants from both for-profit and non-profit foundations; and (g) private-public partnerships.

20. As stated above, the Committee is of the opinion that a clearer differentiation between ODA and GPG financing is necessary, and that new and additional resources should be provided to meet the growing needs for the latter. However, notwithstanding their positive externalities for all countries, some GPGs benefit primarily development in developing countries (for example, better anti-malaria medicines), in which case their provision should be met from ODA funds. On the other hand, if the industrialized countries are also beneficiaries of a GPG, those countries should make additional resources available so as to increase its supply.

D. Major findings and recommendations

21. Based on its review, the Committee agreed that the concept of GPGs has the potential for generating a better formulation of effective, efficient and equitable paths towards development. However, there is also a further need to clarify the concept of GPGs so that it lends itself to open and transparent policy dialogue and policy-making purposes.

22. Until recently, discussion of public goods provision was limited to national or local public goods. However, the concept has already been

extended to the international context, strongly suggesting that GPGs tend to be undersupplied if left to the decisions of individuals, companies and Governments.

23. **Therefore, the Committee suggests that:**

(a) **There is a need to increase public awareness and understanding regarding GPGs in order to create the necessary conditions for Governments and other actors, including the private sector, to raise resources for provision of GPGs;**

(b) **Since the present modality of financing GPGs by diverting ODA is not an efficient way of providing GPGs, new institutional and finance arrangements must be developed;**

(c) **To this end, it is necessary to identify the financing gap and develop realistic estimates of the financing requirements for the provision of GPGs, by category (for example, health, education and environment);**

(d) **Financing mechanisms should be mapped to ensure better and more flexible use of existing resources and their match to urgent needs;**

(e) **It is necessary to consider the use of new potential sources to supplement existing resources so as to help ensure provision of GPGs (for example, the carbon tax and international financial transfers);**

(f) **International-level decision-making should be strengthened to overcome many of the problems of underprovision existing today, especially in the global environmental domain, by involving all concerned stakeholders, including developing countries, in determining the priority of each GPG, the appropriate production level and its net benefits;**

(g) **The role of the private sector in the provision of GPGs should be increased by changing incentives and correcting market failures.**

IV. Review of the list of least developed countries

A. Introduction

1. The Committee for Development Policy is required, pursuant to Economic and Social Council resolution 1998/46 of 31 July 1998, annex I, paragraph 9, to conduct triennially a review to determine the countries to be added to or graduated from the list of least developed countries. Since the previous review was conducted in 2000, the Committee conducted another review in 2003.

2. The Committee bases its identification of the least developed countries on the consideration of three dimensions of a country's state of development: its income level, its stock of human assets and its economic vulnerability. The Committee thus uses (a) gross national income (GNI) per capita as an indicator of income; (b) the Human Assets Index (HAI) as an indicator of the stock of human assets; and (c) the economic vulnerability index (EVI) as an indicator of economic vulnerability. In addition, because the underlying concept of the least developed country category excludes large economies, in 1991 the General Assembly in its resolution 46/206 endorsed the principle that no country with a population exceeding 75 million should be considered for addition to the list, as had been set forth in the report of the Committee for Development Planning on its twenty-seventh session.[15]

3. For each review, the Committee determines threshold levels for each of the three indicators. These thresholds are used to identify the countries to be added to or graduated from the category. To be added, a country must satisfy all three criteria. To become eligible for graduation, a country must meet an adjusted set of thresholds for two of the same three indicators; to qualify for graduation, it must do so in two consecutive reviews. The Committee understands, however, that its role is to assist in identifying which countries are eligible or qualify for graduation from least developed country status, based on the application of

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15 See *Revolution and Reform in Eastern Europe and the Soviet Union: the Global Development Impact. Report of the Committee for Development Planning on the twenty-seventh session* (22-26 April 1991) (United Nations publication, Sales No. E.92.IV.2), para 242.

the criteria adopted by the Committee and endorsed by the Economic and Social Council. The decision on whether the countries should be graduated is the responsibility of the Council and, ultimately, the General Assembly.

4. The Economic and Social Council, in its resolution 2002/36 of 26 July 2002, took note of the recommendations of the Committee regarding three major changes to the criteria for the identification of the least developed countries: first, that gross national income (GNI) per capita should replace gross domestic product (GDP) per capita as the indicator of income; second, that, as it was a better indicator of the level of education, the gross secondary school enrolment ratio should possibly replace the gross combined primary and secondary school enrolment ratio in the Human Assets Index (HAI) (previously called the Augmented Physical Quality of Life Index (APQLI)); and third, that the percentage of the population displaced by natural disasters could be used as a supplement to the economic vulnerability index (EVI) when suitable data became available.

5. The Committee has made improvements to the new criteria for the identification of the least developed countries adopted in 2000. However, it considers that there is scope for further methodological improvements in this before the next triennial review. Particular attention should be given, as in the past, to the quality and reliability of individual indicators and the way in which the criteria are applied.

B. Criteria for the identification of the least developed countries in 2003

1. Gross national income (GNI) per capita

6. The initial list of countries to which the criteria for identifying the least developed countries were applied during the 2003 review comprised all countries classified by the World Bank as low-income in any one of the three most recent years.[16] The Committee gave special attention to the low-income countries with economies in transition of Eastern Europe

16 The World Bank's list of low-income countries changes from year to year as a result of changes in the cut-off point and the differences in growth among countries over time.

and in Central Asia that had become independent in the 1990s, but found that none of them should be included in the initial list for the reasons given in the box below. As a result, 65 countries have been retained for consideration during the 2003 review, comprising the 49 current least developed countries and 16 low-income countries not currently included in the list of least developed countries, including one new State Member of the United Nations, Timor-Leste.

7. The Committee decided that the threshold for inclusion in the present review should be a three-year (1999-2001) average GNI per capita of US$ 750.[17] With regard to the threshold for graduation, the Committee increased the margin from 15 to 20 per cent above the threshold for inclusion, primarily to avoid the possibility that graduating countries would rejoin the category as a result of short-term fluctuations in their GNI per capita arising from exogenous shocks. It was thus agreed that, in the 2003 review, the threshold for graduation would be a three-year average GNI per capita of US$ 900. Six current least developed countries would be above the graduation threshold for this criterion (see table 2).

2. Human Assets Index (HAI)

8. The Committee agreed that the HAI should continue to reflect the following: (a) *nutrition*, measured by the average calorie consumption per capita as a percentage of the minimum requirement; (b) *health*, measured by the under-five child mortality rate; and (c) *education*, measured by: (i) the adult literacy rate and (ii) the gross secondary school enrolment ratio.

9. As agreed in 1991, the HAI threshold for inclusion is the value of the border between the third and fourth quartiles of the group of 65 countries identified in table 2. In the 2000 review, the threshold for graduation was 15 per cent above the inclusion threshold. The Committee decided, however, that the margin between thresholds for inclusion and graduation should be decreased from 15 to 10 per cent

17 The World Bank cut-off points for low-income countries during these three years were US$ 755, US$ 755 and US$ 745, respectively.

The case of countries with economies in transition

Nine countries with economies in transition have been classified as low-income countries by the World Bank in at least one of the past three years. Owing to the major political and economic changes that took place during their transition to market economies, these countries suffered deep recessions. During the period 1990-2000, for example, GDP per capita fell by over 50 per cent in each of these. Their three-year average GNI per capita ranged from US$ 173 in Tajikistan to US$ 780 in Turkmenistan (see table below).

GNI per capita is within the current threshold for inclusion in eight of the nine economies in transition. Similarly, seven of these countries would also be eligible for inclusion under the EVI criterion. However, as former socialist republics, they still have high HAI scores owing to past social policies and should not be recommended for inclusion in the list of least developed countries.

The Committee agreed that considering economies in transition for inclusion in the 2003 triennial review of the list of least developed countries would also create distortions of the HAI in the establishment of thresholds for inclusion and graduation. It was recalled, however, that the economic decline in these countries had lasted longer than was expected. It was also noted that a few of these countries now have lower GNI per capita than many current least developed countries. If the economies of these low-income economies in transition do not improve in the near future, erosions of social progress may be difficult to reverse, leading to a possible lowering of HAI. The Committee thus emphasized the importance of monitoring the economies in transition with low incomes and decreasing HAI scores.

ECONOMIES IN TRANSITION: DATA AND CRITERIA USED IN DETERMINING ELIGIBILITY FOR LEAST DEVELOPED COUNTRY STATUS

	Population 2002 (millions)	Per capita GNI (US dollars)	HAI	EVI	EVI (modified)[a]
Armenia	3.8	523	79.4	30.7	34.0
Azerbaijan	8.1	607	72.8	38.9	40.6
Georgia	5.2	647	76.2	47.6	48.2
Kyrgyzstan	5.0	287	77.6	38.2	39.9
Republic of Moldova	4.3	397	81.1	39.6	39.1
Tajikistan	6.2	173	69.5	37.7	39.1
Turkmenistan	4.9	780	84.5	60.9	53.8
Ukraine	48.7	723	86.3	23.8	26.1
Uzbekistan	25.6	607	81.3	40.3	36.3

[a] EVI with sixth component: percentage of population displaced by natural disasters.

Table 2
LEAST DEVELOPED AND OTHER LOW-INCOME COUNTRIES: CRITERIA USED IN DETERMINING ELIGIBILITY FOR LEAST DEVELOPED COUNTRY STATUS

		Population 2002 (millions)	Per capita GNI (US dollars)	HAI	EVI	EVI (modified)[a]
LDC	Afghanistan	23.3	523	11.6	50.1	49.0
LDC	Angola	13.9	447	25.6	48.5	46.8
LDC	Bangladesh	143.4	363	45.3	22.9	29.5
LDC	Benin	6.6	367	40.2	57.0	56.4
LDC	Bhutan	2.2	600	40.4	40.6	41.0
LDC	Burkina Faso	12.2	217	26.5	49.3	47.0
LDC	Burundi	6.7	110	19.7	53.8	49.6
LDC	Cambodia	13.8	263	44.5	49.7	48.1
	Cameroon	15.5	583	43.8	31.9	31.2
LDC	Cape Verde	0.4	**1 323**	**72.0**	55.5	56.7
LDC	Central African Republic	3.8	277	29.9	43.1	42.0
LDC	Chad	8.4	203	26.1	59.2	56.6
LDC	Comoros	0.7	387	38.1	59.1	58.7
	Congo	3.2	610	55.2	50.3	46.8
	Côte d'Ivoire	16.7	687	43.0	25.4	25.9
	Democratic People's Republic of Korea	22.6	440	62.9	32.8	29.5
LDC	Democratic Republic of the Congo	54.3	100	34.3	40.8	42.3
LDC	Djibouti	0.7	873	30.2	48.6	49.5
LDC	Equatorial Guinea	0.5	743	47.2	64.4	55.8
LDC	Eritrea	4.0	190	32.8	51.7	50.2
LDC	Ethiopia	66.0	100	25.2	42.0	40.7
LDC	Gambia	1.4	340	34.0	60.8	56.5
	Ghana	20.2	337	57.9	40.9	41.9
LDC	Guinea	8.4	447	30.3	42.1	40.0
LDC	Guinea-Bissau	1.3	170	31.2	64.6	60.7
LDC	Haiti	8.4	493	35.3	41.7	43.5
	India	1 041.1	450	55.7	13.5	19.6
	Indonesia	217.5	610	73.6	18.1	21.9
	Kenya	31.9	350	49.3	28.4	29.0
LDC	Kiribati	0.1	**923**	**67.5**	64.8	60.4
LDC	Lao People's Democratic Republic	5.5	297	46.4	43.9	43.4
LDC	Lesotho	2.1	573	45.4	44.2	44.5
LDC	Liberia	3.3	285	38.7	63.1	58.3
LDC	Madagascar	16.9	253	37.9	21.6	27.0
LDC	Malawi	11.8	177	39.0	49.0	49.4

Table 2 (continued)

		Population 2002 (millions)	Per capita GNI (US dollars)	HAI	EVI	EVI (modified)[a]
LDC	Maldives	0.3	**1 983**	**65.2**	33.6	37.5
LDC	Mali	12.0	230	19.9	47.5	45.4
LDC	Mauritania	2.8	377	38.2	38.9	37.7
	Mongolia	2.6	393	63.3	50.0	48.9
LDC	Mozambique	19.0	220	20.0	35.6	39.2
LDC	Myanmar	49.0	282	60.0	45.4	45.6
LDC	Nepal	24.2	240	47.1	**29.5**	**31.0**
	Nicaragua	5.3	395	60.8	39.4	42.5
LDC	Niger	11.6	180	14.2	54.1	53.1
	Nigeria	120.0	267	52.3	52.8	51.1
	Pakistan	148.7	437	45.5	20.2	26.1
	Papua New Guinea	5.0	673	46.2	36.1	38.6
LDC	Rwanda	8.1	230	34.1	63.3	59.6
LDC	Samoa	0.2	**1 447**	**88.8**	40.9	50.8
LDC	Sao Tome and Principe	0.1	280	55.8	41.8	37.0
LDC	Senegal	9.9	490	38.1	38.4	38.8
LDC	Sierra Leone	4.8	130	21.7	45.7	43.3
LDC	Solomon islands	0.5	657	47.3	46.7	49.1
LDC	Somalia	9.6	177	8.5	55.4	53.1
LDC	Sudan	32.6	333	46.4	45.2	46.5
	Timor-Leste	0.8	478	36.4	[b]	[b]
LDC	Togo	4.8	293	48.6	41.5	42.8
LDC	Tuvalu	0.01	**1 383**	**63.7**	70.3	67.3
LDC	Uganda	24.8	297	39.8	43.2	41.6
LDC	United Republic of Tanzania	36.8	263	41.1	**28.3**	**30.2**
LDC	Vanuatu	0.2	**1 083**	57.4	44.5	46.4
	Viet Nam	80.2	390	72.7	37.1	39.4
LDC	Yemen	19.9	423	46.8	49.1	49.0
LDC	Zambia	10.9	317	43.4	49.3	47.6
	Zimbabwe	13.1	463	56.5	33.7	30.3

Note: Thresholds for inclusion in the list of least developed countries are population less than 75 million; per capita gross national income (GNI) less than $750; Human Assets Index (HAI) less than 55; and economic vulnerability index (EVI) greater than 37. A country must meet all the criteria. Thresholds for graduation from the list of least developed countries are: per capita GNI greater than $900; HAI greater than 61; and EVI less than 33. A country must meet at least two criteria to be eligible for graduation.

The letters "LDC" before a country name indicate a country that is currently designated as a least developed country.

Figures in boldface type indicate a graduation criterion that has been met by a current least developed country.

[a] EVI with sixth component: percentage of population displaced by natural disasters; threshold for inclusion: greater than 38; threshold for graduation: less than 34.

[b] Data unavailable.

because this margin would be sufficient to distinguish the countries that had developed significantly better human assets. According to the agreed guidelines, the threshold for inclusion in the list of least developed countries under this index is an HAI value of 55. The threshold for graduation under this index is 61.

3. Economic vulnerability index (EVI)

10. Economic vulnerability can take a variety of forms. The vulnerability that has to be considered in the identification of the least developed countries is structural economic vulnerability. For this purpose, the EVI should reflect the relative risk posed to a country's development by exogenous shocks, the impact of which depends not only on the size of the shocks, but also on structural characteristics that determine the extent to which the country would be affected by such shocks. The EVI used by the Committee is therefore an average of five indicators: (a) merchandise export concentration; (b) instability of export earnings; (c) instability of agricultural production; (d) share of manufacturing and modern services in GDP; and (e) population size.

11. The Committee was informed that the quality of internationally comparable data on the number of people displaced by natural disasters had improved significantly. The Committee thus agreed that this information should be included in a modified EVI as a supplement to data on the instability of agricultural production.

12. The Committee fully recognized that small countries are economically more vulnerable to external shocks than large ones because their economies are heavily dependent on external trade, are less diversified and suffer from diseconomies of scale. In particular, most small island least developed countries face a range of structural handicaps — such as high international transportation costs and relative isolation from main markets — that make them less vulnerable to external shocks. For that reason, it was suggested that the remoteness of countries might also be taken into consideration in future reviews.

13. As in the case of the HAI, the Committee decided that the EVI margin between thresholds for inclusion and graduation should be decreased from 15 to 10 per cent. According to these guidelines, the

threshold for inclusion is a value of 37. The threshold for graduation under this index is 33. With the inclusion of the percentage of population displaced by natural disasters, the threshold for inclusion would be a value of 38 and for graduation 34.

4. Eligibility for inclusion and graduation

(a) Country to be added to the list

14. Timor-Leste is the only country eligible for addition to the list. Its EVI cannot be calculated because of lack of data, but both its GNI income per capita and HAI are well below the thresholds for inclusion. The Committee recommends that it be included in the list of least developed countries.

(b) Countries to be considered for graduation

(i) Countries qualifying for graduation

15. The Committee agrees that two countries — Cape Verde and Maldives — qualify for graduation since they have met two graduation criteria in two consecutive reviews.

a. Cape Verde

16. In 1997, the Committee had indicated that Cape Verde would become eligible for graduation in the following review, as it met two graduation criteria (income per capita and human capital indices) at that time. The 2000 review confirmed that Cape Verde had met these two graduation criteria and qualified for graduation. However, it ranked as one of the most economically vulnerable developing countries according to the EVI. Because of its high economic vulnerability and the high dependence of the country on foreign aid and workers' remittances, the Committee recommended that the graduation of Cape Verde from the list of least developed countries be postponed for reconsideration at the 2003 review.

17. Cape Verde now has the fourth highest GNI per capita and the fourth highest HAI among the 65 countries. Both measures are well

above the graduation threshold. In contrast, it is economically vulnerable, with an EVI score of 55.5, compared with a graduation threshold of 33. Nevertheless, given that the country meets two of the three graduation criteria — and that it has done so in three consecutive reviews — the Committee agrees that it qualifies for graduation from the list.

18. The Committee was informed that the Government of Cape Verde had expressed reservations about the accuracy of data on nutrition used in the calculation of its HAI. In the Government's view, the calorie intake data presented by the Food and Agriculture Organization of the United Nations (FAO) — based on food balances that compute data on national food production and food imports rather than on household consumption surveys — do not reflect the nutritional reality of the country. As a result, the Government believes that adjustments should be made in the calculation of its HAI score. The Committee took note of this concern but was informed by FAO that its calorie intake figure was the most reliable statistic collected on an internationally comparable basis. The Committee stresses that the credibility of its triennial review of the list is partly dependent on the fact that it uses data collected on an internationally comparable basis by specialized agencies of the United Nations system, such as FAO, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Health Organization (WHO).

b. Maldives

19. In its resolution 2002/36, the Economic and Social Council requested the Committee to continue its work on the re-examination of its recommendation to graduate Maldives from the list of least developed countries at its fifth session and to submit its recommendations to the Council at its substantive session of 2003 in the context of the triennial review of the list of least developed countries, taking into account the information referred to in the resolution and further information to be provided by relevant development partners and multilateral organizations.

20. The Committee re-examined its recommendation — made in its 2000 review — that Maldives be graduated, and the subsequent consideration of the case of Maldives by the Committee in 2001 and 2002.

The Committee recalls that, in the 1997 and 2000 reviews, the country met two graduation criteria: its income per capita and HAI (formerly APQLI) were both well above the graduation thresholds. In the present review, its GNI per capita is not only the highest among the 65 countries but also more than twice the graduation threshold. Its HAI score ranks as the fourth highest among the least developed countries and is also above the graduation threshold. Its EVI (33.6) is also very close to the graduation threshold (33 or less). Given that Maldives meets two graduation criteria for a third consecutive time, the Committee concludes that the country qualifies for graduation.

21. The Committee was informed that the Government of Maldives had expressed procedural and substantive concerns to the Secretary-General about the interim vulnerability profile of Maldives that had been made available to the Committee. For its part, the United Nations Conference on Trade and Development (UNCTAD) informed the Committee that the profile had been prepared with substantial cooperation from the Government. The preliminary reaction of the Government to the interim vulnerability profile did not contain any material evidence to reverse the Committee's view that Maldives technically qualifies for graduation. The Committee recognizes that Maldives faces special difficulties and costs because it is a small, widely dispersed island economy and that it may lose important international benefits if it graduates from the list of least developed countries.

(ii) Other countries meeting two graduation criteria in 2003

22. Samoa has the second highest average GNI per capita and the highest HAI among the 65 countries. Although the country is considered economically vulnerable — as reflected in its EVI score (41), compared with a graduation threshold of 33 or lower — it is now the eleventh least vulnerable least developed country based on this criterion. Since it meets two graduation criteria, the Committee recommends that it be considered eligible for graduation. As a result, it might qualify for graduation should it fulfil the graduation criteria again in the 2006 review.

23. The data for two countries — Kiribati and Tuvalu — indicate that they meet two graduation criteria (GNI per capita and HAI). However, while they are technically eligible for future graduation, the Committee

recommends that they should not be considered. In the case of Kiribati — whose three-year average GNI per capita (US$ 923) is just above the graduation threshold of US$ 900 — GNI per capita fell constantly over the past four years, from US$ 1,130 in 1998 to only US$ 830 in 2001. In the case of Tuvalu, only GDP per capita data are available. In addition, the Committee stresses that these are the two most economically vulnerable countries in the initial list according to the EVI.

C. Smooth transition of countries graduating from least developed country status

24. The fact that a country that has long been recognized as "least developed" qualifies for graduation is an indication of some success in its development and in its ability to achieve a degree of structural change in its economy. These successes, in turn, are likely to have been largely attributable to a mix of sound domestic policies and propitious external conditions. With regard to the latter, international support has frequently played a central role and the capacity to use world market opportunities may also have been important.

25. Despite the progress they have achieved, countries that qualify for graduation from least developed country status are likely to continue to have a limited capacity to withstand exogenous shocks. A sudden withdrawal of external support is likely to constitute such a shock and to have negative effects, possibly reversing some of the development progress achieved. Countries that qualify for graduation from the least developed country category should be commended for their success and not penalized for it by the imposition of such a shock.

26. The Committee recalls the importance that it has consistently attached to "smooth transition" measures for graduating countries, as elaborated in the reports of its third and fourth sessions.[18] It also recalls that the Economic and Social Council, in its resolution 2002/36, reiter-

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18 See *Participatory Development and Governance: Africa's Special Needs. Report of the Committee for Development Polcicy on the third session* (2-6 April 2001) (United Nations publication, Sales No. E.01.II.A.4), paras. 114-117. See also *Capacity-building in Africa: Effective aid an human capital. Report of the Committee for Development Policy on the fourth session* (8-12 April 2002) (United Nations publication, Sales No. E.02.II.A.4), paras. 158-163.

ated the importance of ensuring a smooth transition from least developed country status, which it had emphasized in earlier resolutions (Council resolutions 2000/34 and 2001/43), in keeping with the observation made in 1991 by the General Assembly in its resolution 46/206 on the importance of ensuring that graduation from least developed country status would not disrupt the progress in the development of graduating countries.

27. The Committee was informed that the importance of securing smooth transition for graduating countries had begun to be taken into account by the multilateral trading system, as the question of the treatment of graduating member States was in the agenda of the Work Programme on Small Economies of the World Trade Organization. The Committee suggests that, with the general trend towards freer trade and erosion of trade preferences for all developing countries, least developed country benefits should be maintained when a country graduates, as the cost to trading partners would be negligible and the benefit to the graduating country will gradually dissipate as trade barriers for all developing countries fall. The Committee recommends that the Economic and Social Council encourage relevant development partners and multilateral organizations to accelerate the progress in their treatment of graduation issues, including the provision of technical assistance through the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries.

28. The Committee therefore recommends that a meeting of experts on the overall question of smooth transition be organized in order to cast light on the likely treatment of graduating countries by their main bilateral and multilateral partners.

29. It was stressed that the treatment of graduating countries by their bilateral and multilateral partners — notably with regard to trade preferences — could be decided upon only in international organizations, such as the World Trade Organization. It was recalled that graduation would imply the loss of a number of significant advantages, in particular preferential market access and extended deadlines for implementation with regard to World Trade Organization obligations. The Committee also recommends that, in each case, graduation should trig-

ger the convening by the United Nations of a round-table meeting in which the graduating country and its development partners would identify measures to ensure a smooth transition.

30. The Committee has benefited from a document submitted by the Commonwealth Secretariat, drawing attention to the general resistance to graduation among least developed countries. This document stresses the particular disadvantages to be faced by graduating small island developing States and their need for assistance in maintaining access to traditional markets and securing access to new markets.

31. Bearing in mind that all countries meeting the graduation criteria in the current review were small island developing States, the Committee recognized that the question of a smooth transition constituted a particular aspect of wider considerations relating to the special treatment of those States. The Committee calls upon the forthcoming international meeting in 2004 on the sustainable development of small island developing States (see General Assembly resolution 57/262 of 20 December 2002) to give consideration to their special needs. The Committee urges the Economic and Social Council, in considering the questions of graduation and smooth transition at its substantive session of 2003, to underline the need for a more differentiated treatment of developing countries that face special disadvantages and vulnerabilities, such as small island developing States.

D. Major findings and recommendations

32. The Committee maintained its position that, in addition to the current least developed countries, the initial list of countries to be considered during the triennial review should be those identified by the World Bank as low-income in any one of the three most recent years. Among these countries, the Committee found that the comparatively high stocks of human assets in the low-income countries with economies in transition made them ineligible to join the list of least developed countries.

33. The Committee adopted a three-year average of US$ 750 per capita as the threshold for inclusion in the category under the GNI per capita criterion. It also decided to increase the margin for graduation

from 15 to 20 per cent above the threshold for inclusion; the graduation threshold under this criterion thus became a three-year average of US$ 900 per capita.

34. The Committee agreed that the threshold for inclusion with regard to both the HAI and EVI criteria should be chosen so that three quarters of the most disadvantaged countries would be eligible under each of these criteria. The Committee also decided that the margin between the thresholds for inclusion and graduation should be decreased from 15 to 10 per cent for these indicators.

35. Applying the agreed thresholds and taking into account other information and considerations, **the Committee concludes that:**

(a) **Timor-Leste qualifies for inclusion in the list of least developed countries;**

(b) **Cape Verde and Maldives qualify for graduation;**

(c) **Samoa is eligible to be considered for graduation in 2006.**

36. **The Committee strongly emphasizes the need for a smooth transition for countries that are graduated from the list of least developed countries and calls upon the international community, including bilateral donors and trading partners, to give urgent attention to this matter. Since all countries that either qualify or are eligible for graduation under this review are small island developing States, the Committee considers it imperative that the international meeting on small island developing States in 2004 make substantial progress in formulating policies and actions that will address the particular set of development challenges faced by this group of countries, particularly those that succeed in qualifying for graduation from least developed country status.**

V. Future work of the Committee

1. For its next session, to be held in 2004, the Committee proposes to consider the theme of creating capabilities at the local levels of societies. These capabilities would include enhancing levels of education for sustainable development, as well as providing local public goods.

2. Creating these capabilities would require the establishment of broad principles for their financing. Institutional arrangements for furthering the creation of these capabilities, including the advantages of political decentralization in support of these arrangements, would also be addressed.

Annex

REPORT OF THE EXPERT GROUP MEETING ON THE REVIEW OF THE LIST OF LEAST DEVELOPED COUNTRIES

I. Background to the Expert Group Meeting

1. The Committee for Development Policy, at its fourth session in April 2002, addressed a number of issues regarding the methodology for the identification of the least developed countries (LDCs), including the refinement of the economic vulnerability index introduced in 2000,[a] and made major recommendations regarding the criteria for the identification of the least developed countries.

2. In its resolution 2002/36 of 26 July 2002 on the Report of the Committee for Development Policy, the Economic and Social Council requested the Committee, *inter alia*, "to continue its work on the methodology to be used for the identification of the least developed countries, where appropriate in association with other international organizations working on environmental and economic vulnerability issues". In the same resolution, the Council also took note of the recommendations made by the Committee at its fourth session regarding the criteria for the identification of LDCs, namely:

(a) Gross national income (GNI) per capita should replace gross domestic product (GDP) per capita as the indicator of income;

(b) the Augmented Physical Quality of Life Index (APQLI) should be renamed the Human Assets Index (HAI) so as to conform with what this indicator is intended to capture, namely the level of human capital;

(c) in the APQLI/HAI, the combined primary and secondary school enrolment ratio should be replaced by the gross secondary school enrolment ratio, which is a better indicator of the level of education;

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a See *Capacity-building in Africa: Effective aid and human capital. Report of the Committee for Development Policy on the fourth session* (8-12 April 2002), (United Nations publication, Sales No. E.02.II.A.4), pp. 46-61.

(d) when internationally comparable data on the percentage of population displaced by natural disasters become available and sufficiently reliable, they could be used as an additional component of the economic vulnerability index (EVI) ;

(e) several technical options in the use of the criteria, such as averaging the components of the composite indices or simultaneous consideration of these composite indices, should be considered before the next review;

(f) for each graduating country, the United Nations should convene a round-table meeting in which the graduating country and its development partners examine measures to ensure a smooth transition;

(g) a meeting of experts on the overall question of smooth transition should be organized in order to cast light on the likely treatment of graduating countries by their main bilateral and multilateral partners.

3. In order to facilitate the triennial review of the list – to be carried out during the fifth session of the Committee in April 2003 – an expert group meeting on the review of the list of least developed countries was held at United Nations Headquarters in New York, on 23 and 24 January 2003.[b] The agenda of the meeting and list of participants are contained in appendix I to this report.

II. Criteria for the identification of the least developed countries

4. There are three criteria for the identification of the least developed countries: (a) gross national income (GNI) per capita; (b) Human Assets Index (HAI); and (c) economic vulnerability index (EVI). Countries must meet benchmarks for all three criteria to be included in the list of least developed countries. To qualify for graduation, a country must meet benchmarks for at least two of the three criteria in two consecutive triennial reviews.

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b Due to the continuous improvements in data - including major updates and verification of internationally comparable data by international institutions - the data used by the Committee for Development Policy at its fifth session (and thus referred to in Chapter IV of this report) were more up-to-date than the data used by the Expert Group and reflected in appendix II.

5. The Expert Group took as given the rule that no country with a population exceeding 75 million should be considered for inclusion in the list. The Council explicitly adopted this rule in 1991 to reflect the previously implicit notion that the fundamental meaning of the category — the recognition of structural handicaps — excludes large economies. Only one country with a large population — Bangladesh, after gaining its independence — was ever added to the list (in 1975). Since Bangladesh is already included in the list, it should be subjected to the normal graduation rule: namely, that of meeting the graduation threshold for at least two of the three criteria in two consecutive reviews.

A. Gross national income (GNI) per capita

6. The Expert Group agreed that the list of countries to which the methodology for identifying the LDCs should be applied during the triennial review should include all countries classified by the World Bank as low-income in any one of the three most recent years.[c] The Group also considered the case of the low-income countries of Eastern Europe and Central Asia that had become independent in the 1990s. However, the Group concluded that these countries did not justify being included in the list for the reasons given in section III below. As a result, the initial list to be considered during the triennial review would comprise 65 countries: the 49 current least developed countries and 16 non-least developed low-income countries, including one new State Member of the United Nations, Timor-Leste (see appendix II, table 1).

7. The World Bank uses per capita gross national income (GNI), not gross domestic product (GDP), in determining membership in the group of low-income countries. Since GNI can measure the productive capacity of a country as adequately as GDP, the Expert Group fully supported the recommendation of the Committee that, for the sake of clarity and consistency, GNI per capita should replace GDP per capita among the criteria for graduation, as it already does in those for inclusion. The Expert Group recommended that, in the triennial review, the threshold

c The World Bank's list of low-income countries changes from year to year as a result of changes in the cut-off point and differences in growth among countries over time.

for inclusion should be a three-year (1999-2001) average GNI per capita of less than US$ 750.[d]

8. With regard to the threshold for graduation, the Expert Group recommended an increase from 15 to 20 per cent above the threshold for inclusion. This increment was proposed primarily to ensure that graduating countries would not move back into the category after a few years because of a decline in their GNI per capita caused by a temporary drop in the export prices of their primary commodities, a natural disaster or other economic shock. The increase was also justified by the uncertainty in GNI data. It was thus agreed that, in the 2003 triennial review, the threshold for graduation would be a three-year average GNI per capita of US$ 900. Six current LDCs would be candidates for graduation under this criterion (see appendix II, table 1). It was also reiterated that, in potential cases of graduation, the role played by remittances, external aid and other forms of transfers be considered with regard to their impact both on GNI and domestic productive capacity.

B. Issues common to the two composite indices

9. During the deliberations, some issues common to the revision of the two composite indices (HAI and EVI) arose. Different options and calculations were presented by the Secretariat in each case, and the Expert Group discussed the merits and appropriateness of various alternatives to the prevailing methodology.

10. In both composite indices, original values of relevant indicators had, in the past, been converted into relative values on a scale of 0 to 100.[e] The final composite index values were arithmetic averages of the converted values of all components. The Expert Group recommended continuation of scaling indicators between maximum and minimum values for compiling the individual indices. Along with eliminating outlier values by their compression to the next maximum or minimum value, the Group agreed on maintaining equal weights for the components of

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d The World Bank cut-off points for low-income countries during these three years were US$ 755, US$755 and US$745, respectively.

e This procedure was applied to the data for 156 developing countries and economies in transition.

both indices. The Group also explored the possibility of fixing natural or normal bounds instead of using actual maximum and minimum values, in order to allow the comparability of composite indices from one review to the next.

11. There was broad support for maintaining equal weights for the components of both indices, which consist of four indicators for the HAI and five indicators for the EVI. It was recalled that the choice of equal weights was not arbitrary since the indicators were the most important factors influencing structural handicaps.

12. As agreed in 1991, and in conformity with the principle that least developed countries are low-income countries with a low level of human capital and a high level of economic vulnerability, the HAI threshold for inclusion would be the value of the index for the upper quartile of the group of 65 least developed and low-income countries as identified above. In the case of the EVI – where high values reflect high vulnerability – the threshold would be the value of the index for the lower quartile.

13. In the 2000 triennial review, the thresholds for graduation were 15 per cent higher than the inclusion threshold for the HAI and 15 per cent lower than the inclusion threshold for the EVI. The Expert Group recommended that the margin between thresholds for inclusion and graduation for both the HAI and the EVI be decreased from 15 to 10 per cent. The reason was that, whereas GNI could grow exponentially, the change in the value of the composite indices is bound by their maximum (or minimum) values. Smaller margins could thus better distinguish the countries that had achieved significantly better scores than the majority of least developed countries without necessarily having reached the top values of the composite indices.

C. Human Assets Index (HAI)

14. The Expert Group agreed that human capital status should continue to be reflected in the HAI by four indicators: (a) *nutrition*, measured by the average calorie consumption per capita as a percentage of the minimum requirement; (b) *health*, measured by the under-five child

mortality rate; (c) *education*, measured by the gross secondary school enrolment ratio and by the adult literacy rate.

15. As far as the nutrition indicator is concerned, the Group supported previous Committee decisions — endorsed by the Council — to continue to use data on average calorie consumption per capita as a percentage of the minimum calorie requirement. It was recalled, however, that, as part of efforts to implement the goals of the UN Millennium Declaration, FAO was expected to improve the quality and coverage of data on the percentage of population undernourished and that these data could be used in calculating HAI scores in future triennial reviews. The relationship between the proportion of population undernourished and the calorie intake as a percentage of requirement, found for LDCs and other low-income countries for which both sets of data are available, validated the practice of the Committee to use the logarithm of the calorie intake indicator instead of its gross value (see appendix II, table 2 and figure 1).

16. The Expert Group also supported maintaining the under-five child mortality rate, as data in that regard were more reliable than the data for life expectancy at birth. For cases of graduation, other health indicators could be considered to complement the under-five child mortality rate indicator. As suggested by the Committee at its fourth session, this is particularly relevant to countries where HIV/AIDS has significantly reduced life expectancy.

17. With regard to the two education-related indicators, it was further agreed that, since historical progress in primary schooling is reflected by the adult literacy rate, the primary school enrolment ratio should be dropped from the HAI. The Group concurred that the gross secondary school enrolment ratio would be a better indicator of the level of education than the combined primary and secondary school enrolment ratio used in the 2000 triennial review.

18. According to the agreed threshold guidelines, the cut-off point for inclusion in the list of least developed countries under this index would be the value between the sixteenth and seventeenth highest scores in the list of 65 candidate countries (see appendix II, table 3 and figure 2). The Expert Group thus proposed that the inclusion threshold be a value of

55. The 48 countries with an HAI score under 55 would thus be considered for inclusion in the list under this index. Conversely, applying the 10 per cent margin, the threshold for graduation under this index would be 61. Nine countries had an HAI score above this value.

D. Economic vulnerability index (EVI)

19. Vulnerability, even from a purely economic point of view, can take a variety of forms. It was recalled that, for the purpose of identifying LDCs, the vulnerability that should be considered is the relative risk to a country's development posed by exogeneous shocks. The extent to which a country would be affected by such shocks depends on the structural characteristics of its economy. The economic vulnerability index (EVI) should therefore be such as to reflect this structural vulnerability.

20. In its previous consideration of this matter, the Committee identified two main types of exogenous shocks: those emanating from external economic developments and those related to natural causes. The proxies chosen to reflect these shocks — endorsed by the Council — were the instability of the exports of goods and services, the degree of merchandise export concentration and the instability of agricultural production. It was also previously agreed that the structural factors determining the extent of the exposure to these shocks should be represented by the share of manufacturing and modern services in GDP and the size of the population. The Expert Group agreed that these previous decisions should be maintained, namely that EVI should continue to be an average of five indicators: (a) merchandise export concentration; (b) instability of export earnings; (c) instability of agricultural production; (d) share of manufacturing and modern services in GDP; and (e) population size.

21. With regard to export concentration, the Expert Group recalled the recommendation of the Committee at its fourth session[f] that, for the 2003 triennial review, the EVI should be recalculated to include concentration of exports of services in addition to concentration of exports

[f] See *Capacity-building in Africa: Effective aid and human capital. Report of the Committee for Development Policy on the fourth session* (8-12 April 2002), (United Nations publications, Sales No. E.02.II.A.4), para 139.

of goods, but noted that such data for exports of services were not yet available because of methodological problems. It was also noted that the construction and interpretation of this indicator would be difficult. However, the present indicator appeared to be particularly high for oil-exporting countries, which are not the most vulnerable countries among primary producers. The Expert Group agreed to use the traditional merchandise export concentration coefficient for the present review, but suggested that this indicator should be refined or replaced for the next review.

22. Regarding the instability of exports of goods and services, the Group stressed the need to take into account fluctuations in the purchasing power of exports. Therefore, export earnings in current dollars (based on International Monetary Fund (IMF) balance-of-payments statistics) should continue to be deflated by the unit value of imports of developing countries, as reported by IMF.

23. The Group examined whether a more direct measure of the economic impact of natural disasters, such as number of people displaced or economic damage caused by such disasters, could be introduced into the EVI. The Group agreed that the quality of comparable data on the number of people displaced by natural disasters had improved significantly. It was thus recommended that the Committee consider including this information as a sixth component of the EVI in order to supplement the information on the instability of agricultural production. In the meantime, if reliable data became available for countries that are being considered for graduation, it was agreed that their country profiles could include data on the number of people displaced by natural disasters and on their economic impacts.

24. It was also stressed that the services category used in the fourth indicator (share of manufacturing and modern services in GDP) should continue to be broader than in the conventional definition. The inclusion of transport and communications in this indicator is aimed at reflecting the importance of infrastructure in the modern economy. Due to the sensitivity of this indicator to the year of observation and its statistical heterogeneity, it was suggested that it could be revised, or even replaced, in the future by a less ambiguous indicator of the structural factors that determine the capacity to withstand external shocks.

25. With regard to maintaining population size as a component of the EVI, it was agreed that small countries tend to be more vulnerable to external shocks than large ones because (a) their economies are usually more open to external trade and (b) their exports tend to be highly concentrated due to their limited scope for diversification. Size of population is, therefore, one of the most important proxies for overall economic vulnerability. It was also stressed that some small island developing States (SIDS) face a series of structural handicaps — such as high international transportation costs and relative isolation from main markets – that make them particularly vulnerable to external shocks. For that reason, it was suggested that the remoteness of countries might be taken into consideration in future reviews.

26. EVI scores for 64 least developed and low-income countries are shown in table 4 of appendix II. In this candidate list of 64 countries, the cut-off point for inclusion in the list would be the value of the sixteenth lowest score. The Expert Group thus proposed that the inclusion threshold be established at 37 (see appendix II, table 4). The 49 countries with an EVI score of 37 or higher would thus be considered for inclusion in the list under this index. Given the 10 per cent margin, an EVI score for graduation under this index would be 33 or smaller; 11 countries surpassed this threshold.

27. With the addition of a sixth component — percentage of population displaced by natural disasters — the cut-off point for inclusion would be 38 (see appendix II, table 4). The 49 countries with an EVI score of 38 or higher would meet the criteria for inclusion in the list under this six-component index. Conversely, 12 countries with an EVI score of 34 or less would be considered for graduation under this index.

III. Countries with economies in transition

28. The Expert Group examined the situation of countries in Eastern Europe and those in Central Asia that became independent States in the early 1990s for the review of the list of least developed countries. Nine countries of these economies in transition (EITs) have been classified as low-income countries by the World Bank in at least one of the years 1999-2001, namely Armenia, Azerbaijan, Georgia, Kyrgyzstan, the

Republic of Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. During the period 1990-2000, GDP per capita fell by over 50 per cent in each of these countries and fell by over 80 per cent in the Republic of Moldova and Tajikistan. In 2000, it ranged from US$ 163 in Tajikistan to US$ 930 in Uzbekistan.

29. Owing to the major political and economic changes that took place during their transition to market economies, these countries suffered deep recessions in their early years. The data show that the three-year average GNI per capita is within the threshold for inclusion in eight of the nine low-income economies in transition (EITs) (see appendix II, table 1). Similarly, seven of these countries would also be eligible for inclusion under the EVI criterion (see appendix II, table 4). However, as former socialist states or republics, they still have high HAI scores due to past social policies (see box below). This group of nine EITs has among the 13 highest HAI scores in an expanded set of 74 least developed and low-income countries (see appendix II, table 3). As a result, they do not meet all three criteria for inclusion in the list of least developed countries.

30. The Expert Group agreed that considering EITs for inclusion in the 2003 triennial review of the list of least developed countries would also create distortions in the establishment of HAI thresholds for inclusion and graduation. It was recalled, however, that the economic decline in these countries had lasted longer than was expected. It was also noted that a few of these countries now have lower GNI per capita than many current least developed countries. If the economies of these low-income EITs do not improve in the near future, erosions of social progress may be difficult to reverse, leading to a possible lowering of their HAIs. The Expert Group thus emphasized the importance of monitoring the economies in transition with low incomes and decreasing HAI scores for possible inclusion in the list of LDCs.

The state of human resources in the economies in transition

In order to evaluate the state of human resources in the low-income transition countries, the four indicators that are used to construct the HAI were compiled. Based on the inclusion threshold for this index established for the 2003 triennial review (that is, an HAI score of 55), none of the low-income EITs would meet this criterion for inclusion in the list of LDCs (see table at the end of this box).

A comparison based on individual indicators was then conducted. The values of indicators for the low-income transition countries were compared against the threshold determined by the highest (lowest in case of the under-five child mortality rates) quartile for all low-income countries (a procedure corresponding to that used for inclusion in the LDC list). The values for the calorie intake as percentage of the minimum requirement fall below the threshold for five countries. For the remaining three HAI indicators, all the values for the nine transition countries fall outside the lowest (highest in case of the under-five child mortality rates) three quartiles. It is noteworthy, however, that the gross secondary enrolment ratios deteriorated in six out of nine countries and remained constant in one between 1990 and 2000. Tajikistan reported the largest fall, of above 25 per cent.

A relatively high stock of human assets was accumulated in EITs when there were comprehensive state systems for the provision of social services and protection. However, following the collapse of the previous administrative system, health and education indicators worsened, as some of the fiscal adjustment made in EITs involved large cuts in social expenditure. Public spending on health and education, both as a percentage of GDP and in per capita terms, decreased substantially in all nine EITs between 1990 and 1999. Poverty increased due to the collapse in output, but also because of accelerated inflation, which disproportionately affected the poor and undermined the real value of pensions and savings deposits. For example, more than 80 per cent of the population in Tajikistan and the Republic of Moldova was reported to be below the national poverty line in 1999, as compared to 59 and 13 per cent respectively in 1988.[a]

The low-income countries with economies in transition rank high in terms of economic vulnerability but have relatively high stocks of human assets, accumulated

[a] International Monetary Fund and World Bank, “Poverty reduction, growth and debt sustainability in low-income CIS countries”, 4 February 2002. Available at http://www.imf.org/external/np/eu2/2002/edebt/eng.

before the transition. The break-up of the former Soviet Union, however, caused major structural changes and significantly altered the economic well-being of some of the new countries. Health and economic indicators have deteriorated in most EITs, and poverty and income inequality have increased in many of these countries. Long-term prospects are thus a matter of concern, given the decreasing social spending experienced in most EITs.

HUMAN ASSETS INDEX (HAI) AND ITS COMPONENTS FOR LOW-INCOME ECONOMIES IN TRANSITION

	Gross secondary enrollment	Calorie intake as % of requirement	Under-5 child mortality	Adult literacy	HAI
Armenia	89.6	120.5	18.0	98.4	79.2
Azerbaijan	80.2	113.5	40.0	97.0	72.7
Georgia	77.7	119.6	21.8	99.0	76.0
Kyrgyzstan	83.0	131.1	46.0	97.0	77.4
Moldova	80.5	137.9	25.3	98.9	80.9
Tajikistan	76.0	114.9	76.3	99.2	69.4
Turkmenistan	112.0	138.6	67.7	98.0	84.3
Ukraine	92.8	144.4	19.3	99.6	86.0
Uzbekistan	94.2	134.9	51.8	99.2	81.1

Source: World Bank, *World Development Indicators 2002,* and UNESCO, see relevant information available at <www.unesco.org>.

IV. Eligibility for inclusion and graduation

A. Additions to the list

(a) Timor-Leste

31. Timor-Leste — a State Member of the United Nations since September 2002 — appears to be the only additional country eligible for inclusion in the list. It has one of the lowest levels of income per capita amongst the 65 countries under consideration, as well as a low secondary school enrolment ratio and a low literacy rate. Confirmation of this recommendation will, however, require further research, particu-

larly the collection and verification of comparable data for HAI components. The lack of historical data for the calculation of its EVI score will also need to be carefully considered by the Committee. A recent precedent for inclusion of a newly independent state in the list, following secession, was Eritrea.

(b) Congo

32. Congo meets the criteria for inclusion in the list with regard to both GNI per capita and the EVI. Its HAI score (55.2) is above the threshold for inclusion (55 or lower). The Expert Group also recalled that Congo met all three criteria for inclusion in the 2000 triennial review. However, the recent decline in the economic and social indicators of the country had been associated with civil war and, pending clarification of their longer-term evolution, was considered to be a temporary (rather than a structural) phenomenon.

B. Candidates for future graduation

33. In keeping with the rule whereby a country qualifies for graduation if it meets at least two graduation criteria in two consecutive reviews of the list, the Committee should consider whether the following three countries should be designated as candidates for graduation if they qualify again in the 2006 review.

(a) Kiribati

34. With a three-year average GNI per capita of US$ 923, Kiribati is just above the graduation threshold (US$ 900) for that criterion. The country also meets the HAI criterion with the fifth highest HAI score among the list of candidate countries. It could therefore be identified during the 2003 review as a candidate for future graduation. However, the country ranks as the second most vulnerable country according to the EVI and this considerably offsets the benefits of its HAI; combining the index of its human assets with its high vulnerability places it in the most “disadvantaged” quartile of the 64 countries. Given that Kiribati is on the borderline for the GNI threshold and is among the most vulnerable among the least developed and other low-income countries, the Committee may wish not to identify Kiribati as a candidate for future

graduation. A vulnerability profile of this country should be prepared for the 2006 review.

(b) Samoa

35. Samoa has the second highest average GNI per capita (US$ 1,447) amongst the 65 countries and it also has by far the highest level of human assets among the 65 countries, with an HAI of 88.8. Samoa continues to be economically vulnerable (as reflected in its EVI of 40.9), but not among the most vulnerable — it ranks 42 under this criterion. Combining its HAI and EVI suggests that it is among the less severely disadvantaged of the candidate countries.

36. Samoa became a candidate for graduation in the 1997 review, but it became ineligible in 2000 because its GDP per capita no longer met the graduation criterion. Given the significant improvement in its GNI per capita and HAI, the Expert Group agreed that it should become a candidate whose graduation should be considered in the 2006 review.

(c) Tuvalu

37. Despite the absence of consistent GNI per capita data for the 1999-2001 period for Tuvalu, its GDP per capita is well above the graduation threshold. With the sixth highest HAI score amongst the 65 countries, the country also meets the human assets criterion for graduation. However, Tuvalu, with the lowest population among the least developed countries (10,500), ranks as the most vulnerable country under the EVI criterion, with or without the sixth component. The Committee may, therefore, wish to give special consideration to Tuvalu — particularly if no reliable data on GNI per capita become available for the triennial review — and not identify it as a candidate for future graduation at the present time.

C. Countries that qualify for graduation

38. The Expert Group found that two countries — Cape Verde and Maldives — had met two graduation criteria for a third consecutive time. It was, therefore, agreed that these two countries qualify for graduation in 2003.

(a) Cape Verde

39. In 1997, the Committee had identified Cape Verde as a graduation candidate for the following review, as it met two graduation criteria (income per capita and human assets) at that time. The 2000 review confirmed that Cape Verde had met these two graduation criteria and qualified for graduation. However, it ranked as one of the most vulnerable developing countries according to the EVI. Because of its high economic vulnerability and the high dependency of the country on foreign aid and workers' remittances, the Committee recommended that the graduation of Cape Verde from the list of least developed countries be postponed for reconsideration at the 2003 triennial review.

40. Cape Verde has the fourth highest GNI per capita (US$ 1,323) among the 65 countries, well above the threshold for graduation. It also has the fourth highest HAI score amongst these countries, which is also well above the graduation threshold. In contrast, according to its EVI (55.5), it is the eleventh most economically vulnerable of the candidate countries (or the seventh most vulnerable with the inclusion of a sixth component). Nevertheless, given that the country meets two of the three graduation criteria — and that it has been a graduation candidate in three consecutive triennial reviews – the Expert Group agreed that it qualifies for graduation from the list.

(b) Maldives

41. The Economic and Social Council, in resolution 2002/36, requested the Committee to continue its work on the re-examination of its recommendation to graduate Maldives from the list of least developed countries at its fifth session and to submit its recommendations to the Council at its substantive session of 2003 in the context of the triennial review of the list of least developed countries, taking into account the information referred to in the resolution and further information to be provided by relevant development partners and multilateral organizations.

42. The Expert Group re-examined the recommendation of the Committee — made in its 2000 triennial review — that Maldives be graduated from the list of least developed countries and that subsequent consideration be given to the case of Maldives by the Committee in

2001 and 2002. The Group recalled that, in the 2000 review, the country met two of the three graduation criteria: its income per capita and human capital scores were both well above the graduation threshold.

43. The information made available to the Expert Group during its January 2003 meeting supported the conclusion that Maldives once again qualifies for graduation. Its GNI per capita (almost US$ 2,000) is not only the highest amongst the 65 countries but also more than twice the graduation threshold. Its HAI score (63) ranks as the seventh highest and is above the graduation threshold (61 or higher). Its EVI, however, does not meet the graduation criterion. Given that Maldives meets at least two graduation criteria (GNI and HAI) for a third consecutive time, the Group agreed that the country qualified for graduation.

44. The Expert Group was informed of relevant data collected by the Government of Maldives — with the assistance of UNDP — pointing to possible anomalies in the estimation of the HAI score of Maldives. There appear to be discrepancies with regard to the nutrition, school enrolment and under-five child mortality indicators. The Group questioned these discrepancies and noted that the data used in the review are collected on an internationally comparable basis by specialized agencies of the United Nations system, such as FAO, UNESCO and WHO. The Group recommended that the apparent discrepancies be examined by these agencies before the triennial review is carried out.

45. The Group also addressed the issue of environmental vulnerability as elaborated in the 2000 vulnerability profile of Maldives and in documentation submitted by the Government of Maldives to the Committee. Particular attention was paid to the challenge Maldives may face from climatic change and sea level rise. It was recalled that the sea level rise implied population relocation and high infrastructural cost, as well as high insurance cost, for which special assistance is deemed vital to the country in the context of international cooperation.

46. The Group fully recognized that environmental vulnerability could pose a serious problem for many small island developing States (SIDS), including Maldives. Such problems should, however, be considered and dealt with primarily as a characteristic of SIDS — as distinct from the structural problems that beset least developed countries.

The Expert Group was of the view that the task of identifying least developed countries should focus on economic and structural, as opposed to environmental, vulnerability.

47. The treatment of graduating countries by their bilateral and multilateral partners — notably with regard to trade preferences — can be decided upon only in international organizations, such as the World Trade Organization (WTO). The Expert Group noted that its role was to assist in identifying which countries are eligible for graduation from LDC status based on application of the criteria adopted by the Committee and the Economic and Social Council. The decision on whether the countries should be graduated is the responsibility of the Council and, ultimately, the General Assembly.

V. Smooth transition of countries graduating from least developed country status

48. The fact that a country that has long been recognized as "least developed" meets the criteria for graduation in two consecutive reviews is an indication of some success in its development and in its ability to achieve a degree of structural change in its economy. These successes, in turn, are likely to have been largely attributable to a mix of sound domestic policies and propitious external conditions. With regard to the latter, international support has frequently played a central role and the capacity to exploit world market opportunities may also have been important. For those countries that currently qualify for graduation from LDC status, the ability to integrate into and benefit from the international tourism market has made an important contribution to the growth of national income.

49. The international community has increasingly recognized not only that, because of their structural weaknesses, LDCs require substantial external support but also that, because progress is fragile, this support is likely to be needed for an extended period if development is to be sustained. Despite the progress they have achieved, countries that qualify for graduation from LDC status are likely to continue to have only limited capacity to withstand external shocks. A sudden withdrawal of external support is likely to constitute such a shock and to have

negative effects, possibly reversing some of the development progress achieved. Countries that qualify for graduation from the LDC category should be commended for their success and not penalized for it.

50. It was from this perspective that the Group recalled the importance that the Committee has consistently attached to "smooth transition" measures for graduating countries, as elaborated in the reports of its third and fourth sessions.[g] The Group noted that the Economic and Social Council, in its resolution 2002/36, reiterated the importance of smooth transition, which it had emphasized in earlier resolutions (Council resolutions 2000/34 and 2001/43), in keeping with the observation made in 1991 by the General Assembly in its resolution 46/206 on the importance of ensuring that graduation from LDC status would not disrupt the progress of relevant countries in their development path. They also recalled that, in the only case of graduation (Botswana in 1994), the Government had stressed the desirability of smooth transition measures.

51. The Group observed that, since 2000, the primary understanding of the notion of smooth transition had related to "post-graduation" concessionary measures. The international community had not paid attention to "pre-graduation" transition policies or measures in favour of countries in the three-year period between the review when a country is found to be a candidate for graduation and the subsequent review when its qualification for graduation is confirmed. The Group was informed that the least developed countries that were candidates for graduation regarded smooth transition as a paramount element of the graduation process.

52. Bearing in mind that all candidate countries are small island developing States (SIDS), the question of smooth transition was recognized by the Group as being only one particular aspect of wider considerations relating to the special treatment of SIDS. This wider consider-

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[g] See *Participatory Development and Governance: Africa's Special Needs. Report of the Committee for Development Polcicy on the third session* (2-6 April 2001) (United Nations publication, Sales No. E.01.II.A.4), paras. 114-117. See also *Capacity-building in Africa: Effective aid an human capital. Report of the Committee for Development Policy on the fourth session* (8-12 April 2002) (United Nations publication, Sales No. E.02.II.A.4), paras. 158-163.

ation, they noted, is likely to gain increased attention from the international community with the international meeting on the sustainable development of SIDS in 2004 (see General Assembly resolution 57/262).

53. The Group therefore took the view that the Committee should urge the Council, in considering the questions of graduation and smooth transition at its substantive session of 2003, to take into account the progress to date or expected in the international community towards a more differentiated treatment of developing countries with special disadvantages and vulnerabilities, such as SIDS. Greater differentiation could take place, it was suggested, in the framework of current arrangements (such as special market access concessions), in the context of new trade and related arrangements and through innovative modalities for development financing.

VI. Main recommendations and implications for inclusion and graduation

54. The Expert Group reiterated that the initial list of candidate countries to be considered during the triennial review should be based on the group of countries identified by the World Bank as low-income in any one of the three most recent years. The Group also recommended that low-income countries in Eastern Europe and Central Asia should be among those considered by the Committee, but they found that these countries' comparatively advanced levels of human capital made them ineligible to join the list of LDCs. At the same time, the Group emphasized that economies in transition with very low incomes and deteriorating human capital conditions should be monitored for possible inclusion in the list.

55. With regard to the GNI per capita criterion, it was recommended that the benchmark for inclusion be a three-year average GNI per capita of less than US$ 750. As far as the threshold for graduation is concerned, the Expert Group recommended an increase from 15 to 20 per cent above the cut-off point for inclusion. The threshold for graduation would thus be an average GNI per capita of US$ 900.

56. It was agreed that the threshold for inclusion with regard to both the HAI and EVI criteria should be the border between the third and fourth quartiles of the list of 65 current least developed countries and other low-income countries. The Expert Group also recommended that the threshold margin between inclusion and graduation should be decreased from 15 to 10 per cent with a view to drawing attention to the countries whose position with regard to human capital and economic vulnerability was much better than the majority of least developed countries, without being necessarily at the top level of the indicator.

57. According to the data provided to the Expert Group, as a result of preliminary calculations, 48 countries had an HAI score under 55 and would be considered for inclusion in the list under this index. Conversely, nine countries with an HAI score greater than 61 would be considered for graduation. EVI calculations had to be limited to 64 least developed and low-income countries as one Member State had to be excluded due to a lack of the historical data required to calculate its EVI. In this list of 64 countries, 49 countries with an EVI score of 37 or higher would be considered for inclusion in the list and 11 countries with an EVI score under 33 would be considered for graduation under this index.

58. Applying the agreed criteria to the data available to the Group, the implications for the list of least developed countries would be as follows: (a) Timor-Leste would qualify for inclusion in the list of LDCs; (b) Samoa would become a candidate to be considered for graduation in 2006 and, depending on a number of considerations that required the judgement of the Committee, Kiribati and Tuvalu could be candidates and (c) Cape Verde and Maldives would again qualify for graduation. No other countries appeared to be eligible for inclusion or graduation according to the criteria.

Appendix I

Agenda and List of Participants

Agenda of the Expert Group Meeting on the Identification of the Least Developed Countries

New York, 23-24 January 2003

1. Adoption of the agenda and organization of work.
2. Criteria for the identification of the least developed countries
   (a) Gross National Income (GNI) per capita
   (b) Issues common to the composite indices
   (c) Human Assets Index (HAI)
   (d) Economic Vulnerability Index (EVI)
3. Countries with economies in transition
4. Eligibility for inclusion and graduation
5. Smooth transition of countries graduating from least developed country status
6. Other issues

List of Participants

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Appendix II

Figures

Figure 1.
RELATIONSHIP BETWEEN CALORIE INTAKE AND UNDERNOURISHMENT IN 50 LEAST DEVELOPED AND LOW-INCOME COUNTRIES

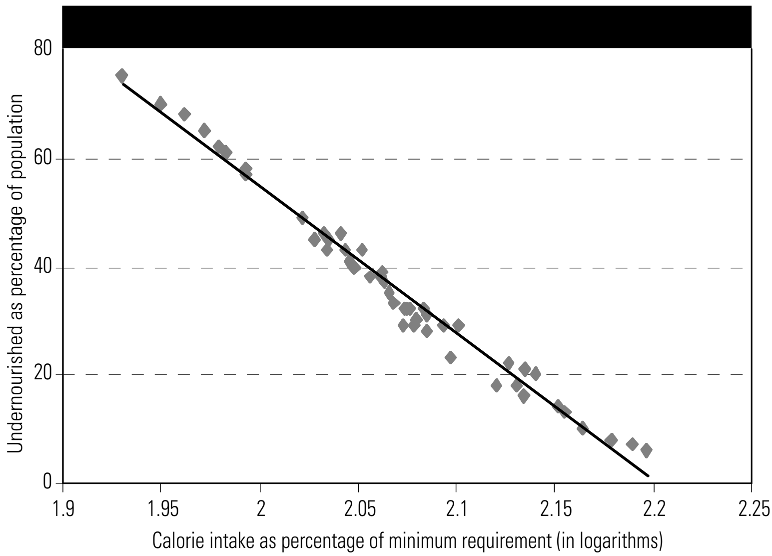
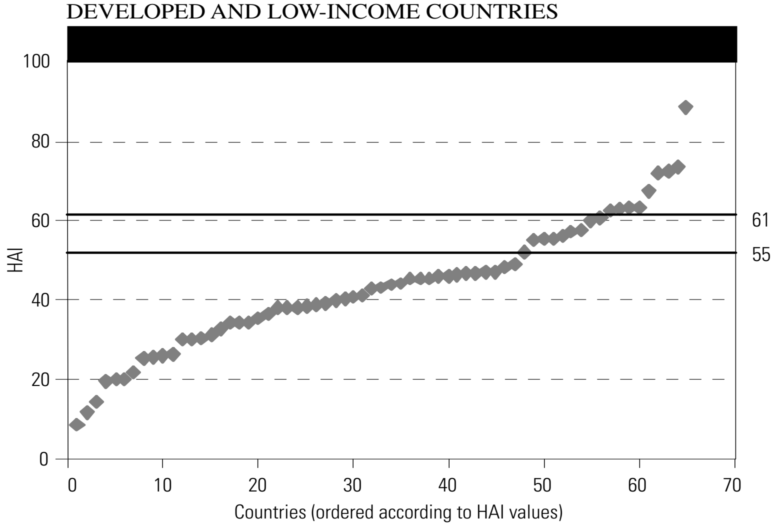


Figure 2.
HUMAN ASSETS INDEX (HAI) FOR 65 LEAST DEVELOPED AND LOW-INCOME COUNTRIES



Tables

Table 1
GNI PER CAPITA FOR LEAST DEVELOPED AND LOW-INCOME COUNTRIES

Average 1999-2001

A. Developing countries

LI	L	Dem. Republic of the Congo	100	LI	L	Benin	367
LI	L	Ethiopia	100	LI	L	Mauritania	377
LI	L	Burundi	110	LI	L	Comoros	387
LI	L	Sierra Leone	130	LI		Viet Nam	390
LI	L	Guinea-Bissau	170	LI		Mongolia	393
LI	L	Somalia	177	LI		Nicaragua	395
LI	L	Malawi	177	LI	L	Yemen	423
LI	L	Niger	180	LI		Pakistan	437
LI	L	Eritrea	190	LI		Dem. Peo. Rep. of Korea	440
LI	L	Chad	203	LI	L	Angola	447
LI	L	Burkina Faso	217	LI	L	Guinea	447
LI	L	Mozambique	220	LI		India	450
LI	L	Mali	230	LI		Zimbabwe	463
LI	L	Rwanda	230	LI		Timor-Leste	478
LI	L	Nepal	240	LI	L	Senegal	490
LI	L	Madagascar	253	LI	L	Haiti	493
LI	L	Cambodia	263	LI	L	Afghanistan	523
LI	L	United Rep. of Tanzania,	263	LI	L	Lesotho	573
LI		Nigeria	267	LI		Cameroon	583
LI	L	Central African Republic	277	LI	L	Bhutan	600
LI	L	Sao Tome and Principe	280	LI		Congo	610
LI	L	Myanmar	282	LI		Indonesia	610
LI	L	Liberia	285	LI	L	Solomon Islands	657
LI	L	Togo	293	LI		Papua New Guinea	673
LI	L	Lao People's Democratic Republic	297	LI		Cote d'Ivoire	687
LI	L	Uganda	297	LI	L	Equatorial Guinea	743
LI	L	Zambia	317		L	Djibouti	873
LI	L	Sudan	333		L	Kiribati	923
LI		Ghana	337		L	Vanuatu	1083
LI	L	Gambia	340		L	Cape Verde	1323
LI		Kenya	350		L	Tuvalu	1383
LI	L	Bangladesh	363		L	Samoa	1447
					L	Maldives	1983

Table 1 (continued)

Average 1999-2001					
B. Economies in transition					
LI	Tajikistan	173	LI	Uzbekistan	607
LI	Kyrgyzstan	287	LI	Georgia	647
LI	Republic of Moldova	397	LI	Ukraine	723
LI	Armenia	523	LI	Turkmenistan	780
LI	Azerbaijan	607			

Note: LI: Low-income country; L: Least developed country.

Table 2
INDICATORS OF HUNGER IN LEAST DEVELOPED AND LOW-INCOME COUNTRIES[a]

			Calorie intake as % of reqirement	Undernourished as % of population
LI	L	Afghanistan	89	70
LI	L	Angola	110	43
LI	L	Bangladesh	115	38
LI	L	Benin	142	14
LI	L	Burkina Faso	119	32
LI	L	Burundi	92	68
LI	L	Cambodia	117	33
LI		Cameroon	118	29
LI	L	Central African Republic	111	41
LI	L	Chad	114	38
LI		Congo	119	32
LI		Cote d'Ivoire	142	14
LI		Dem Peo Rep of Korea	98	57
LI	L	Dem Rep of the Congo	96	61
LI	L	Eritrea	94	65
LI	L	Ethiopia	105	49
LI	L	Gambia	136	16
LI		Ghana	146	10
LI	L	Guinea	126	29
LI	L	Haiti	95	62
LI		India	136	21
LI		Indonesia	157	6
LI		Kenya	108	43
LI	L	Lao People's Democratic Republic	124	29
LI	L	Lesotho	120	29
LI	L	Liberia	110	46
LI	L	Madagascar	112	40
LI	L	Malawi	121	32
LI	L	Mali	119	32
LI	L	Mauritania	143	13
LI		Mongolia	107	45
LI	L	Mozambique	98	58
LI	L	Myanmar	155	7
LI	L	Nepal	122	28
LI		Nicaragua	122	31

Table 2 (continued)

			Calorie intake as % of requirement	Undernourished as % of population
LI	L	Niger	108	46
LI		Nigeria	151	8
LI		Pakistan	138	20
LI	L	Rwanda	115	39
LI	L	Senegal	125	23
LI	L	Sierra Leone	113	43
LI	L	Somalia	85	75
LI	L	Sudan	132	18
LI	L	Togo	135	18
LI	L	Uganda	120	30
LI	L	United Rep. of Tanzania	111	41
LI		Viet Nam	134	22
LI	L	Yemen	116	35
LI	L	Zambia	108	45
LI		Zimbabwe	116	37

[a] Data on percentage of undernourished population are available for only 50 least developed and other low-income countries.

Table 3
HUMAN ASSETS INDEX (HAI) AND ITS COMPONENTS FOR LEAST DEVELOPED AND LOW-INCOME COUNTRIES[a]

			Secondary enrolment ratio 1999/2000 values	Calorie intake as % req. 1998 values	Under-5 mortality (per 1000) 2000-2005 values	Literacy rate 2000 values	HAI
		A. Developing countries					
LI	L	Somalia	5.7	85.2	186.0	16.0	8.5
LI	L	Afghanistan	22.1	89.0	279.2	37.3	11.6
LI	L	Niger	6.5	107.8	209.9	16.0	14.2
LI	L	Burundi	7.1	91.6	197.9	48.0	19.7
LI	L	Mali	15.0	118.8	235.6	25.6	19.9
LI	L	Mozambique	13.9	98.4	224.2	44.0	20.0
LI	L	Sierra Leone	23.9	112.6	254.3	36.3	21.7
LI	L	Ethiopia	17.0	105.1	182.9	39.1	25.2
LI	L	Angola	15.5	110.4	201.4	42.0	25.6
LI	L	Chad	11.5	113.7	198.3	42.6	26.1
LI	L	Burkina Faso	10.0	119.3	146.3	23.9	26.5
LI	L	Central African Republic	9.6	111.1	156.5	46.7	29.9
	L	Djibouti	14.7	104.4	202.3	64.6	30.2
LI	L	Guinea	13.8	126.2	189.5	41.1	30.3
LI	L	Guinea-Bissau	20.4	133.5	207.8	38.4	31.2
LI	L	Eritrea	28.2	93.8	141.9	55.7	32.8
LI	L	Gambia	27.0	136.2	195.5	36.6	34.0
LI	L	Rwanda	12.1	115.3	196.0	66.8	34.1
LI	L	Dem. Rep. of the Congo	18.4	96.2	127.9	61.4	34.3
LI	L	Haiti	29.3	95.3	103.7	49.8	35.3
LI		Timor-Leste	38.0	110.0	159.0	48.0	36.4
LI	L	Madagascar	14.3	111.7	147.0	66.5	37.9
LI	L	Comoros	20.6	101.1	92.0	55.9	38.1
LI	L	Senegal	19.5	125.1	104.7	37.4	38.1
LI	L	Mauritania	18.4	142.9	156.4	40.2	38.2
LI	L	Liberia	22.5	109.9	111.9	53.5	38.7
LI	L	Malawi	45.2	121.2	223.8	60.1	39.0
LI	L	Uganda	16.1	120.2	159.4	67.0	39.8
LI	L	Benin	21.8	141.9	132.3	37.4	40.2
LI	L	Bhutan	9.9	122.9	80.0	47.3	40.4
LI	L	United Rep. of Tanzania	5.7	111.1	116.6	75.0	41.1
LI		Côte d'Ivoire	21.7	141.8	137.7	48.6	43.0

Table 3 (continued)

			Secondary enrolment ratio 1999/2000 values	Calorie intake as % req. 1998 values	Under-5 mortality (per 1000) 2000-2005 values	Literacy rate 2000 values	HAI
LI	L	Zambia	25.5	108.3	143.1	78.2	43.4
LI		Cameroon	19.6	118.4	132.6	71.3	43.8
LI	L	Cambodia	17.3	117.0	104.2	68.0	44.5
LI	L	Bangladesh	53.7	115.1	92.3	40.0	45.3
LI	L	Lesotho	28.0	119.9	181.1	83.4	45.4
LI		Pakistan	39.0	138.1	127.8	43.2	45.5
LI		Papua New Guinea	21.2	117.6	84.5	63.9	46.2
LI	L	Lao People's Democratic Rep.	35.6	124.0	140.6	64.8	46.4
LI	L	Sudan	28.8	132.1	122.1	57.7	46.4
LI	L	Yemen	47.6	116.5	84.9	46.4	46.8
LI	L	Nepal	53.9	121.7	98.4	41.7	47.1
LI	L	Equatorial Guinea	31.2	112.9	160.2	87.1	47.2
LI	L	Solomon Islands	17.9	108.8	30.4	62.0	47.3
LI	L	Togo	36.2	135.2	123.8	57.1	48.6
LI		Kenya	29.8	108.2	103.4	82.4	49.3
LI		Nigeria	30.3	150.8	130.0	64.0	52.3
LI		Congo	51.7	118.6	122.2	80.7	55.2
LI		India	49.9	136.5	85.6	57.2	55.7
LI	L	Sao Tome and Principe	44.6	119.3	75.0	73.2	55.8
LI		Zimbabwe	45.3	115.7	107.7	88.7	56.6
	L	Vanuatu	28.5	136.8	34.9	64.0	57.4
LI		Ghana	37.3	145.9	99.6	71.6	57.9
LI	L	Myanmar	34.9	154.6	132.7	84.7	60.0
LI		Nicaragua	60.2	121.7	45.2	66.5	60.8
LI		Dem. Peo. Rep.of Korea	64.0	98.4	49.7	95.0	62.9
LI		Mongolia	64.4	106.5	85.5	98.4	63.3
	L	Maldives	42.7	113.8	47.3	96.9	63.4
	L	Tuvalu	34.0	126.5	53.0	95.0	63.7
	L	Kiribati	44.0	141.5	70.0	93.0	67.5
	L	Cape Verde	54.0	173.6	56.6	73.8	72.0
LI		Viet Nam	64.6	133.9	44.8	92.5	72.7
LI		Indonesia	54.9	157.4	49.3	86.8	73.6
	L	Samoa	76.0	184.1	31.4	98.6	88.8

Table 3 (continued)

		Secondary enrolment ratio 1999/2000 values	Calorie intake as % req. 1998 values	Under-5 mortality (per 1000) 2000-2005 values	Literacy rate 2000 values	HAI
	B. Economies in transition					
LI	Tajikistan	76.0	114.9	76.3	99.2	69.5
LI	Azerbaijan	80.2	113.5	40.0	97.0	72.8
LI	Georgia	77.7	119.6	21.8	99.0	76.2
LI	Kyrgyzstan	83.0	131.1	46.0	97.0	77.6
LI	Armenia	89.6	120.5	18.0	98.4	79.4
LI	Moldova	80.5	137.9	25.3	98.9	81.1
LI	Uzbekistan	94.2	134.9	51.8	99.2	81.3
LI	Turkmenistan	112.0	138.6	67.7	98.0	84.5
LI	Ukraine	92.8	144.4	19.3	99.6	86.3

[a] Countries in each panel are ordered according to values of HAI.

Table 4
ECONOMIC VULNERABILITY INDEX (EVI) FOR LEAST DEVELOPED AND LOW-INCOME COUNTRIES[ab]

		EVI				EVI with addition of variable for population displaced by natural disasters	
		A. Developing countries					
	L	Tuvalu	70.3		L	Tuvalu	67.3
	L	Kiribati	64.8	LI	L	Guinea-Bissau	60.7LI
	L	Guinea-Bissau	64.6		L	Kiribati	60.4
LI	L	Equatorial Guinea	64.4	LI	L	Rwanda	59.6
LI	L	Rwanda	63.3	LI	L	Comoros	58.7
LI	L	Liberia	63.1	LI	L	Liberia	58.3
LI	L	Gambia	60.8		L	Cape Verde	56.7
LI	L	Chad	59.2	LI	L	Chad	56.6
LI	L	Comoros	59.1	LI	L	Gambia	56.5
LI	L	Benin	57.0	LI	L	Benin	56.4
	L	Cape Verde	55.5	LI	L	Equatorial Guinea	55.8
LI	L	Somalia	55.4	LI	L	Niger	53.1
LI	L	Niger	54.1	LI	L	Somalia	53.1
LI	L	Burundi	53.8	LI		Nigeria	51.1
LI		Nigeria	52.8		L	Samoa	50.8
LI	L	Eritrea	51.7	LI	L	Eritrea	50.2
LI		Congo	50.3	LI	L	Burundi	49.6
LI	L	Afghanistan	50.1		L	Djibouti	49.5
LI		Mongolia	50.0	LI	L	Malawi	49.4
LI	L	Cambodia	49.7	LI	L	Solomon Islands	49.1
LI	L	Burkina Faso	49.3	LI	L	Yemen	49.0
LI	L	Zambia	49.3	LI	L	Afghanistan	49.0
LI	L	Yemen	49.1	LI		Mongolia	48.9
LI	L	Malawi	49.0	LI	L	Cambodia	48.1
	L	Djibouti	48.6	LI	L	Zambia	47.6
LI	L	Angola	48.5	LI	L	Burkina Faso	47.0
LI	L	Mali	47.5	LI	L	Angola	46.8
LI	L	Solomon Islands	46.7	LI		Congo	46.8
LI	L	Sierra Leone	45.7	LI	L	Sudan	46.5
LI	L	Myanmar	45.4		L	Vanuatu	46.4
LI	L	Sudan	45.2	LI	L	Myanmar	45.6
	L	Vanuatu	44.5	LI	L	Mali	45.4
LI	L	Lesotho	44.2	LI	L	Lesotho	44.5
LI	L	Lao People's Democratic Rep.	43.9	LI	L	Haiti	43.5
LI	L	Uganda	43.2	LI	L	Lao People's Democratic Rep.	43.4

Table 4 (continued)

EVI				EVI with addition of variable for population displaced by natural disasters			
LI	L	Central African Republic	43.1	LI	L	Sierra Leone	43.3
LI	L	Guinea	42.1	LI	L	Togo	42.8
LI	L	Ethiopia	42.0	LI		Nicaragua	42.5
LI	L	Sao Tome and Principe	41.8	LI	L	Dem. Republic of the Congo	42.3
LI	L	Haiti	41.7	LI	L	Central African Republic	42.0
LI	L	Togo	41.5	LI		Ghana	41.9
	L	Samoa	40.9	LI	L	Uganda	41.6
LI		Ghana	40.9	LI	L	Bhutan	41.0
LI	L	Dem. Republic of the Congo	40.8	LI	L	Ethiopia	40.7
LI	L	Bhutan	40.6	LI	L	Guinea	40.0
LI		Nicaragua	39.4	LI		Viet Nam	39.4
LI	L	Mauritania	38.9	LI	L	Mozambique	39.2
LI	L	Senegal	38.4	LI	L	Senegal	38.8
LI		Viet Nam	37.1	LI		Papua New Guinea	38.6
LI		Papua New Guinea	36.1	LI	L	Mauritania	37.7
LI	L	Mozambique	35.6		L	Maldives	37.5
LI		Zimbabwe	33.7	LI	L	Sao Tome and Principe	37.0
	L	Maldives	33.6	LI		Cameroon	31.2
LI		Dem. Peo. Rep. of Korea	32.8	LI	L	Nepal	31.0
LI		Cameroon	31.9	LI		Zimbabwe	30.3
LI	L	Nepal	29.5	LI	L	United Rep. of Tanzania	30.2
LI		Kenya	28.4	LI	L	Bangladesh	29.5
LI	L	United Rep. of Tanzania	28.3	LI		Dem. Peo. Rep. of Korea	29.5
LI		Cote d'Ivoire	25.4	LI		Kenya	29.0
LI	L	Bangladesh	22.9	LI	L	Madagascar	27.0
LI	L	Madagascar	21.6	LI		Pakistan	26.1
LI		Pakistan	20.2	LI		Cote d'Ivoire	25.9
LI		Indonesia	18.1	LI		Indonesia	21.9
LI		India	13.5	LI		India	19.6

Table 4 (continued)

	EVI			EVI with addition of variable for population displaced by natural disasters	
	B. Economies in transition				
LI	Turkmenistan	60.9	LI	Turkmenistan	53.8
LI	Georgia	47.6	LI	Georgia	48.2
LI	Uzbekistan	40.3	LI	Azerbaijan	40.6
LI	Republic of Moldova	39.6	LI	Kyrgyzstan	39.9
LI	Azerbaijan	38.9	LI	Tajikistan	39.1
LI	Kyrgyzstan	38.2	LI	Republic of Moldova	39.1
LI	Tajikistan	37.7	LI	Uzbekistan	36.3
LI	Armenia	30.7	LI	Armenia	34.0
LI	Ukraine	23.8	LI	Ukraine	26.1

a Excludes Timor-Leste due to the lack of historical data.
b Countries in each panel are ordered according to the index values.