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# The development goals of the Programme of Action for the Least Developed Countries for the Decade 2001B2010: Towards a set of indicators to monitor progress

*Report by the UNCTAD secretariat*

**Executive summary**

Monitoring the results of the implementation of the Programme of Action for the Least developed countries for the Decade 2001-10 requires clearly defined indicators. A preliminary attempt to assess where the least developed countries and their development partners stand now in relation to the quantifiable development goals within the Programme of Action highlights various problems. The data which are internationally available to monitor the progress towards UNLDC III development goals are woefully inadequate in terms of the coverage of least developed countries, their quality and their timeliness. The data problem is particularly acute in relation to the overarching goal of making substantial progress toward halving the proportion of people living in extreme poverty by 2015. Where data are available, it is apparent that the majority of the least developed countries are currently off-track in terms of the UNLDC III development goals.

## Introduction

1. One important feature of the Programme of Action for the Least Developed Countries for the Decade 2001–2010, which was agreed at the Third United Nations Conference on the Least Developed Countries (UNLDC III), held in Brussels, Belgium, from 14 to 20 May 2001, is the inclusion of a number of quantifiable development goals.

2. These goals, which will be called here the "UNLDC III development goals", include:

1. A growth rate of at least 7 per cent per annum and an increase in the ratio of investment to GDP to 25 per cent;
2. Substantial progress towards halving the proportion of people living in extreme poverty by 2015;
3. The achievement of a range of human development targets in relation to population, education and training, and health, nutrition and sanitation;
4. The achievement of a range of infrastructure development targets in relation to transport and communications;
5. Official development assistance (ODA) flows to LDCs equivalent to 0.15 per cent or 0.2 per cent of donor countries' gross national product (GNP) for most donor countries;
6. Progress towards graduation from the category of LDC, for which there are defined and quantified thresholds.

3. The inclusion of these quantifiable goals within the Programme of Action implies that it is now easier to monitor the success of the Programme. Indeed, as the Programme of Action itself stresses, "the process of identifying, assessing and monitoring progress on process and concrete outcomes will be a key aspect of the implementation of the Programme of Action" (para. 21e).

4. A primary purpose of this paper is to attempt to describe where the least developed countries and their development partners stand now in relation to the UNLDC III development goals. The description will be made, firstly, in relation to current levels of achievement according to the most recently available international data. These levels indicate shortfalls in relation to the desired goals. It will, secondly, be made in relation to trends during the 1990s. These trends show the extent to which countries have been on track towards the achievement of the UNLDC III development goals, and establish the "business-as-usual" trajectory of change, which will generally have to be modified if the desired goals are to be achieved.

5. In seeking to describe the current situation in relation to the UNLDC III development goals, various technical and data problems arise. Data are not readily available for some of the targets. For others, it is necessary to specify the precise indicators which would desirably be used to monitor progress. Furthermore, for some of the quantifiable targets there is some degree of ambiguity in their specification, including their time horizon. The secondary purpose of this paper is therefore to identify these problems and, where possible, to suggest ways to deal with them.

6. Given the technical and data problems, the present paper should be regarded as a preliminary description of the baseline from which, over time, the outcomes of the new

Programme of Action can be assessed. The third purpose of this paper is therefore, to elicit comments and inputs through which the description can be improved.

7. Finally, it must be stressed that the Programme of Action encompasses more objectives than the quantifiable development goals discussed here. For example, an important aim is to reverse the socio-economic marginalization of LDCs in the global economy. However, these wider objectives have not yet been specified in a way which enables precise and time-bound monitoring. It may be worthwhile to specify them, particularly in the area of trade development, in the future.

## I. Growth and investment goals

8. The Programme of Action for the LDCs for the Decade of 2001–2010 states that "LDCs, with the support of their development partners, will strive to attain a GDP growth rate of at least 7 per cent per annum and increase the ratio of investment to GDP to 25 per cent per annum" (para. 6).

9. Current levels of achievement fall short of this goal. International data on growth rates for the 1990s are available for 43 LDCs. During 1997–99, only five LDCs – Equatorial Guinea, Mozambique, Rwanda, Bhutan and Cape Verde – achieved the target growth rate. For the period 1990–99, only Equatorial Guinea and Uganda exceeded the target (chart 1). Over the same period, the growth rate was less than half the target rate in 23 out of 43 LDCs, and was declining in 7 out of 43.

10. International data on investment rates are available for the period 1990–99 in 37 LDCs. Amongst these countries, nine achieved the 25 per cent target during 1997–99, namely Sao Tome and Principe, Equatorial Guinea, Lesotho, Bhutan, Cape Verde, Burkina Faso, Eritrea, the Lao People's Democratic Republic and Mozambique. For the 1990s as whole, average annual investment rates exceeded the target in all these countries except Burkina Faso and Mozambique, plus Guinea Bissau. For 12 out of 37 LDCs the investment rate was on average under 15 per cent of GDP during the period 1990–99 (chart 2).

## II. Poverty reduction goals

11. The Programme of Action states that "The overarching goal of the Programme of Action is to make substantial progress toward halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote sustainable development of the LDCs" (para. 6). However, identifying where the LDCs stand now in relation to the poverty reduction goal raises difficult issues.

*A. Conceptualising extreme poverty*

12. A basic question is how "extreme poverty" should be defined. Should it be in terms of income poverty or some multidimensional measure of poverty such as the human poverty index of the United Nations Development Programme (UNDP)? Should it be based on internationally comparable standards or national norms? At what point should poverty be regarded as "extreme"? What is the time frame for the halving of the poverty rate?

13. ***One pragmatic principle that can be applied in answering these questions is to build on the work which has been done to measure progress towards the achievement of International Development Goals and also the objectives of the Millennium Declaration.***[1] This makes sense, since the Programme of Action is based, *inter alia*, "on the international development targets…and on the values, principles and objectives of the Millennium Declaration" (para 5), and its success will be judged, *inter alia*, by "its contribution to progress towards achieving international development targets" (para. 21e). From the perspective of the International Development Goals, "extreme poverty" should be measured as the percentage of the population living on less than $1.08 a day at 1993 international prices (equivalent to $1 per day in 1985 international prices) adjusted for purchasing power parity (PPP). Moreover, the appropriate timeframe for measuring whether substantial progress towards the halving of the incidence of poverty is from 1990 to 2015, rather than from 2001 to 2015.[2]

14. This approach will be adopted in general terms here with two caveats. Firstly, the $1 per day poverty line was originally based on a survey of national poverty lines which found that they were lower in poorer countries than richer countries. The poverty line was set at $1 as it represented the typical line among low-income countries. But it is unclear why in aspiring to reduce extreme poverty we should focus on these standards and not the higher standards of what constitutes extreme poverty in lower-middle-income or even richer countries. The $2 per day poverty line is regarded as reflecting poverty lines more commonly used in lower-middle-income countries, and living below that line could justifiably be regarded as "extreme poverty" by global standards. Thus, whilst it is right to focus on the $1 per day poverty line for monitoring trends in extreme poverty, it is important to remain cognizant of what is happening to the incidence of income poverty defined as being below a $2 per day.

15. The second caveat is that it is important that the adoption of an international poverty line should not reduce the relevance of national poverty lines, or impinge on the discretion of national authorities to define poverty in their own way.[3]

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[1] This includes information at "www.developmentgoals.org" and the outcome of the meeting of the representatives of the Secretary-General's Office, UNDESA, UNDP, UNFPA, UNICEF, UNSD, DGO, IMF, OECD and the World Bank held in New York on 21 June 2001 to map the Millennium Development Goals and the International Development Goals.

[2] The International Development Goals are those originally identified in OECD/DAC (1996), *Shaping the 21st Century: The Contribution of Development Cooperation*, OECD, Paris, and receiving wider endorsement through IMF/OECD/UN/World Bank Group (2000), *A Better World for All – Progress towards the International Development Goals*.

[3] It is pertinent in this regard that in the current guidelines for Poverty Reduction Strategy Papers (PRSPs) it is recognized that appropriate indicators and specific targets will vary between countries, even though the inclusion of indicators related to the International Development Goals is desirable. Moreover, the World Bank cautions that the $1 and $2 a day poverty estimates are "useful only as indicators of global progress, not to

### *B. Problems in measuring extreme poverty*

16. Even if one focuses on the $1 per day poverty line, significant problems remain in measuring the current incidence of poverty in the least developed countries. Firstly, there are only 17 LDCs for which internationally comparable data on poverty are available for at least one year in the 1990s, and only 8 LDCs for which it is possible to construct percentage changes from the 1980s to the 1990s.

17. Secondly, it is necessary to have good estimates of variations in price levels between countries in order to compare poverty internationally. PPP estimates, based on price data generated by the Summers and Heston International Comparison Program, are conventionally used for this purpose, but there are very few LDCs among the 110 countries covered in the project. Weaknesses in these PPP estimates can lead to major distortions in global poverty estimates.[4]

18. It is worth noting in this regard that according to PPP estimates the cost of living is much higher in African LDCs than those in Asia. Thus the weighted average of gross domestic product (GDP) per capita (estimated at current official exchange rates) is estimated to be $0.65 per day for the total population in African LDCs and $0.88 per day in Asian LDCs in the late 1990s, whilst in PPP terms (in 1985 international prices) it is estimated to be $1.51 per day in African LDCs and $4.59 per day in Asian LDCs. In effect, if the costs of living estimated in international PPP terms in Asian LDCs was actually closer to those in African LDCs, poverty rates would be two thirds higher.

19. Finally, estimates of average consumption per capita in household surveys deviate from those which can be calculated through national accounts.

### *C. National-accounts-based versus household-survey-based estimates of income poverty*

20. The focus of discussion here will be on the discrepancy between national-accounts-based and survey-based estimates of income poverty.[5] Household income and expenditure surveys are designed to measure the distribution of income and consumption across a sample of households. Average consumption per household is calculated on the basis of self-reported expenditures (cash and imputed values from own stock). Gross incomes available to households are calculated on the basis of information reported on wages and salaries of employees and income from self-employment, property income and current transfers. The incidence of poverty within the population can then be calculated by estimating the mean income or consumption of the households in the sample, estimating statistically the distribution of consumption across households, and setting a monetary poverty line to calculate the proportion of the households below the poverty line.

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assess progress at country level or to guide country policy and program formulation" (World Bank, *World Development Report 2000/01 Attacking Poverty*, p.17).

[4] See A. Deaton, "Counting the world's poor: problems and possible solutions", 2000 (mimeo).

[5] The term "income poverty" will be used here, in line with current conventions, to refer to estimates of poverty based on monetary income or consumption. However, in practice the comparisons in this paper of poverty estimates based on national accounts and on household surveys only use survey estimates of consumption expenditure. The national accounts estimates, by definition, refer to private consumption poverty.

21. Estimates of average private consumption per capita can also be derived from national accounts data, and it has long been known that estimates of mean consumption per capita from national accounts data diverge from those derived in household surveys.[6] However, the serious implications of this divergence for poverty analysis and monitoring have only recently been brought into the open, propelled by the lively debate on the effects of economic reforms in India.[7] In that country, average private consumption per capita has been growing much faster according to national accounts data than according to household survey data. As a necessary corollary, the incidence of poverty has been falling much faster according to the national accounts data than according to the household survey data.

22. This issue is not just relevant to India but is of global importance. The existence of the discrepancy implies that much econometric work on the relationship between growth and poverty is potentially misleading as it combines national accounts growth estimates with household survey-based poverty estimates. Also, efforts to channel global and national resources towards poverty reduction could be misdirected.

23. It has thus been recognized that research to explore the dimensions of the discrepancy and how it may be resolved is a high priority.[8] Following this call for research, ongoing work conducted within the framework of the preparation of *The Least Developed Countries Report 2001*, has reached three major conclusions.[9]

24. Firstly, the conclusion that there are no systematic biases between estimates of average consumption derived from household surveys and national accounts is statistically unsound. For those least developed countries for which there are data, there are significant differences between survey-based and national-accounts-based income poverty estimates (see chart 3). These differences arise because in countries such as the United Republic of Tanzania (1991), Ethiopia (1981,1995) and Mali (1989), average consumption figures according to the household surveys are between two and nearly three times higher than the national accounts estimates. On the other hand, in Bangladesh the survey estimates are much lower than the national accounts consumption data. Similar inconsistencies are apparent in trends over time. According to the household survey data, average consumption increased by over 17 per cent in Ethiopia between 1981 and 1995. But according to national accounts data, average consumption fell by over 13 per cent between those two years. In Bangladesh in contrast, household surveys suggest that average consumption fell by over 13 per cent between 1984 and 1991, whilst the national accounts data indicate a growth in average consumption of over 13 per cent in the same period.

25. Secondly, there is a systematic inter-country pattern to the divergence between survey-based and national-accounts-based poverty estimates. The problem of the discrepancy between these two sets of estimates is not simply a question of the underestimation of

[6] See G.F. Pyatt, "The distribution of living standards within countries: Some reflections on an evolving international data-base", 2000 (mimeo).
[7] See S.S. Bhalla, "Growth and poverty in India: myth and reality", 2000 (mimeo). (http://www.oxusresearch.com/economic/asp); M. Ravallion, "Do national accounts provide unbiased estimates of survey-based measures of living standards?", 2000 (mimeo); M. Ravallion, "Should poverty measures be anchored in national accounts?", *Economic and Political Weekly*, 26 August – 2 September, 2000, pp. 3245–3252.
[8] See Pyatt, op. cit.; World Bank, op. cit.; box 1.8; and Deaton, op. cit.
[9] This rest of this section draws on M. Karshenas, "Measuring absolute poverty in the least developed countries", 2001 (mimeo).

average levels and growth rates of consumption in household surveys (the India case). As chart 3 shows, it is related rather to how poor a country is in international PPP terms. ***In short, if one accepts the national-accounts-based estimates as the correct estimates, then the purely household-based measures of the incidence of poverty which are currently used underestimate poverty in the poorest countries. Moreover, the poorer the country is, the greater the underestimation of poverty is.***

26. It is difficult to know exactly why this pattern arises. However, the two major possible sources of bias leading to the overestimation of average consumption (and the underestimation of poverty) in the poorest countries are the under representation of the poorest in the surveys, and over inflation of the value of home-produced consumption.

27. Finally, there is divergence in the estimates of the growth elasticity of poverty reduction, i.e. the rate at which the incidence of poverty can be expected to decline with growth in mean consumption. ***If one accepts the national-accounts-based poverty estimates, economic growth can be expected to have a much stronger effect on poverty in the poorest countries than if one accepts the survey-based estimates.*** This difference arises because, as chart 3 shows, the majority of the household survey-based estimates of the proportion of the population living below the $1 per day international poverty line in countries with per capita private consumption of less than $1,000 (1985 PPP) are within the range 25–55 per cent. Whilst such a pattern could naturally be expected if these were national poverty lines, it is very surprising to find that two countries, one with an average per capita consumption for the total population of $1 per day (1985 PPP international prices) and the other with an average per capita consumption for the total population of $3 per day, have about 40 per cent of their population living below an international poverty line of $1 per day.

28. These findings are of immense significance for discussions of poverty and policy in the LDC context. The potential for using national-accounts-based estimates of poverty in LDCs, and their implications for policy analysis of long-term dynamics of poverty in the LDCs, are being explored in the context of ongoing work for *The Least Developed Countries Report 2001*. These estimates could also provide a resource which can assist in monitoring progress towards UNLDC III development goals.

## III. Human development goals[10]

29. The Programme of Action includes 13 human development goals which are sufficiently specified to be measured and monitored in quantitative terms. It is desirable that the indicators and timeframes which are used to monitor these UNLDC III development goals follow, as far as possible, the methodologies used to monitor international development goals, as well as the goal set by the 1996 World Food Summit in the area of malnutrition, and the goal set by the Dakar Declaration in the area of literacy. For those UNLDC III development goals which are not in these categories, the baseline year for defining the target improvement is specified as being the current level (which in practice has to be the most recent year), except for the disease prevalence indicators, which are measured,

[10] The tables in this section are based on work in UNDP's Human Development Report Office by David Stewart.

according to the practices of the World Health Organization (WHO), with a baseline year of 1990.

30. Following these principles, box 1 sets out 20 indicators which can be used to monitor these 13 goals, and tables 1, 2 and 3 show the results of a stock-taking exercise which seeks to show current levels of achievement in the LDCs, and progress in the 1990s, in relation to these 13 goals, calibrating the targets for the timeframe, and using the 20 indicators listed above. Countries are classified, according to their progress in the 1990s, into five categories: "Achieved" (the country has already achieved the target, or 95 per cent of it); "On-track" (the country has attained 95 per cent or more of the rate of progress needed to achieve the target); "Lagging" (the country has achieved 75–94 per cent of the required rate of progress to achieve the target); "Far behind" (the country has achieved 0–74 per cent of the required rate of progress to achieve the target); and "Slipping back" (the country's level of achievement is at least five percentage points worse in 1999 than in 1990). This approach builds a five percentage points margin of error into the data.

31. Three major observations can be made on these tables.

32. Firstly, data availability is a critical problem in monitoring human development goals in the least developed countries. There is an urgent need for greater coverage, and more high-quality data, and particularly more timely data, on key issues of human development. Data for 2000 are available for only one indicator and data for 1999 are only available for literacy rates, HIV prevalence and infant mortality rates. For 11 of the 20 indicators, progress in the 1990s cannot be monitored in over 25 per cent of the LDCs. Data on malaria and tuberculosis prevalence are based on reported cases, and are thus not ideal. Some question the accuracy of the data on under nutrition.[11]

33. Secondly, it is apparent that levels of human development in most LDCs are extremely low. Over one quarter of the children are undernourished in 33 out of 43 LDCs for which data are available. Nineteen out of 33 African LDCs have maternal mortality rates above 1 per 100 live births. The chance of a child dying under the age of 5 is more than 1 in 10 in 41 out 49 LDCs. On average, under 50 per cent of the adult female population is literate in LDCs. For 22 LDCs for which data on net primary school enrolment are available from UNESCO statistics, less than half the children are in school in 10 of them.

[11] See P. Svedberg, "841 million undernourished?" *World Development*, 1999, vol. 27, no.12, pp. 2081–2098.

**Box 1: Indicators for monitoring of UNLDC III human development goals**

**1. Education:**

***a. Ensuring that by 2015 all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to a complete, free and compulsory primary education of good quality (para. 36a)***

Key indicators are: (i) net primary enrolment ratio (the ratio of the number of children of official school age, as defined by the national education system, who are enrolled in school to the population of the corresponding official school); (ii) percentage share of the children enrolled in primary school who eventually reach Grade 5.

***b. Achieving a 50 per cent improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults (para. 36b)***

This is assumed to be a 50 per cent improvement from current levels (as measured by the most recent data). Literacy is defined, according to UNESCO norms, as the ability of a person to understand, read, and write a short statement on their everyday life, and key indicators are: (i) total adult literacy; (ii) male adult literacy; and (iii) female adult literacy. The baseline year for the target is 1999.

***c. Eliminating gender disparities in primary and secondary education by 2005, and achieving gender equality in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality (para. 36c)***

Key indicators are: (i) ratio of girls to boys in primary school; (ii) ratio of girls to boys in secondary school; and (iii) ratio of young (15–24) literate females.

**2. Population and health**

***a. Making accessible, through the primary health care system, reproductive health to all individuals of appropriate ages as soon as possible and no later than the year 2015 (para. 34a)***

This is measured in the International Development Goals by (i) the contraceptive prevalence rate, the percentage of women (usually married women aged 15–49) who are practising, or whose sexual partners are practising, any form of contraception, and (ii) percentage of females aged 15–24 infected with HIV.

***b. Reducing the infant mortality rate below 35 per 1,000 live births by 2015 (para. 38a)***

Although this diverges from the International Development Goal, which is to reduce the infant mortality rate by two thirds of the 1990 level by 2015, it can be measured in the same way as the number of infants dying before reaching 1 year of age per 1,000 births in a given year.

***c. Reducing the under-5 mortality rate to below 45 per 1,000 live births by 2015 (para. 38b)***

This similarly diverges from the International Development Goal, which is to reduce the under-5 mortality rate by two thirds of the 1990 level by 2015. But it can be measured in the same way as the probability that a newborn baby will die before reaching the age of 5, if subject to current age-specific mortality rates. The probability is expressed as a rate per 1,000.

***d. Reducing the maternal mortality rate by three quarters of the current rate by 2015 (para. 38c)***

The key indicator is the number of women who die during pregnancy and childbirth, per 1,000 live births.

***e. Increasing the percentage of women receiving maternal and prenatal care by 60 per cent (para. 38g)***

The key indicator is the percentage of deliveries attended by skilled health staff.

***f. Reducing HIV infection rates in persons 15-24 years of age by 2005 in all countries and by 25 per cent in the most affected countries (para. 38f)***

This is assumed to be a reduction from current levels and is measured as the total infection rate (men and women).

g. ***Substantially reducing infection rates from malaria, tuberculosis and other killer diseases in LDCs by the end of the decade; reducing TB deaths and prevalence of the disease by 50 per cent by2010; and reducing the burden of disease associated with malaria by 50 per cent by 2010 (para. 38i).***

This is assumed to be a reduction from 1990 levels as suggested by WHO, and can be *measured in terms of (i) TB cases notified, and (ii) malaria cases notified.*

**3. Nutrition**

***a. Reducing the number of undernourished people by half by 2015 (para. 38d)***

This is assumed to be a reduction from the 1996 level, as specified at the 1996 World Food Summit. The key indicator is the percentage of population undernourished as estimated by the FAO method.

***b. Halving malnutrition among pregnant women and among pre-school children in LDCs by 2015 (para. 38h)***

There does not appear to be specific data on pregnant women. A key indicator for the second part of this goal is the percentage of children under 5 whose weight for age is less than minus two standard deviations from the median for the international reference population, ages 0–59 months. The time frame for this, which is also used as an indicator for monitoring the International Development Goals, is assumed to be 1990 to 2015.

**4. Sanitation**

***a. Reducing by half by 2015 the proportion of people who are unable to reach or afford safe drinking water (para. 38e)***

The timeframe for this goal, which is also an International Development Goal, is assumed to be from 1990 to 2015. The key indicator for this is the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Reasonable access is defined as the availability of at least 20 litres per person per day from a source within one kilometre of the dwelling (see WHO and UNICEF, *Global Water Supply and Sanitation Assessment 2000 Report*).

34. Thirdly, only a minority of LDCs are on track to achieve any of the UNLDC III human development goals, though there are positive signs in terms of female literacy goals. For under nutrition, only 13 of the 34 LDCs with data are on track to achieve the goal of halving malnourishment by 2015. For infant mortality and under-5 mortality, 10 countries representing 27 per cent of the LDC population are on track and 30 countries (65 per cent of the LDC population) are far behind and 3 countries are actually slipping back. In terms of access to safe drinking water, 11 countries, representing one third of the LDC population, are on track, while 13 (a further third) are lagging or far behind. For primary school enrolment, only one third of the countries are on track. Notifications for tuberculosis and malaria are increasing, as well as HIV/AIDS, particularly female infection rates.

## IV. Transport and communications goals

35. The Programme of Action includes five quantifiable goals regarding improvement of the physical infrastructure in the area of transport and communications. These are:

> "a. Increasing road networks and connections in LDCs to the current level of other developing countries and urban road capacities, including sewerage and other related facilities by 2010;
> b. Modernizing and expanding railway connections and facilities, increasing their capacities to the level of those in other developing countries by the end of the decade;
> c. Increasing LDCs' communication networks, including telecommunication and postal services, and improving access of the poor to such services in urban and rural areas to reach the current levels in other developing countries;
> d. Increasing computer literacy among students in higher institutions and universities by 50 per cent and in junior and high schools by 25 per cent by 2015;
> e. Increasing average telephone density to 5 main lines per 100 inhabitants and Internet connections to ten users per 100 inhabitants by the year 2010 (World Telecommunications Development Conference, Valletta, Malta, 1998)" (para. 43).

36. For the last of these goals, data are available for 36 LDCs and estimation is relatively straightforward. The data suggest that the current situation is far from satisfactory. Only 10 have more than 1 telephone mainline per 100 inhabitants. Cape Verde and Maldives have achieved the target, and the only other LDC which is on track is Kiribati. Information is readily available on road and railway connections, ***but it is necessary to develop ways to standardize this information to make any comparisons meaningful***. For example, it would be unreasonable to expect sparsely populated countries to have the same road density as densely populated countries. ***Moreover, for monitoring purposes, it is necessary to clarify whether the precise target for these goals is to aim by 2010 to bring LDCs up to the level of other developing countries in 2001 or to their level in 2010.*** Data on Internet users are not widely available and information on computer literacy is similarly lacking.

## V. ODA/GNP goals for donor countries

37. Under commitment 7, "Mobilizing financial resources", it is stated that "Donor countries will implement the following actions that they committed to at the second Untied Nations Conference on the Least Developed Countries as soon as possible:

a. Donor countries providing more than 0.20 per cent of their GNP as ODA to LDCs: continue to do so and increase their efforts;
b. Other donor countries which have met the 0.15 target: undertake to reach 0.20 per cent expeditiously;
c. All other donor countries which have committed themselves to the 0.15 per cent target: reaffirm their commitment and undertake either to achieve the target within the next five years or to make their best efforts to accelerate their endeavours to reach the target;
d. During the period of the Programme of Action, the other donor countries: exercise individual best efforts to increase their ODA to LDCs with the effect that collectively their assistance to LDCs will significantly increase" (para. 83).

38. One feature of the way in which this target was originally formulated at UNLDC II was that it allows donor countries some flexibility in deciding what they are committed to. However, a problem in tracking whether this goal is being met is that it is unclear which countries have committed to what options.

39. Following the categorization set out in past Least Developed Countries Reports, the following groups can be inferred among OECD/DAC donor countries:

Group 1. Countries which will continue to provide 0.20 per cent of their GNP to LDCs: Denmark, Finland, Norway, Sweden and Netherlands.

Group 2. Countries will undertake to reach 0.20 per cent of their GNP expeditiously: France and Italy.

Group 3. Countries which reaffirm their commitment and undertake to achieve the 0.15 target within the next five years or to make their best efforts to accelerate their endeavours to reach the target: All other OECD/DAC donor countries except the United States and Japan.

Group 4. Countries which make individual best efforts to increase their ODA to LDCs with the effect that collectively their assistance to LDCs will significantly increase: United States and Japan.[12]

40. ***For the future monitoring of this goal it is important that donor countries clarify whether this is an accurate view of the current situation regarding where donor countries stand in relation to this goal and also specify, if possible, the timeframe for the realization of this goal.***

[12] See, in particular, *The Least Developed Countries Report 1990*, p. 30, and *The Least Developed Countries Report 1991*, p. 59.

41. Table 4 shows net ODA flows to LDCs as a percentage of individual donors' GNP for 1988/89, 1998 and 1999. From the table it is apparent that in 1999 only two countries – Denmark and Norway – were meeting the target of 0.2 per cent of GNP. Three other countries – Luxembourg, Netherlands and Sweden – were above the target of 0.15 per cent of GNP, with the latter two falling below 0.2 for the first time in the 1990s. All the other countries were below the 0.15 per cent target.

42. The fulfilment of the ODA/GNP targets within the Programme of Action requires a reversal of the downward trend of aid which occurred in the 1990s. Table 5 describes six simple scenarios of levels of ODA flows in 2005, based on:

a. A continuation of the overall downward trends in the 1990s;
b. The maintenance of the ODA/GNP ratios for individual donor countries in 1999 (the latest available year);
c. The progressive fulfilment of the ODA/GNP targets by 2010 by all OECD/DAC donor countries, with USA and Japan retaining ODA/GNP ratios at 1999 levels;
d. The progressive fulfilment of ODA/GNP targets by 2007 by all OECD/DAC donor countries, with the United States and Japan retaining ODA/GNP ratios at 1999 levels;
e. Same as "c" but with the United States and Japan increasing their ODA/GNP ratios to 0.15 per cent by 2010;
f. Same as "d" but with the United States and Japan increasing their ODA/GNP ratios to 0.15 per cent by 2007.

43. It should be stressed that these scenarios are necessarily founded on a number of assumptions, namely that: (i) the nature of donor countries' commitments conforms to the four groups listed above; (ii) ODA/GNP ratios start increasing in 2002 and that in 2001 (the base year) they are equivalent to the ratios of 1999, the latest available year; (iii) the ODA/GNP ratios of Denmark and Norway, which exceeded the target in 1999, are not reduced; (iv) the GNP growth rates meet the projections of the OECD's *Economic Outlook 2001;* and (v) for two scenarios, the United States and Japan make the decision to increase their ODA to LDCs to 0.15 per cent of their GNP.

44. The scenarios indicate that ODA flows to LDCs will fall to $4.2 billion by 2005 if the trends in the 1990s persist and will rise modestly to $12.8 billion if there is no change in ODA/GNP ratios from the 1999 levels. However, they would be $4.8 billion higher in 2005 than according to a no-change scenario, and $13.3 billion higher than according to the declining-trends scenario if OECD/DAC donor countries progressively move towards the 0.2 per cent and 0.15 per cent targets by 2010. If they move towards these targets faster, by 2007 this will imply additional $8.3 billion ODA flows over the no-change scenario and an additional $17 billion over the declining-trends scenario. Substantial increases in ODA flows over and above both the no-change scenario and the declining-trends scenario could be expected if the United States and also decide to earmark 0.15 per cent of their GNP for LDCs.

**Box 2: Criteria and indicators for graduation from the list of the LDCs**

| *Criteria used in determining the list of LDCs during the 1990s* | *Revised criteria for determining the list of LDCs since 2000* |
|---|---|
| **1. Per capita GDP:**<br>Three-year average, converted at each year's official exchange rate.<br>Threshold for graduation: Above $700 (1991), above $800 (1994), above $900 (1997) | **Per capita GDP**:<br>Three-year average, converted at each year's official exchange rate.<br><br>Threshold for graduation: Above $1,035 |
| **2. Augmented Physical Quality of Life Index (APQLI):** calculated as a simple average of four component indices based on the following indicators:<br>***a. Health: life expectancy at birth***<br>***b. Nutrition: per capita daily calorie intake***<br>***c. Education: combined primary and secondary school enrolment ratio***<br>***d. Education: adult literacy rate***<br>Threshold for graduation: greater than 52 (1991, 1994 and 1997) | **2. Augmented Physical Quality of Life Index (APQLI):** calculated as a simple average of four component indices based on the following indicators:<br>***a. Health: child mortality rate (under age 5)***<br>***b. Nutrition: per capita daily calorie intake as a percentage of daily requirement***<br>***c. Education: combined primary and secondary school enrolment ratio***<br>***d. Education: adult literacy rate***<br>Threshold for graduation: greater than 68 |
| **3. Economic Diversification Index (EDI):**<br>Calculated as a simple average of four component indices based on the following indicators:<br>***a. Share of manufacturing in GDP***<br>***b. Share of industry in the labour force***<br>***c. Annual per capita commercial energy consumption***<br>***d. UNCTAD's merchandise export concentration index***<br><br>Threshold for graduation: greater than 25 (1991), greater than 29 and above (1994 and 1997) | **3. Economic Vulnerability Index (EVI):**<br>Calculated as a simple average of five component indices based on the following indicators:<br>***a. Share of manufacturing and non-government services in GDP***<br>***b. UNCTAD's merchandise export concentration index***<br>***c. An indicator of instability of agricultural production***<br>***d. An indicator of instability of exports of goods and services***<br>***e. Population size (in logarithm)***<br>Threshold for graduation: less than 31<br><br>**4. Supplementary (qualitative) considerations:**<br>If any of the three criteria (per capita income, quality of life, vulnerability) is near its graduation threshold, a vulnerability profile of the country is called for to enable CDP members to make a sound judgement on either inclusion in, or graduation out of the list of LDCs. |

## VI. Progress towards Graduation from LDC Status

45. The Programme of Action for the Least Developed Countries for the Decade 2001–2010 states that its success will be judged, *inter alia*, by its contribution to "their graduation from the list of LDCs" (para. 21e). With this in view, assessment of progress towards graduation may provide a useful further way of assessing the results of the Programme of Action.

46. The Committee for Development Policy (CDP) of the United Nations Economic and Social Council (ECOSOC) is responsible for decisions about inclusion in and graduation from the list of least developed countries, as well as appropriate criteria and thresholds. Statistics, produced every three years, provide the basis for a somewhat complex judgement by the CDP on the extent to which particular least developed countries have made sufficient and sustainable progress in overcoming structural weaknesses and handicaps such that they should graduate from the list. Tracking progress towards graduation as an aspect of monitoring the Programme of Action should not prejudice these judgements, which are the proper preserve of the CDP, as well as judgements about criteria and thresholds, which are also its concern.

47. Box 2 shows the criteria and thresholds for possible graduation from the list of LDCs used in the 1990s, as well as the 2000 revised methodology. At the present moment, the criteria for inclusion within and graduation from the list of LDCs are the following: the income level, as measured by GDP per capita; the level of human resource development, as measured by the Augmented Physical Quality of Life Index (APQLI); and the level of economic vulnerability, as measured by the Economic Vulnerability Index (EVI). The current thresholds for graduation from the list of LDCs are the following: per capita GDP greater than $1,035; an APQLI greater than 68; and an EVI less than 31. The CDP applies the decision rule that it is necessary for at least two of the three graduation criteria to be met for the relevant country to be found eligible for graduation, and that it must meet two criteria in two consecutive reviews. [13]

48. Chart 4 shows where the LDCs stood in the late 1990s in terms of their position relative to these graduation thresholds, basing the estimates on the CDP's 2000 review of the list for APQLI and EVI,[14] and on more recently available data for GDP per capita. It is apparent from the chart that only ten countries met either one or two of the thresholds for graduation. For 37 out of the 49 LDCs, their GDP per capita performance was less than two thirds of the threshold for graduation, while for 33 LDCs the APQLI was less than two thirds of the benchmark.

49. It is difficult to analyse progress in the 1990s given the changes in the indices. However, Botswana is the only country that has so far graduated from the LDC category. Countries that currently have the potential for graduation are all small island developing countries. These countries face major structural handicaps as a result of their geographical

[13] It should be noted that the thresholds for inclusion in the list of LDCs do not correspond to the thresholds for graduation from the list. In the CDP review of the list of LDCs in 2000, the inclusion thresholds were set at: GDP per capita, $900; Augmented Physical Quality of Life Index, 59; and Economic Vulnerability Index, 36.

[14] United Nations Committee for Development Policy, report on the second session (3–7 April 2000) ECOSOC Official Records, 2000, Supplement No. 13 (E/2000/33).

situation and vulnerability to external shocks. But they have made progress under the income and human resource criteria for graduation, largely through tourist development.

50. If the trends of the 1990s persist, the graduation prospects of most LDCs during the 2001–2010 decade are limited.[15] The reality may, of course, turn out better or worse. Indeed, a prime purpose of the Programme of Action for the LDCs during 2001–10 is to ensure that this dismal scenario does not occur. It is towards creating this better future that the concrete efforts by LDCs and their development partners in implementing the new Programme of Action should be directed.

## VII. Conclusions

51. Five major conclusions may be made on the basis of this paper.

52. Firstly, not all the quantifiable development goals included in the Programme of Action for the Least Developed Countries for the Decade 2001–2010 are specified in a way in which they can be monitored. Where the UNLDC III development goals are equivalent to the International Development Goals and the objectives of the Millennium Declaration, it is logical that they should be specified in the same way, and follow the practices being adopted to monitor these goals. Where UNLDC III development goals are specific to the Programme of Action, decisions must be made on what indicators to use and the time frames of the goals. This paper makes various suggestions where this is possible. However, further clarification is necessary for the transport and communications goals, and also for the ODA/GNP goals of donor countries.

53. Secondly, the data which are internationally available for monitoring the progress towards UNLDC III development goals are woefully inadequate in terms of the coverage of least developed countries, their quality and their timeliness. A major effort will have to be made to collect data in a systematic way in order to ensure that these goals of the Programme of Action are consistently monitorable. Constructing a database for this purpose will require coordination with national statistical authorities and specialized UN agencies. This should be coordinated with ongoing work to map Millennium Development Goals and International Development Goals. The data should also serve as a basis for substantive work on LDCs, including the preparation of the annual report on LDCs.

54. Thirdly, the data problem is particularly acute in relation to the overarching goal of making substantial progress towards halving by 2015 the proportion of people living in extreme poverty by 2015. It is likely that current household-based surveys are underestimating poverty in the poorest countries and also underestimating the extent to which economic growth has positive poverty-reducing effects in these countries. Work is underway in the context of *The Least Developed Countries Report 2001* to develop national-accounts-based estimates of income poverty, which can serve to rectify data problems in relation to effective analysis of the relationship between income poverty and development in the least developed countries. These estimates could also provide a basis for monitoring income poverty in LDCs, although this is a separate and distinct issue.

[15] See The Least Developed Countries Report 2000, table 4, for the GDP per capita criterion.

55. Fourthly, where data are available it is apparent that the majority of the least developed countries are currently off track in terms of the UNLDC III development goals. Significant efforts by both the least developed countries themselves and their development partners, going beyond those of the 1990s and, where appropriate, building on experiences of success and diverging from specific policies pursued in that decade, will be necessary in order to ensure that greater progress is made.

56. Lastly, composite indicators which measure progress towards graduation thresholds are indicators which could enrich the monitoring of success in the implementation of the Programme of Action.