E c o n o m i c & S o c i a l A f f a i r s

Committee for Development Policy

Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures

United Nations

Committee for Development Policy

and

United Nations
Department of Economic and Social Affairs

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DESA

The Department of Economic and Social Affairs of the United Nations Secretariat is a vital interface between global policies in the economic, social and environmental spheres and national action. The Department works in three main interlinked areas: (a) it compiles, generates and analyses a wide range of economic, social and environmental data and information on which Member States of the United Nations draw to review common problems and to take stock of policy options; (b) it facilitates negotiations among Member States in many intergovernmental bodies on joint courses of action to address ongoing or emerging global challenges; and (c) it advises interested Governments on the ways and means of translating policy frameworks developed in United Nations conferences and summits into programmes at the country level and, through technical assistance, helps build national capacities.

Note

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The term "country" as used in the text also refers, as appropriate, to territories or areas. The designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

The information provided in this publication reflects the situation as of July 2008. Future revisions to the methodology for identifying least developing countries, as well as changes to the benefits and the list itself, will be reflected in the next edition of the *Handbook*. The *Handbook* and future updates will be also available from http://www.un.org/esa/policy/devplan/.

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Foreword

The category of the least developed countries (LDCs) was established in 1971 as a special group of developing countries characterized by a low income level and structural impediments to growth, and requiring special measures for dealing with those problems. The Committee for Development Policy (CDP)—through its predecessor, the Committee for Development Planning—was actively engaged in the establishment of the least developed country category and has since become highly recognized for its expertise in the identification of these countries.

The *Handbook on the Least Developed Country Category* reflects the Committee's dedication to making the methods and approaches used in the identification of least developed countries known to a wider audience of policymakers, development practitioners, experts and all those interested in the development challenges faced by these countries. It is also hoped that the Handbook, by promoting a better understanding of the category, will contribute to galvanizing renewed and additional support for the development efforts of the LDCs.

Sha Zukang
Under-Secretary-General for Economic and Social Affairs
United Nations
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Summary

The establishment of a category of least developed countries (LDCs) was first advocated in the 1960s to attract special support measures for the most disadvantaged economies. The United Nations General Assembly acknowledged the need to alleviate the problems of underdevelopment of the poorest countries and requested the Secretary-General, in consultation with, among others, what was at that time the Committee for Development Planning, to carry out a comprehensive examination of the special problems facing the LDCs and recommend special measures for dealing with those problems.

From the outset, LDCs were recognized as the most vulnerable members of the international community, that is to say, low-income countries which faced severe structural handicaps to growth. The Committee for Development Planning proposed an initial list of 25 LDCs based on a simple set of criteria (per capita gross domestic product (GDP), share of manufacturing in GDP and adult literacy). The list was approved by the Economic and Social Council and formally endorsed by the General Assembly in November 1971. Since the establishment of the category, the Committee has been responsible for undertaking a review of the list every three years, on the basis of which it advises the Council regarding countries which should be added to or those that could be graduated from the list.

The present *Handbook* contains a comprehensive explanation of the criteria, procedures and methodology used in establishing which countries are eligible for inclusion in, or recommended for graduation from, the LDC category. It also provides an overview of the special support measures that can be derived from having least developed country status and the implications of graduating from the list in terms of the potential loss of such measures. Currently, these support measures differ among the various development partners, but they relate primarily to trade preferences and official development assistance, including development financing and technical cooperation.

The *Handbook* aims at promoting a better understanding of the LDC category and the benefits derived from membership therein. Accordingly, the publication is intended for use by government officials, policymakers, researchers and others interested in the particular development problems and challenges faced by low-income developing countries.

The information contained in the present *Handbook* will be updated on a regular basis to reflect developments, including the outcome of the triennial reviews of the list of the least developed countries. Updates will be posted at http://www.un.org/esa/policy/devplan/. More detailed information, including statistical data used in the most recent triennial review, is also available on the website.

Contents

Boxes

Figures

Tables

Explanatory Notes

The following abbreviations have been used:

APTA	Asia-Pacific Trade Agreement
ATC	Agreement on Textiles and Clothing
CDP	Committee for Development Policy
CMS	Convention on Migratory Species
CRED	Collaborating Centre for Research on the Epidemiology of Disasters (WHO)
DDA	Doha Development Agenda
DESA	Department of Economic and Social Affairs (United Nations)
DTIS	Diagnostic Trade Integration Study
EAEC	Eurasian Economic Community
EBA	Everything But Arms Initiative
ECOSOC	Economic and Social Council (United Nations)
EGM	expert group meeting
EIF	Enhanced Integrated Framework
EU	European Union
EVI	economic vulnerability index
FAO	Food and Agriculture Organization of the United Nations
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GEF	Global Environment Facility
GNI	gross national income
GNP	gross national product
GSP	Generalized System of Preferences
GSTP	Global System of Trade Preferences
HAI	human assets index
HDI	human development index
IDA	International Development Association (World Bank)
IF	Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
IMF	International Monetary Fund

IT	information technology
ITC	International Trade Centre (UNCTAD and WTO)
LDCs	least developed countries
LDCF	Least Developed Countries Fund
MERCOSUR	Mercado Común del Sur (Southern Common Market)
MFN	most favoured nation
MIRAI	Minimal Interest Rate Initiative for low-income LDCs
NAMA	non-agricultural market access
NAPAs	national adaptation programmes of action
NMHSs	National Meteorological and Hydrological Services
ODA	official development assistance
OECD/DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
PPP	purchasing power parity
SAFTA	South Asian Free Trade Agreement
SDRs	special drawing rights
SIDS	small island developing States
SITC	Standard International Trade Classification
TDB	Trade and Development Board
TPRM	Trade Policy Review Mechanism
TRIM	Agreement on Trade-Related Investment Measures
TRIPS	Agreement on Trade-Related Intellectual Property Rights
UNCCD	United Nations Convention to Combat Desertification
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNSTAT	United Nations Statistics Division
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

Chapter 1
Criteria and procedures for inclusion in and graduation from the least developed country category

The establishment of the least developed country category and the role of the Committee for Development Policy

The least developed country (LDC) category comprises low-income developing countries which face severe structural impediments to growth. Indicators of such impediments are the high vulnerability of the countries' economies and their low level of human capital. An appreciation of the origins and evolution of the category is important in gaining a better understanding of the concerns that led to its creation. It will also contribute to a better understanding of the particular problems faced by this group of countries and the responses developed by the international community to confront the specific challenges of the LDCs.

Background

The development of the LDC category has a history dating back to 1964, when its establishment was advocated by developed countries at the first session of the United Nations Conference on Trade and Development (UNCTAD I), held in Geneva. It was presented as an alternative to the idea of a single system of trade preferences for all developing countries. UNCTAD member States agreed to pay "special attention" to what at the time were called the less developed among the developing countries (General Principle Fifteen[1]).

1 UNCTAD I recommended 15 "General Principles" (and 13 "Special Principles") for governing international trade relations and trade policies conducive to development. General Principle Fifteen states that "(T)he adoption of international policies and measures for the economic development of the developing countries shall take into account the individual characteristics and different stages of development of the developing countries, special attention being paid to the less developed among them, as an effective means of ensuring sustained growth with equitable opportunity for each developing country" (see Final Act and Report of the United Nations Conference on Trade and Development (Geneva, 1964), Annex A.I.1, United Nations publication, Sales No. 64.II.B.11).

It was not until the second session of UNCTAD (UNCTAD II), held in New Delhi in 1968, that the question of the LDC category was examined in detail. Member States accepted by consensus the idea of an LDC category that would focus on special measures for the most disadvantaged economies. UNCTAD II requested the secretariat of UNCTAD to conceptualize such special measures with regard to all issues within its purview, to pursue its work in identifying the LDCs and to examine various possible approaches to the question of identification.

In 1969, the General Assembly, following up on several pertinent resolutions of the Trade and Development Board (TDB)—the governing body of UNCTAD—acknowledged the need to alleviate the problems of underdevelopment of the LDCs so as to enable them to draw full benefits from the Second United Nations Development Decade.[2] In this context, the Assembly requested the Secretary-General, in consultation with, among others, the Committee for Development Planning (see box I.1), to carry out a comprehensive examination of

Box I.1

The Committee for Development Policy

The Committee for Development Planning was established by Economic and Social Council resolution 1079 (XXXIX) of 28 July 1965 as a subsidiary body of the Council. The aim was to have Committee members share their experiences in development planning and make those experiences available to the United Nations for its use in the formulation and execution of development plans and projections.

Its original terms of reference were modified on 31 July 1998 pursuant to annex I of Council resolution 1998/46, and the Committee was renamed the Committee for Development Policy (CDP). Currently, the Committee provides inputs and independent advice to the Council on emerging cross-sectoral development issues and on international cooperation for development, focusing on medium- and long-term aspects.

The Committee is also responsible for undertaking, once every three years, a review of the list of the least developed countries (LDCs), on the basis of which it advises the Council regarding countries which should be added to the list and those that could be graduated from it.

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

2 General Assembly resolution 2564 (XXIV) of 13 December 1969.

the special problems of the LDCs and to recommend special measures for dealing with those problems. At its sixth session in January 1970, the Committee formed a working group to define the methodology for identifying LDCs and to reflect upon special measures for countries so classified.

Subsequently, in December 1970, the General Assembly took the view that the formal identification of LDCs was an urgent matter and invited the Economic and Social Council, the TDB and other relevant bodies to deal with the issue on a priority basis.[3]

In its analysis of the matter, the Committee emphasized that, while developing countries as a group were facing similar problems of underdevelopment, the difference between the poorest and the relatively more advanced among them was quite substantial. The LDCs could not always be expected to benefit fully or automatically from the measures adopted in favour of all developing countries.

LDCs were understood to be those low-income countries facing severe structural handicaps to growth. Thus, the initial criteria for designating a country least developed were a low per capita gross domestic product (GDP) and the presence of structural impediments to growth.

The presence of such impediments was at the time perceived to be reflected in a small share of manufacturing in total GDP (inasmuch as a high degree of industrialization was seen to be the structural characteristic of developed or "advanced" countries), as well as in a low literacy rate (which would be an indication of a country's low level of human capital development).

Based on these criteria, at its seventh session in 1971, the Committee proposed a tentative list of 25 LDCs[4] and recommended that it be reviewed again in 1975. The Committee's list was approved by both the Council in its resolution 1628 (LI) of 30 July 1971 and by the General Assembly in its resolution 2768 (XXVI) of 18 November 1971.

Since that time, the eligibility criteria for LDCs have been refined and have evolved into the following three types (see chapter III for further details):

- Gross national income (GNI) per capita;
- A human assets index (HAI);
- An economic vulnerability index (EVI).

3 General Assembly resolution 2724 (XXV) of 15 December 1970.

4 Despite the tentative nature of the list, the Committee stressed its belief in the list's validity and noted that "by any set of classification criteria the countries included in this list would surely be considered as least developed". See the report of the Committee for Development Planning on its seventh session (22 March-1 April 1971), *Official Records of the Economic and Social Council, Fifty-first session*, *1971*, *Supplement No.7*, para. 69.

In addition, the Committee determined in 1991 that countries with a population exceeding 75 million should not be considered for inclusion in the list of LDCs.

Principles and approaches underlying the criteria for the identification of least developed countries

The process of categorizing countries as least developed involves specifying the particular characteristics that define LDCs, selecting indicators that best capture such characteristics—and therefore compose the criteria of identification—and applying the criteria. The principles and approaches that guide the Committee in this task are as follows: maintaining the stability of the criteria, using an asymmetric approach between inclusion and graduation criteria, ensuring equitable treatment of countries over time, and applying the criteria in a flexible manner.

As discussed above, the main characteristics of LDCs, as understood by the Committee, imply that indicators composing the criteria used to identify countries belonging to the category should be a **measurement of long-term structural weaknesses**. In its choice of statistical indicators, the Committee attempts to identify those that most closely reflect or capture the features that are of relevance for the classification of an LDC. It also takes into account the robustness of the methodologies underlying the production of such data and their availability. The Committee has taken all the necessary steps to ensure that the criteria are based on the best available methods and information, and has put considerable effort into developing a consistent set of criteria throughout the years.

Notwithstanding the foregoing, the Committee recognized in 1971 that in some instances indicators were "neither wholly reliable, nor sufficient in themselves to provide a complete picture" and that the introduction of refinements "with respect to all countries which are candidates for classification as least developed, must await further statistical development and research".[5]

The Committee has therefore taken the view that occasional refinements may be introduced into the criteria to take into account new insights from research on economic development, updated information regarding the structural impediments to development and ongoing improvements in, and the availability

5 Ibid., para. 68.

of, reliable and internationally comparable data. Accordingly, as data availability on development indicators for developing countries continued to advance, a number of improvements have been introduced into the criteria since 1971. However, the underlying principle of identifying LDCs as "low-income countries that face structural handicaps to growth" has essentially remained.

The Committee has furthermore always stressed the importance of maintaining **stability in the criteria** and in the application of the established procedures so as to ensure the credibility of the process and, consequently, of the list itself. In this regard, the Committee, in establishing which indicators to use, selected those that proved to be sufficiently stable over time to minimize the likelihood of easy reversibility of status from LDC to non-LDC and vice versa owing to dramatic fluctuations in any single criterion.

With the establishment of graduation rules in 1991, additional principles were adopted to ensure that graduation takes place only after a country's development prospects have significantly improved and the graduated country can sustain its development path. There is, therefore, an intentional **asymmetry between the inclusion and graduation criteria** (see table I.1), which can be summarized as follows:

- Thresholds for graduation are established at a higher level than those for inclusion (see chapter III for further discussion);

Table I.1
Asymmetries between the inclusion and graduation processes

	INCLUSION	*GRADUATION*
Criteria:		
Number of criteria to be met	Three	Two[a]
Threshold of criteria	Established at each review	Higher than inclusion
Population threshold	Smaller than 75 million	Not relevant
Eligibility	Determined once	Determined twice (over consecutive reviews)
Timing	Effective immediately	Preparatory period (three years)
Approval by country	Required	Not required

a Except in cases where GNI per capita is at least twice the graduation threshold level.

- In order to be eligible for graduation, a country must cease to meet not just one, but two out of the three inclusion criteria. (If the criteria were applied symmetrically, ceasing to meet one single criterion would be enough for a country to be considered eligible for graduation.);
- Eligibility for inclusion is ascertained once, whereas eligibility for graduation has to be observed over two consecutive triennial reviews;
- Inclusion is immediate, while graduation takes place only after three years, in order to give the country time to prepare itself for a smooth transition from the list (see below for further details);
- Inclusion requires approval from the country concerned, whereas graduation does not (see table I.1).

The Committee pays due consideration to ensuring **equal treatment** of countries over time. This implies that countries in a similar position vis-à-vis the criteria from one review to the other should be treated equally.

Flexibility is another guiding principle in the application of the criteria. The Committee believes that the criteria should not be used mechanically, particularly in situations where country indicators are very close to the inclusion or graduation thresholds (referred to as "borderline cases"). In these cases, a combination of the structural handicap criteria (as captured by the HAI and the EVI) could be applied in order to take into account some degree of substitutability among the criteria and the possible combined impact of the structural handicaps.[6] In this regard, the Committee opposes the view that the fulfilment of both structural handicap criteria be made compulsory for graduation. For instance, a high EVI does not *in itself* prevent a country from achieving a steady development path, as evidenced in the case of countries with a high EVI that nonetheless sustain and increase GNI per capita and maintain high levels of HAI.

In addition, the Committee may consider a country eligible for graduation if its GNI increases to a sufficiently high level—defined as at least twice the graduation threshold level—even if that country has not satisfied the graduation thresholds for both the HAI and the EVI. Higher levels of GNI per capita often indicate greater availability of resources for the implementation of those policies

6 See the report of the Committee for Development Policy on the tenth session (17-20 March 2008), *Official Records of the Economic and Social Council, 2008, Supplement No. 13* (E/2008/33), chapter IV, para. 26.

required to improve a country's human assets and confront existing economic vulnerabilities. The Committee stresses, however, that the sustainability of the GNI level must be taken into consideration.[7] This approach was applied to Equatorial Guinea, which at the 2006 review had a GNI per capita of about $3,400—the highest among the LDCs, and almost four times the graduation threshold (see chapter III, figure III.1)—thus placing it among the higher middle-income group of countries. Equatorial Guinea was therefore found eligible for graduation on account of its per capita GNI, despite the fact that it met neither the HAI nor the EVI thresholds for graduation.[8]

Inclusion, graduation and smooth transition

Triennial review

The Committee for Development Policy (CDP) is responsible for undertaking, once every three years, a review of the list of LDCs, on the basis of which it advises the Economic and Social Council with regard to countries that should be added to or those that could be graduated from the list.

The triennial review of the list of the LDCs begins with an analysis of the economic and social conditions in all low-income countries by an expert group meeting consisting of CDP members. The group of experts reviews the most recent available data and the preliminary results of the application of the criteria. Subsequently, it prepares a preliminary list of countries identified for inclusion and graduation for review by the Committee at its relevant annual plenary meeting.

The Committee will determine threshold levels for each of the three criteria with a view to identifying the countries to be added to or graduated from the LDC category (see chapter III for details). As mentioned above, to be added to the category, a country must satisfy the inclusion threshold levels in respect of all three criteria. A country will be eligible for graduation when it no longer meets the

7 See the report of the Committee for Development Policy on the seventh session (14-18 March 2005), *Official Records of the Economic and Social Council, 2005, Supplement No. 33* (E/2005/33), para. 14.

8 The Committee also noted that the level of the HAI in Equatorial Guinea had improved since the previous review, becoming closer to the graduation threshold: 56 for a graduation threshold of 64 in 2006, compared to 47 for a graduation threshold of 61 in 2003. See the report of the Committee for Development Policy on the eighth session (20-24 March 2006), *Official Records of the Economic and Social Council, 2006, Supplement No. 13* (E/2006/33).

Figure I.1
Inclusion time frame

January Expert Group Review		Between Expert Group – Triennial Review	March Triennial Review				Same year or later		
CDP	***DESA***	***DESA***	***Country***	***CDP***	***DESA***	***CDP***	***ECOSOC***	***Country***	***General Assembly***
Preliminary finding: country satisfies inclusion criteria	Notifies country of preliminary finding	Prepares country assessment note	Presents written statement (optional)	Finds country eligible	Notifies country	Recommends inclusion if country has not objected	Takes action on CDP's recommendation	Notifies Secretary-General of its acceptance	Approves CDP's recommendation

INCLUSION TIME FRAME – YEAR OF TRIENNIAL REVIEW

Source: Report of the Committee for Development Policy on the ninth session, op. cit.

graduation thresholds for two of the criteria, or when its GNI per capita exceeds at least twice the graduation threshold and the likelihood that the level will remain sustainable is deemed high. Inclusion to and graduation from the list of the LDCs take place in accordance with the guidelines recommended by the CDP in the report on its ninth session in 2007,[9] which were endorsed by the Economic and Social Council.[10] Procedures regarding the graduation process are also described in General Assembly resolution 59/209 of 20 December 2004 (see annex 1). These guidelines and procedures are reviewed in the sections below.

Procedures for inclusion in the list of least developed countries

After the expert group meeting has identified a country for inclusion in the list, the United Nations Department of Economic and Social Affairs (DESA) notifies the Government of that country of this conclusion and informs it that the finding will be considered by the Committee at its forthcoming triennial review. DESA will subsequently prepare a **country assessment note** for presentation to the Committee (see figure I.1).

The **country assessment note** will corroborate the basis of the group's finding of eligibility by means of statistical evidence and will incorporate other relevant information. Particular consideration will be given to the reasons for the recent deterioration of economic and social conditions in the country in order to determine whether that deterioration is due to structural or transitory factors.

On receipt of the assessment note, the country may submit a written statement to the CDP, expressing its views on its possible inclusion in the list, including any objections to such inclusion.

If the Committee, at its triennial review, confirms the country's eligibility for inclusion, DESA will once again notify the country of this finding. If the country does not express a formal objection to inclusion in the list, the Committee will make an appropriate recommendation in its report to the Council. If the country has expressed a formal objection to DESA, the finding of eligibility as well as the country's objection will be recorded in the report and no recommendation for inclusion will be made.

9 Report of the Committee for Development Policy on the ninth session (19-23 March 2007), *Official Records of the Economic and Social Council, 2007, Supplement No. 33* (E/2007/33).

10 Economic and Social Council resolution 2007/34 of 27 July 2007.

Once the Council endorses the recommendation for inclusion—and after the country has subsequently notified the Secretary-General of its acceptance—the country will be formally added to the list as soon as the General Assembly has taken note of the recommendation.

Countries included in the list of the least developed countries

Over the 35 years since the establishment of the category, the number of least developed countries has doubled, from 25 in 1971 to 49 in 2008 (see figure I.2).

Three countries—Ghana, Papua New Guinea and Zimbabwe—were considered by the CDP to be eligible for LDC status, but declined to be included in the list. They either questioned the validity or accuracy of the data presented by the CDP, arguing that the indicators had not captured the relevant aspects of their respective economies, or they emphasized an improvement in the socio-economic conditions of the country since the time of the CDP recommendation.

Procedures for graduation and smooth transition

With regard to meeting the criteria for graduation, each LDC is considered by the CDP in its triennial review. In its report, the Committee will notify the Council of *all* LDCs that meet the graduation criteria, and those countries that are confirmed eligible for the second consecutive time are recommended for graduation.

As in the inclusion process, DESA will inform the country concerned of the findings of eligibility for graduation after the first review (see figure I.3). Subsequently, UNCTAD will prepare a **vulnerability profile** of that country.[11]

The vulnerability profile aims at giving an overall background of the country's economic and development situation. In addition, it will compare the values of the indicators used in the CDP criteria with relevant national statistics. It will further assess other vulnerabilities that the country is facing which are not covered by the EVI, as well as other structural features of the country that are of relevance for the graduation decision (e.g., possible concentration of export of services, high transportation costs due to geographic dispersion in the case of archipelago countries, current impacts of climate change).

11 The concept of a vulnerability profile was defined by the Committee in 1999. See the report of the Committee for Development Policy on the first session (26-30 April 1999), *Official Records of the Economic and Social Council, 1999, Supplement No. 13* (E/1999/33), chapter III, section F.

Figure I.2

LDC category timeline as of July 2008

2011	***Maldives***
2010	***Samoa***
2007	**Cape Verde**
2003	Timor-Leste
2000	Senegal
1994	**Botswana**
	Angola, Eritrea
1991	Cambodia, Democratic Republic of the Congo, Madagascar, Solomon Islands, Zambia
1990	Liberia
1988	Mozambique
1987	Myanmar
1986	Kiribati, Mauritania, Tuvalu
1985	Vanuatu
1982	Djibouti, Equatorial Guinea, Sao Tome and Principe, Sierra Leone, Togo
1977	**Cape Verde**, Comoros
1975	Bangladesh, Central African Republic, Gambia
1971	Afghanistan, Benin, Bhutan, **Botswana**, Burkina Faso, Burundi, Chad, Ethiopia, Guinea, Haiti, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Samoa, Sikkim,[a] Somalia, Sudan, Uganda, United Republic of Tanzania,Yemen

Source: Report of the Committee for Development Policy, various issues.

Note: Countries in bold have already graduated from the list; those in bold italics are scheduled for graduation.

a At the time, a protectorate of India.

Figure I.3
Graduation time frame

Year 0	Between years 0-3	Year 3				Between years 3-6	Year 6 (or 3 years after General Assembly decision)	Post-graduation	
CDP	***UNCTAD***	***Graduating Country***	***CDP***	***ECOSOC***	***General Assembly***	***Graduating Country***	***Graduating Country***	***Graduating Country***	***CDP***
First finding (eligibility) – Confirms eligibility – Notifies Country	Prepares vulnerability profile ***DESA*** Prepares impact assessment	Presents (optional) – Oral statement to EGM – Written statement to CDP	Second finding (confirmation) – Reviews vulnerability profile and impact assessment – Reviews country inputs – Recommends graduation	Takes action on CDP findings	Takes note of CDP recommendation	Prepares transition strategy ***CDP*** Monitors development progress[a]	Graduation	Implements transition strategy	Monitors development during triennial reviews

GRADUATION TIME FRAME

Source: Report of the Committee for Development Policy on the ninth session, op. cit.

a Pursuant to Economic and Social Council resolution 2008/12 of 23 July 2008.

The vulnerability profile is not the only complementary information to be made available for the CDP. DESA will prepare, in cooperation with UNCTAD, an **ex ante impact assessment** of the likely consequences of graduation for the country's economic growth and development. In other words, the report will identify those potential risk factors, or gains, that the country may face after graduation. On the assumption that DESA can draw on the full cooperation of the country concerned as well as its development partners, the impact assessment will focus on the expected implications of a loss of LDC status, in particular with regard to development financing, international trade and technical assistance.

Countries that have been found eligible for the first time will be provided with the vulnerability profile and the ex ante impact assessment in the year prior to the next triennial review. These countries will then be given an opportunity to make an oral presentation at the expert group meeting that precedes that triennial review. Countries may also submit a written statement to the plenary of the Committee.

When a country meets the graduation criteria for the second consecutive time, the Committee—after considering all relevant quantitative and qualitative information at its disposal—may recommend the country for graduation in its report to the Council. If the Council endorses the recommendation, graduation will take effect three years after the General Assembly takes note of the recommendation. For example, in the case of Cape Verde, the General Assembly took note of the recommendation for graduation on 20 December 2004; consequently, the country's graduation became effective on 20 December 2007.

During the three-year period before graduation takes effect, the country concerned may prepare a **transition strategy** in cooperation with its development partners. This strategy—to be implemented after the country has officially graduated—aims at ensuring that the phasing out of support measures resulting from its change of status will not disrupt the country's continued development efforts in the spirit of General Assembly resolution 59/209. Moreover, in accordance with Economic and Social Council resolution 2008/12 of 23 July 2008, the Committee will monitor the development progress of those countries whose graduation has not become effective and include its findings in its annual report to the Council.

General Assembly resolution 59/209 states that the CDP will continue to monitor the development progress in countries that graduate. Guidelines on how to monitor such progress were established in 2008.[12] The main purpose of the monitoring provision is to identify any signs of reversal in the development progress of the country concerned during the post-graduation period and bring them to the attention of the Council as early as possible. The monitoring will be carried out by DESA on the basis of an evaluation of a relatively small set of variables beyond the country's performance under the CDP criteria. The findings of this exercise will be summarized in a short report to the CDP. The Committee will report to the Council on the findings of the monitoring exercise as a complement to the triennial review of the list of LDCs.

Countries graduating from the list of the least developed countries

Botswana was considered eligible for graduation in 1991 and again in 1994, when its graduation became effective. In 2004, the Council endorsed the Committee's recommendation that Cape Verde and the Maldives be graduated from the LDC category and recommended that the General Assembly take note of the recommendation.[13] The graduation of both countries would normally have become effective in December 2007.[14] However, in November 2005, the General Assembly—in view of the damage caused to the Maldives by the Indian Ocean tsunami of 26 December 2004—decided to defer the country's graduation by three years. Thus, the Maldives is anticipated to graduate in January 2011 (see figure I.2 above).[15]

In 2006, the Committee recommended that Samoa be graduated from the list.[16] In July 2007, the Council endorsed the recommendation and transmitted its decision to the General Assembly.[17] On 17 December 2010, three years following the resolution of the General Assembly on the graduation of Samoa,[18] graduation will become effective for that country.

12 Report of the Committee for Development Policy on the tenth session, op. cit.
13 Economic and Social Council resolution 2004/67 of 5 November 2006.
14 Economic and Social Council resolution 2004/66 of 5 November 2006 and General Assembly resolutions 59/209 and 59/210 of 20 December 2004.
15 General Assembly resolution 60/33 of 30 November 2005.
16 Report of the Committee for Development Policy on the eighth session, op. cit.
17 Economic and Social Council resolution 2007/35 of 27 July 2007.
18 General Assembly resolution 62/97 of 17 December 2007.

Chapter II
Special support measures for the least developed countries

The least developed countries (LDCs) derive special support measures both from the donor community, including bilateral donors and multilateral organizations, as well as from the special treatment accorded to them by certain multilateral and regional trade agreements. Currently, the major support measures extended to countries with LDC status vary among development partners and relate primarily to trade preferences and the volume of official development assistance (ODA). These measures fall into three main areas: (a) international trade; (b) official development assistance, including development financing and technical cooperation; and (c) other forms of assistance.

Support measures and special treatment related to trade

The main categories of special support measures related to international trade available for LDCs are (a) preferential market access, (b) special treatment regarding World Trade Organization (WTO) obligations and (c) trade-related capacity building.

Preferential market access

Market access preferences entitle exporters from developing countries to pay lower tariffs or to have duty- and quota-free access to third-country markets.[1] These trade preferences are granted under two general preferential schemes: the **Generalized System of Preferences (GSP)**, which is non-reciprocal, and the **Global System of Trade Preferences (GSTP)** among developing countries, a reciprocal scheme available for signatories. A list of selected developed and developing country measures in favour of exports originating from LDCs is provided in annex II.

1 On market access by LDCs, see World Trade Organization document enitled "Market access for products and services of export interest to least developed countries" (WT/COMTD/LDC/W/41).

In 1968, the second session of the United Nations Conference on Trade and Development (UNCTAD II) recommended the creation of the GSP to increase the export earnings of developing countries, promote industrialization and accelerate their rate of growth. Under this system, selected products originating in developing countries would be granted zero or reduced tariff rates instead of the Most-Favoured-Nation (MFN) rates of duty, and wider product coverage and deeper tariff cuts for LDCs.

Subsequently, in 1971, the contracting parties to the General Agreement on Tariffs and Trade (GATT) granted a temporary waiver from Article 1 of the GATT (which prohibits discrimination), in order to allow preference-giving countries to grant preferential treatment to exports from developing countries. In 1979, GATT contracting parties adopted the decision on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries" (the so-called Enabling Clause), which allows developed members to give differential and more favorable treatment to developing countries and forms the legal basis for the GSP, for regional arrangements among developing countries and for the GSTP.

The GSTP, which entered into force in 1989, is an agreement among 43 participants on cooperation on tariffs, para-tariffs, non-tariff measures, direct trade measures and sectoral agreements. Current membership includes seven LDCs.[2] The GSTP recognizes the special needs of the participating LDCs, including, among other things, the need to extend concrete preferential treatment measures and concessions. In the past, only a limited number of offers of non-reciprocal trade concessions were extended to LDCs under the GSTP.[3] In 2004, at the eleventh session of UNCTAD (UNCTAD XI) held in São Paulo, Brazil, GSTP participants agreed to convene a third round of negotiations to improve preferential tariffs and expand trade ties among signatory developing countries.

2 The current membership includes Algeria, Argentina, *Bangladesh*, *Benin*, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, the Democratic People's Republic of Korea, Ecuador, Egypt, Ghana, *Guinea*, Guyana, India, Indonesia, Iran (the Islamic Republic of), Iraq, the Libyan Arab Jamahiriya, Malaysia, the member States of the Southern Common Market (MERCOSUR), Mexico, Morocco, *Mozambique*, *Myanmar*, Nicaragua, Nigeria, Pakistan, Peru, the Philippines, the Republic of Korea, Singapore, Sri Lanka, the *Sudan*, Thailand, Trinidad and Tobago, Tunisia, the *United Republic of Tanzania*, Venezuela (the Bolivarian Republic of), Viet Nam and Zimbabwe. In addition to the seven LDCs that participate in the GSTP (identified in italics), Burkina Faso, Burundi, Haiti, Madagascar, Mauritania, Rwanda and Uganda have applied for accession to the GSTP.

3 The following countries provide deeper margins of preference and/or exclusive preference on selected exports of LDC parties to the GSTP Agreement: Algeria, Argentina, Bangladesh, Brazil, the Democratic People's Republic of Korea, Egypt, India, Iran (the Islamic Republic of), Morocco, Pakistan, the Republic of Korea, the Sudan and Tunisia.

Market access concessions to LDCs are also offered through regional or bilateral trade agreements and/or non-reciprocal market access schemes. For example, India, Pakistan and Sri Lanka grant market access preferences under the South Asian Free Trade Agreement (SAFTA) to four least developed country members (Bangladesh, Bhutan, the Maldives and Nepal) (see annex II for additional examples).

Market access preferences often contain critical exceptions. For example, in 2001, the European Union (EU) adopted the "Everything But Arms" (EBA) initiative, granting duty-free access to imports of all products from LDCs—except arms and munitions—without any quantitative restrictions. The EBA initiative, however, also includes temporary exceptions on tariff lines of potential importance to LDCs (rice and sugar). Duties on these products will be gradually reduced until duty-free access is granted (for sugar in July 2009, and for rice in September 2009). Original restrictions included bananas, which have been liberalized since 1 January 2006.

LDCs continue to experience important obstacles to the full utilization of trade preferences. These may include supply-side constraints, rules of origin restrictions, non-tariff barriers—such as complying with product standards, sanitary measures and eco-labeling—and subsidies in developed countries.[4] This notwithstanding, the importance of LDC preferential access will tend to dissipate gradually as tariffs decline, with the general trend moving towards freer trade and a resulting erosion of trade preferences.

Special and differential treatment related to World Trade Organization obligations

LDCs that are members of the WTO may benefit from special considerations resulting from the implementation of that organization's agreements. Such special provisions fall into five main categories: (a) increased market access, (b) safeguarding of the interests of LDCs, (c) increased flexibility for LDCs in rules and disciplines governing trade measures, (d) extension of longer transitional periods to LDCs, and (e) provision of technical assistance (see annex III for a list of specific WTO decisions in favour of LDCs).

4 See UNCTAD document entitled "Trade preferences for least developed countries: An early assessment of benefits and possible improvements" (UNCTAD/ITCD/TSB/2003/8) and the report of the Secretary-General of the United Nations on formulating a smooth transition strategy for countries graduating from least developed country status (E/2004/94).

Some of these provisions, however, have already expired or are no longer applicable: for example, the longer period extended to LDCs for implementing certain WTO agreements has expired; in other cases, such as the Agreement on Textiles and Clothing (ATC), special provisions for LDCs are no longer applicable. The ATC itself expired on 1 January 2005, and textiles and clothing—sectors subject to quotas under a special regime outside normal GATT/ WTO rules—became fully integrated into the multilateral trading system.

Selected examples of the special considerations related to LDCs are presented in the sections below. LDCs that are not members of the WTO will have to negotiate their accession, including their eligibility for these special considerations. In addition, a new round of multilateral trade negotiations was launched in Doha in 2001.[5] Several decisions concerning LDCs have been adopted within the framework of the Doha negotiations (see box II.1).

Box II.1
The Doha multilateral trade negotiations and the LDCs

The Doha Development Agenda (DDA), launched in 2001, has taken a number of decisions concerning LDCs. The special provisions for LDCs in the DDA negotiations can be found in the decision of the World Trade Organization (WTO) General Council of 1 August 2004, the Hong Kong Ministerial Declaration adopted at the Sixth WTO Ministerial Conference on 18 December 2005, and decisions in other WTO bodies (see also annex III). Some of the major decisions are summarized below.

In the context of the DDA negotiations, on 3 September 2003 WTO members adopted modalities for the special treatment for least-developed country members in the negotiations on trade in services. The modalities ensure maximum flexibility for LDCs in the negotiations.

On 1 August 2004, the WTO General Council adopted a decision commonly referred to as the "July framework agreement".[a] The decision provides a framework for establishing modalities in the negotiations on agriculture and on non-agricultural market access (NAMA) and launches negotiations on trade facilitation. The modalities for both the negotiations on agriculture and NAMA exempt LDCs from reduction commitments, implying that LDCs will not be required to reduce tariffs in either agricultural or non-agricultural products.

Similarly, the modalities for negotiations on trade facilitation also seek to protect the interest of LDCs and to provide flexibility for undertaking

5 See the Ministerial Declaration of the Fourth Ministerial Conference of the World Trade Organization, held in Doha, 9-14 November 2001 (WT/MIN(01)/DEC/1).

Box II.1 (cont'd)

commitments with separate provisions. For instance, it was agreed that LDCs would be required to undertake only those commitments consistent with their individual development, financial and trade needs or their administrative and institutional capabilities. In addition, the July package contains recommendations for the negotiations on trade in services, whereby members are called upon to strive to ensure a high quality of offers, particularly in sectors and modes of supply of export interest to developing countries, with special attention to be given to the LDCs.

As part of the July framework agreement, progress was made in the cotton sector, a sector of vital importance to a number of LDCs. In accordance with the decision, a dual but coordinated and complementary approach has been taken to address issues relating to cotton. One approach relates to trade aspects and the other to development assistance aspects. The trade aspects are being addressed within the agriculture negotiations. To that effect, the Sub-Committee on Cotton was set up, which has been looking at all trade-distorting policies affecting the sector. In order to promote development assistance aspects, a consultative framework has been established to improve coherence and coordination and enhanced implementation of cotton-related assistance. Subsequently, at the Hong Kong Ministerial Conference, developed country members of the WTO agreed to provide duty- and quota-free access for cotton exports from least developed countries from the commencement of the implementation of the Doha Round.

In 2005, at the Hong Kong Ministerial Conference, members acknowledged that LDCs were not expected to undertake new commitments in services negotiations. Members also agreed to develop methods for full and effective implementation of the LDC modalities, including appropriate mechanisms for according special priority to sectors and modes of supply of export interest to the LDCs. The Ministerial Conference adopted five LDC agreement-specific proposals. The most significant of these decisions was the agreement to provide LDCs with duty-free and quota-free market access on a lasting basis for at least 97 per cent of all products originating from LDCs (defined at the tariff line level) by 2008, or no later than the start of the implementation of the Round, in a manner that ensures stability, security and predictability.

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a See WTO document WT/L/579.

Accession to the World Trade Organization

As of July 2008, 32 of the 49 countries included in the list of LDCs were WTO members, while 12 others were in the process of acceding (see table II.1). Of those 32 members, 30 were original members; Cambodia and Nepal acceded in 2004.

Table II.1
Least developed country members of the World Trade Organization

As of July 2008[a]

Angola	Gambia	Myanmar
Bangladesh	Guinea	Nepal
Benin	Guinea Bissau	Niger
Burkina Faso	Haiti	Rwanda
Burundi	Lesotho	Senegal
Cambodia	Madagascar	Sierra Leone
Central African Republic	Malawi	Solomon Islands
Chad	Maldives	Togo
Democratic Republic of the Congo	Mali	Uganda
	Mauritania	United Republic of Tanzania
Djibouti	Mozambique	Zambia

Source: World Trade Organization, "Summary table of ongoing accessions", available from http://www.wto.org/english/thewto e/acc_e/status_e.htm and "Least developed countries", available from http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm (accessed on 13 July 2008).

a The following LDCs are in the process of accession to the WTO: Afghanistan, Bhutan, Comoros, Equatorial Guinea, Ethiopia, Lao People's Democratic Republic, Liberia, Samoa, Sao Tome and Principe, the Sudan, Vanuatu and Yemen.

Each accession process involves negotiation between the acceding country and interested WTO members.[6] Special and differential treatment is discussed between acceding Governments and members on a case-by-case basis.

In view of the difficulties faced by LDCs in joining the organization, the WTO adopted guidelines for facilitating and accelerating negotiations with acceding LDCs in December 2002.[7] As of November 2007, the guidelines included (a) the exercise of restraint by WTO members in seeking excessive concessions from acceding LDCs, notably those incompatible with their individual development, financial and trade needs; (b) the granting of transitional periods to enable acceding LDCs to implement commitments and obligations effectively; (c) the provision of technical assistance by WTO member States on a priority basis to cover all stages of the process of accession by an LDC; and (d) the provision of technical assistance on accession procedures by the WTO Secretariat, upon request.

6 For a detailed description of the process of accession, see the "Handbook on accession to the WTO", available from http://www.wto.org/english/thewto_e/acc_e/cbt_course_e/preface_e.htm.

7 See WTO document WT/L/508.

Multilateral agreements on trade in goods

There are several provisions in favour of LDCs in the various WTO agreements on trade in goods. The main objectives of such agreements along with some of these provisions are presented below:

The **Agreement on Agriculture** establishes the rules applicable to trade-related agricultural measures, primarily in the areas of border/import access measures, domestic support and export subsidies. These rules relate to country-specific commitments to improve market access and reduce trade-distorting subsidies. The Agreement exempts LDCs from undertaking reduction commitments.

The **Agreement on Trade-Related Investment Measures (TRIM)** contains rules on certain investment measures that have a distorting effect on trade in goods. WTO members are obliged to eliminate those measures that are inconsistent with the Agreement. For LDCs, the elimination was to take place within seven years of the date of entry into force of the Agreement. At the Sixth Ministerial Conference of the WTO, held in Hong Kong Special Administrative Region, China (hereinafter referred to as Hong Kong, China), from 13 to 18 December 2005, members agreed to grant LDCs an additional seven years to maintain existing measures that deviate from their obligations under TRIM, with the possibility of additional extensions. All measures, however, should be phased out by 2020.[8]

The **Agreement on Subsidies and Countervailing Measures** establishes basic rules on the use of subsidies and regulates the actions WTO members can take to counter the effects of the use of subsidies by third countries. LDCs and WTO members with a gross national product (GNP) per capita of less than $1,000 per year are exempt from the prohibition on export subsidies, while other developing country members have an eight-year period in which to phase them out.

The **Agreement on Import Licensing Procedures** aims at simplifying and lending transparency to import licensing procedures and ensuring their fair and equitable application and administration. It also seeks to prevent procedures applied for granting import licenses per se from having restrictive or distorting effects on imports. The Agreement consists of, among other things, provisions for automatic and non-automatic import licensing. Non-automatic licensing is used to administer trade restrictions that are justified within the WTO legal framework. The Agreement stipulates that in allocating non-automatic licenses, special consideration should be given to importers who import products from LDCs.

8 The full text of the decision is available from http://www.wto.org/English/thewto_e/minist_e/min05_e/final_annex_e.htm.

The **Agreement on Technical Barriers to Trade** covers technical regulations, standards and procedures with a view to ensuring that they do not create unnecessary obstacles to international trade. The Agreement recognizes, however, that developing country members, in particular LDCs, may face special problems—such as institutional and infrastructural difficulties—in the preparation and application of technical regulations and standards. Therefore, it calls upon WTO members to provide the related technical assistance to requesting developing country members, taking into account their stage of development and, in particular, the special problems of the LDCs. In addition, the WTO Committee on Technical Barriers to Trade is entitled to grant, upon request, specified time-restricted exemptions from obligations under the Agreement, taking into account the special problems of LDCs.

General Agreement on Trade in Services (GATS)

The General Agreement on Trade in Services (GATS) calls for the increasing participation of developing country members in world trade—to be facilitated through negotiated specific commitments—with special priority to be given to LDCs. The Agreement also stresses that "(P)articular account shall be taken of the serious difficulty of the least developed countries in accepting negotiated specific commitments in view of their special economic situation and their development, trade and financial needs".[9] In 2003, in the context of the Doha negotiations, WTO members adopted the special treatment provisions for LDC members in the negotiations on trade in services in 2003 (see box II.1).

Agreement on Trade-Related Intellectual Property Rights (TRIPS)

The Agreement on Trade-Related Intellectual Property Rights (TRIPS) covers such areas of intellectual property as copyright and related rights, trademarks, geographical indications, patents, including the protection of new varieties of plants, the layout-designs of integrated circuits, and undisclosed information, including trade secrets and test data. The Agreement gives all WTO members transitional periods in which to meet its obligations. The transition period for LDCs was 11 years from the date of entry into force of the TRIPS Agreement (1 January 1995)

9 World Trade Organization, the Uruguay Round agreements, Annex 1B, General Agreement on Trade in Services, Article IV (paragraph 3), "Increasing Participation of Developing Countries", available from http://www.wto.org/english/docs_e/legal_e/26-gats_oi_e.htm#Article IV.

and was to expire in January 2006. In December 2005, the transition period was extended to 1 July 2013.[10] LDCs were also granted extensions (until January 2016) to implement certain obligations with respect to pharmaceutical products.[11]

WTO grants waivers from certain TRIPS obligations, making it possible for countries lacking pharmaceutical manufacturing capacity to import cheaper generic versions of patented medicine.[12] However, countries have to notify the Council for Trade-Related Aspects of Intellectual Property Rights that they intend to be an eligible importing member and must support their request by substantiating limited or no manufacturing capacity in the pharmaceutical field. LDCs are not required to submit such notification.[13]

In addition, developed country members of the WTO are required to provide incentives to enterprises and institutions in their territories to encourage technology transfers to LDCs. A system for monitoring compliance with this obligation was adopted, and submission of annual reports by developed country members is required outlining actions taken or planned in this regard.

10 See the decision of the Council for Trade-Related Aspects of Intellectual Property Rights of 29 November 2005, entitled "Extension of the transition period under Artcile 66.1 for the least-developed country members" (WTO document IP/C/40).

11 See the decision of the Council for Trade-Related Aspects of Intellectual Property Rights of 27 June 2002, entitled "Extension of the transition period under Artricle 66.1 of the TRIPS Agreement for the least-developed country members for certain obligations with respect to pharmaceutical products" (WTO document IP/C/25).

12 The decision on the "Implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and public health", contained in document WT/L/540 and Corr.1, was adopted on 30 August 2003 and includes three waivers to paragraphs (f) and (h) of Article 31 of the TRIPS Agreement with respect to pharmaceutical products. It provides additional flexibility for parties to regional trade agreements, at least half of whom are LDCs. Pursuant to paragraph 11 of this decision, the Council for TRIPS prepared an amendment of the TRIPS Agreement replacing the waiver provisions. In December 2005, the General Council adopted the Protocol amending the TRIPS Agreement, as contained in document WT/L/641, and submitted it to WTO members for acceptance by 1 December 2007. The Protocol will enter into force upon acceptance by two thirds of the members. On 18 December 2007, the General Council of WTO decided to extend the period of acceptance until 31 December 2009 (see document WT/L/711). In the meantime, the waiver provisions of the August 2003 decision remain in force.

13 According to the annex to the Decision of the General Council of 30 August 2003, "Least-developed country Members are deemed to have insufficient or no manufacturing capacities in the pharmaceutical sector" (see http://www.wto.org/english/tratop_e/trips_e/implem_para6_e.htm, accessed on 5 December 2007).

Trade Policy Review Mechanism

The purpose of the Trade Policy Review Mechanism (TPRM) is to contribute to improved adherence by all members to rules, disciplines and commitments made under the multilateral trade agreements. LDCs have certain flexibility with respect to the frequency of their trade policy reviews.[14] The WTO Secretariat gives special attention to requests from LDCs for technical assistance in undertaking these reviews. Priority is given to completing these country policy reviews and using them as the basis for establishing and addressing the technical assistance needs of the LDCs.

Support measures related to capacity-building in trade

An important initiative in support of the LDCs is the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries (IF). The IF was first mandated by the WTO at its first Ministerial Conference, held in Singapore from 9 to 13 December 1996, as a multi-agency, multi-donor programme to assist the LDCs in developing the necessary capacities in the area of trade, including improving upon their supply response to trade opportunities and better integrating themselves into the multilateral trading system. The IF was endorsed at the High-Level Meeting for LDCs in October 1997, and six multilateral agencies—the United Nations Development Programme (UNDP), UNCTAD, the World Bank, the International Monetary Fund (IMF), WTO and the International Trade Centre UNCTAD/WTO (ITC)—have combined their efforts to assist LDCs in their trade activities.

Following the endorsement of an enhanced IF by the Development Committee of the World Bank and the IMF in 2005, and the detailed recommendations of a task force—which were welcomed and approved by the Ministerial Declaration of the WTO meeting in Hong Kong, China—the Enhanced Integrated Framework (EIF) was adopted by the IF governing bodies on 1 May 2007. The EIF strengthens the original Integrated Framework, by focusing on three elements in particular: (a) increased, predictable financial resources to implement

14 All WTO members are subject to review under the TPRM. The four members with the largest share of world trade (currently the European Communities, the United States of America, Japan and China) are to be reviewed every two years; the next 16 largest traders, every four years; and the other members, every six years.

Action Matrices; (b) strengthened in-country capacities to manage, implement and monitor the IF process; and (c) enhanced IF governance.

A high-level donor pledging conference for the EIF was held in Stockholm in September 2007. The conference was attended by 38 donors, of which 22 pledged a total of about $170 million for five years. There is confidence that the full funding target of $250 million for the period 2007–2011 will be met. These figures relate to the multilateral IF Trust Fund, not to additional bilateral contributions that donors may make in the future to projects derived from the EIF process (see box II.2).

Box II.2

The Enhanced Integrated Framework: financing arrangements

The so-called Tier 1 financing arrangement of the Enhanced Integrated Framework (EIF) can be used to (a) build the capacity for and provide operational support to National Implementation Arrangements, (b) prepare and/or update the LDC Diagnostic Trade Integration Study (DTIS), and (c) support activities on mainstreaming trade.

A total estimated amount of $77 million is available for Tier 1, with funding ceilings per country set at $2 million. Country access to the Tier 1 funds are allocated as follows: up to $50,000 for pre-DTIS support for newcomers to the IF process, up to $400,000 for LDCs where the DTIS has not yet been prepared, up to $200,000 for DTIS updates when required, and up to $1,500,000 to support the National Implementation Arrangements.[a]

The Tier 2 financing arrangement aims at providing bridge funding to initiate project-related activities identified under the DTIS. An estimated amount of $320 million is available for Tier 2 activities.

a For further details, see Enhanced Integrated Framework for LDCs, draft guidelines for the implementation of the enhanced integrated framework for LDCs, Geneva, 1 May 2007, page 2, available from http://www.integratedframework.org/files/non-country/Compendium_182_08_ENG.pdf.

Besides participating in the IF, the WTO Secretariat and UNCTAD also provide capacity-building activities for LDCs. For instance, at WTO, in addition to regional courses, LDCs are entitled to participate in three national activities per year such as training and technical assistance activities, compared to two for other developing countries. Apart from regular participation of LDCs in general WTO-related training, an introduction course on the WTO is organized in Geneva exclusively for the LDCs.

Official development assistance

Bilateral assistance

Support measures in the area of bilateral development financing, technical cooperation and other forms of assistance usually involve voluntary commitments made by donor countries. In the Brussels Declaration and the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (see box II.3), donor

Box II.3

The Programme of Action for the Least Developed Countries (2001-2010)

The Programme of Action for the Least Developed Countries for the Decade 2001-2010 was adopted by the Third United Nations Conference on the Least Developed Countries, held in Brussels from 14 to 20 May 2001, and endorsed by General Assembly resolution 55/279 of 12 July 2001. It articulates policies and measures by LDCs and their development partners to promote sustained economic growth and sustainable development of LDCs and their beneficial integration into the world economy.

The Programme's overarching goal is "to make substantial progress toward halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote the sustainable development of the LDCs". Accordingly, it addresses the following cross-cutting priority issues: poverty eradication, gender equality, employment, governance at national and international levels, capacity-building, sustainable development, special problems of landlocked and small island LDCs, and challenges faced by LDCs affected by conflict.

Based on shared but differentiated responsibilities, policies and measures are singled out for seven interlinked areas: (a) fostering a people-centered policy framework, (b) good governance at national and international levels, (c) building human and institutional capacities, (d) building productive capacities to make globalization work for LDCs, (e) enhancing the role of trade in development, (f) reducing vulnerability and protecting the environment, and (g) mobilizing financial resources.

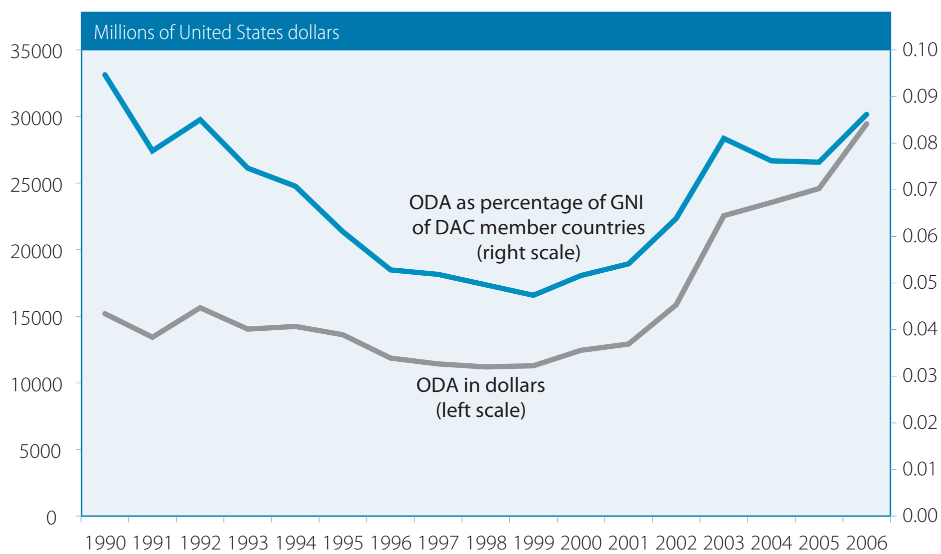
The programme identifies 30 international development goals, including those included in the Millennium Declaration.

Additional details on the Programme of Action and its implementation are available from the website of the United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States at http://www.un.org/ohrlls/.

countries that had previously pledged to reach the target of 0.15 per cent of GNP as official development assistance (ODA) to LDCs as a group, restated their commitment to meeting the target expeditiously (there are no targets for individual LDCs). Meanwhile, donor countries that had already met the 0.15 per cent target undertook to reach the 0.20 per cent target promptly.

In 2006, total net disbursements to LDCs by the member countries of the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD/DAC) amounted to about $29.5 billion (see figure II.1), which corresponded to 0.09 per cent of the aggregated gross national income (GNI) of the group. Net ODA flow to LDCs reached a record high in 2006 in terms of dollars, but its ratio to total GNI of DAC member countries has not yet recovered to the peak observed in 1990, and is still well below the target of 0.15 per cent of GNI set by several donor countries (see table II.2). The Brussels Declaration and the Programme of Action also contained an undertaking to

Figure II.1
Official development assistance to least developed countries, value and percentage of GNI of DAC member countries, 1990- 2006



Source: UN/DESA, based on OECD Development Database on Aid from DAC Members: DAC online, available from http://www.oecd.org/document/3310,2340,en_2649_34447_36661793_1_1_1_1,00.html.

Table II.2

Net disbursements of ODA to LDCs by the members of the Development Assistance Committee of OECD, 2006

Country	*Millions of United States dollars*	*Share in donor's total net disbursements (percentage)*	*Share in donor's GNI (percentage)*
Australia	451	21	0.06
Austria	252	17	0.08
Belgium	729	37	0.18
Canada	1 244	34	0.10
Denmark	878	39	0.31
Finland	296	35	0.14
France	2 624	25	0.12
Germany	2 642	25	0.09
Greece	103	24	0.04
Ireland	524	51	0.28
Italy	789	22	0.04
Japan	3 340	30	0.07
Luxembourg	123	42	0.38
Netherlands	1 395	26	0.21
New Zealand	74	29	0.08
Norway	1 129	38	0.34
Portugal	240	61	0.13
Spain	767	20	0.06
Sweden	1 152	29	0.30
Switzerland	453	27	0.11
United Kingdom	3 827	31	0.16
United States	6 416	27	0.05
Total DAC	**29 448**	**28**	**0.09**
of which: DAC-EU countries	16 342	28	0.12

Source: OECD/DAC, Development Co-operation Report 2007, Statistical Annex (available from http://www.oecd.org/document/9/0,3343, en_2649_34447_1893129_1_1_1_1,00.html (accessed on 11 February 2008).

implement the 2001 recommendation made by member States of OECD/DAC on untying ODA to LDCs.[15]

Some donor countries have developed specific programmes in support of LDCs. One example is the MIRAI Initiative (Minimal Interest Rate Initiative for low-income LDCs) launched in 2006, under which Japan introduced a concessional scheme for yen loans with a 0.01 per cent interest rate and a 40-year repayment period (with a 10-year grace period). The standard treatment for low-income countries applies a 1.2 per cent interest rate on loans having a thirty-year repayment period (with a 10-year grace period).[16] The Netherlands Development Finance Company (FMO) also provides funding to stimulate private investors to invest in infrastructure in LDCs. Through the LDC Infrastructure Fund, a joint initiative with the Government of the Netherlands, FMO is able to provide long-term financing for projects in energy, telecommunications, transportation, environmental and/or social infrastructure. The Fund may also participate in international or multilateral funds that facilitate infrastructure projects.[17]

Bilateral donors also partner with multilateral agencies and the private sector. One example of this approach is the partnership among the United States Agency for International Development (USAID), UNDP and Cisco Systems. The initiative was a result of the G-8 Summit in Okinawa, Japan, in 2000, and aims at bridging the digital divide between developed countries and LDCs. The initiative offers information technology (IT) education to more than 35,000 students (approximately 30 per cent of whom are female). In 2006, the initiative focused its training on gender opportunity, workforce development and financial sustainability.[18]

Multilateral assistance

There are no benefits specifically designed for LDCs in multilateral financial organizations. The allocation of concessionary financing to developing countries by regional and multilateral financial institutions is generally based on the World Bank's

15 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries of 25 April 2001 (DCD/DAC(2001)12/FINAL), amended on 15 March 2006 (DCD/DAC(2006)25 and DCD/DAC/M(2006)3), available from http://webdomino1.oecd.org/horizontal/oecdacts.nsf/linkto/DCD-DAC(2001)12 (accessed on 24 September 2007).

16 The terms and conditions are those effective as of 1 October 2007 (see http: www.mofa.go.jp/policy/oda/note/yen-loan-2 .pdf (accessed on 18 September 2008)).

17 Further information is available from http://www.fmo.nl/en/products/lcd.php.

18 Further information is available from http://www.cisco.com/web/about/ac227/ac222/society/socioeconomic_development_programs/least_developed_countries.html.

classification of low-income countries that are considered to lack creditworthiness for non-concessionary financing. Concessionary financing from the International Development Association (IDA) of the World Bank is granted to all countries below a certain threshold of per capita income ($1,065 in fiscal year 2008).[19]

Several organizations of the United Nations system give particular attention to the development challenges of LDCs through specifically targeted technical cooperation programmes, or by earmarking a proportion of their budgets for LDCs. For example, the revised target for resource allocation from the core UNDP budget for the period 2004-2007 stipulated that between 60 and 62 per cent of the budget should be allocated to the LDCs. Another case in point is the United Nations Development Account project on "Capacity-building for graduation strategies for least developed countries in Asia and Africa", which will be implemented during the period 2008-2011. A few other selected initiatives carried out by multilateral organizations for LDCs are briefly described in box II.4.

Box II.4

Selected multilateral programmes available for least developed countries

Several multilateral organizations carry out programmes specially designed for providing assistance to the least developed countries (LDCs). The examples below, albeit not exhaustive, provide an illustration of such programmes:

Global Environment Facility (GEF): GEF manages the United Nations Framework Convention on Climate Change (UNFCCC) Least Developed Countries Fund (LDCF). The LDCF was designed to support projects addressing the urgent and immediate adaptation needs of the LDCs as identified by their national adaptation programmes of action (NAPAs). The Fund responds to the unique circumstances of the LDCs, which are highly vulnerable to the adverse impacts of climate change. Under UNFCCC guidance, it was decided that the LDCF would provide support, as a first step, for the preparation and implementation of NAPAs. The GEF, with the assistance of its implementing agencies, UNDP, UNEP and the World Bank, has already supplied funds for preparing NAPAs. The rationale for establishing the LDCF lies in the low capacity and high vulnerability of LDCs, which render them in need of immediate and urgent support in starting to adapt to current and projected adverse effects of climate change. NAPAs propose activities whose further

19 An exception is made in favour of "small island economies" in view of their fragility and limited creditworthiness. Several of these countries continue to benefit from IDA even though they have risen above the IDA income threshold (see http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21206704~menuPK:83991~pagePK:51236175~piPK:437394~theSitePK:73154,00.html#borrowers).

Box II.4 (cont'd)

delay could increase vulnerability or lead to increased costs at a later stage. To date, 15 donors have pledged to the LDCF: Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland. The total amount pledged is $120 million. Donor countries are contributing to the LDCF on a voluntary basis (further information is available from http://www.gefweb.org/interior.aspx?id=194&ekmensel=c580fa7b_48_62_btnlink).

The United Nations Capital Development Fund (UNCDF): In 1973, the United Nations General Assembly adopted a resolution requesting the UNCDF to concentrate its investments, first and foremost, in the LDCs. UNCDF is now active on the ground in 37 of the 49 LDCs. Its work is focused in two areas: support to decentralized public investments and support to private investments through microfinancing. Within this context, the UNCDF approach is to support the LDCs in piloting small-scale investments that can be replicated on a larger scale with the assistance of other development partners who can bring additional financial support (further information is available from http://www.uncdf.org/english/about_uncdf/least_developed_countries.php).

World Food Programme (WFP): The WFP envisages the allocation of at least 50 per cent of its development resources to least developed countries and at least 90 per cent to low-income food-deficit countries (LIFDCs), including LDCs. Up to 10 per cent of resources will remain available to meet either the additional needs of these countries or the special needs of non-LIFDCs. Furthermore, the WFP will increase the level of development activities in LDCs by investing in their capacity to implement food aid programmes, such as training or support for non-food inputs and essential services, providing up to 20 per cent of resources for food fund facilities and experimental projects, and supporting the maintenance of infrastructure and basic public services. Support for maintenance of projects will be provided on a trial basis, as long as phase-out plans are specified and results closely monitored (further information is available from http://www.wfp.org/eb/docs/2007/wfp137486~2.pdf).

World Meteorological Organization (WMO): In 2003, the WMO established a programme for LDCs. One of the principal aims of the WMO programme is to enhance and strengthen the capacities of the National Meteorological and Hydrological Services (NMHSs) of LDCs so that they can meet the national, regional and global needs in relation to weather, climate and water. A trust fund for the LDCs has been established to receive voluntary cash contributions from members, bilateral and multilateral funding agencies and other cooperating partners (further information is available from http://www.wmo.ch/pages/publications/showcase/documents/ wmo_lcd.pdf).

Other forms of support measures

The United Nations provides financial support for the participation of representatives of LDCs in annual sessions of the General Assembly.[20] The United Nations pays the travel, but not subsistence expenses, for LDC participation in the General Assembly as follows: (a) up to five representatives (per LDC) attending a regular session of the General Assembly; (b) one representative (per LDC) attending a special or emergency session of the General Assembly; and (c) one member of a permanent mission in New York designated as a representative or alternate to a session of the General Assembly. The total travel costs to the United Nations for the participation of qualifying LDC members to General Assembly sessions for the years 2005 and 2006 were $1,124,407 and $980,417, respectively, on average about $20,000 per country per year.

A number of United Nations organizations and conventions have also established financial mechanisms to fund the participation of LDCs in their processes; for example, (a) the specific trust fund for the travel and daily subsistence allowance of two representatives from each LDC to attend the annual review of the Programme of Action for the LDCs for the Decade 2001-2010; (b) the voluntary trust fund to assist developing countries, in particular LDCs, small island developing States and landlocked developing States, to attend meetings of the United Nations Consultative Process on Oceans and the Law of the Sea (covering the costs of travel and daily subsistence allowance); and (c) the United Nations Framework Convention on Climate Change (UNFCCC) special Trust Fund for Facilitating the Participation of Parties in the UNFCCC Process provides funding to "developing countries, in particular the least developed among them, and small island developing States".[21]

In addition, LDC contributions to the regular budget of the United Nations are capped at 0.01 per cent of the total United Nations budget (i.e., at

20 In accordance with General Assembly resolution 1798 (XVII), as amended by resolutions 2128 (XX), 2245 (XXI), 2489 (XXIII), 2491 (XXIII), 41/176, 41/213, 42/214, section VI of 42/225, section IX of 43/217 and section XIII of 45/248.

21 Other examples include the United Nations Convention to Combat Desertification (UNCCD), the Convention on Migratory Species (CMS), the Ramsar Convention on Wetlands, the Stockholm Convention on Persistent Organic Pollutants (POPs), the Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol, the Codex Alimentarius Commission, and assistance to LDCs for participation in sessions of the Commission on Crime Prevention and Criminal Justice and the sessions of related conferences of States parties. Many of the benefits described in the above examples are administered by the governing bodies of the corresponding United Nations entities.

no more than $206,063 per country to the regular budget for 2008), regardless of their national income or other factors determining a Member State's assessment rate. A minimum contribution of 0.001 per cent ($20,606 to the regular budget for 2008) is, however, required.[22] Every LDC is also entitled to a 90 per cent discount in their contributions to peacekeeping operations (i.e., they pay only 10 per cent of their regular budget rate).[23]

Addressing the phasing out of special support measures

Graduation from the list of LDCs may result in the cessation of support measures that are specifically made available for the category. The withdrawal of such support needs to be taken into account and carefully planned by graduating countries in cooperation with their development partners.

General Assembly resolution 59/209 of 20 December 2004 on a smooth transition strategy for countries graduating from the list urges all development partners to support the implementation of the transition strategy and to avoid any abrupt reductions in either ODA or technical assistance provided to the graduated country (see annex I).

The resolution further invites development and trading partners to consider extending to the graduated country trade preferences previously made available as a result of LDC status, or reducing them in a phased manner in order to avoid their abrupt reduction. It also invited all WTO members to consider extending to a graduated country, as appropriate, the existing special and differential treatment and exemptions available to LDCs for a period appropriate to the development situation.

In addition, the resolution recommends that the continued implementation of technical assistance programmes under the Integrated Framework for Trade-related Technical Assistance to LDCs be considered for the graduated country over a period appropriate to the development situation of the country.

22 See General Assembly resolution 61/237 of 13 February 2007 on the scale of assessment for the apportionment of the expenses of the United Nations, and the assessment of Member States' advances to the Working Capital Fund for the biennium 2008-2009 and contributions to the United Nations regular budget for 2008 (ST/ADM/SER.B/719).

23 See General Assembly resolution 55/235 of 23 December 2000 on the scale of assessments for the apportionment of the expenses of the United Nations peacekeeping operations.

In 2008 at its tenth session, the Committee for Development Policy (CDP), recommended that the United Nations give concrete leadership in the implementation of smooth transition measures by maintaining the travel-related benefits to delegates from graduated countries over a period appropriate to the development situation of the country.

Some of the conditions graduating countries may experience are addressed below. A better understanding of the process of the phasing out and eventual loss of support measures is still to be established. In this regard, the CDP also suggested that an expert group be convened to consider the phasing out of LDC support measures with a view to identifying those that could be maintained for a certain period and proposing specific phasing-out periods. In addition to country representatives, the expert group should include the participation of donors, trading partners and international financial and trade institutions. Case studies could be conducted on the situation of countries that have recently graduated or have qualified for graduation.[24]

Preferential market access

The graduation of a country from the LDC category (regardless of whether it is a member of WTO) might lead to trading partners' ceasing the granting of special preferential treatment. Accordingly, the graduation of Cape Verde may set some important precedents with respect to possible transition arrangements for preferential market access. Following Cape Verde's graduation from the list of LDCs on 20 December 2007, the EU extended its EBA preferences to the country for a transition period of three years.[25]

Special and differential treatment related to World Trade Organization obligations

The graduation of the Maldives in 2011 will be the first case of an LDC member of WTO that will graduate from the list since the establishment of the organization in 1995. No smooth transition policy currently exists in the WTO in the context of LDC graduation. However, the absence of jurisprudence on smooth transition

24 Report of the Committee for Development Policy on the tenth session, *Official Records of the Economic and Social Council, 2008, Supplement No.13* (E/2008/33).

25 See Official Journal of the European Union, L 337, Volume 50, Commission Regulation (EC) No 1547/2007 of 20 December 2007.

does not rule out the possibility of giving consideration to certain conditions that would allow for a smooth transition on a case-by-case basis.[26]

Support measures related to capacity-building in trade

The Integrated Framework Board has indicated that it will decide on a case-by-case basis whether graduating countries can access Tier I funds and for which period.[27] Moreover, as of July 2008, the Board had not yet decided on its policy vis-à-vis the treatment of graduating countries with regard to their access to Tier 2 funding.

Official development assistance

Several bilateral donors have noted that LDC status is just one of the many factors that determine levels of development assistance and that graduation has no direct effect on the provision of such assistance to a country.[28] However, it remains to be seen whether, in practice, donor support will be affected by graduation.

One donor country has stated that graduated countries would no longer be entitled to the ODA targets agreed upon in the Brussels Declaration and the Programme of Action for the Least Developed Countries for the Decade 2001-2010. Another stressed that decisions on levels of ODA to graduated countries would be made on a case-by-case basis, taking into account poverty levels and environmental vulnerability. One donor also indicated that graduated countries would continue to receive financial assistance for the promotion of private sector expansion and investment instruments.[29]

26 Cape Verde became the 153rd member of the WTO on 23 July 2008, after the General Assembly had taken note of its recommendation for graduation. The terms of the country's accession package were accepted by the General Council of WTO on 18 December 2007 (see http: //www.wto.org/English/news_e/acc_capverde_july08_e.htm).

27 Enhanced Integrated Framework for LDCs, draft guidelines for the implementation of the enhanced integrated framework for LDCs, Geneva, 1 May 2007, available from http://www.integratedframework.org/files/non-country/Compendium_182_08_ENG.pdf.

28 In its resolution 2001/43 of 24 October 2001, the Economic and Social Council called upon development partners and multilateral organizations to provide the CDP with the relevant information on their likely response to a country's graduation. In response, the Under-Secretary-General for Economic and Social Affairs sent a letter to the members of the Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) requesting their inputs. The replies are contained in the report of the CDP on the fourth session, *Official Records of the Economic and Social Council, 2002, Supplement No. 13* (E/2002/33).

29 Ibid.

In 2006, OECD/DAC proposed that for the three-year period prior to graduation, both Cape Verde and the Maldives would continue to be covered under the scope of the 2001 OECD/DAC recommendation on untying ODA to LDCs and that, thereafter, both would continue to benefit from its advantages. Support for this recommendation was unanimous except for one country.[30]

Graduation from the list need not necessarily affect access to the concessionary financing facilities of the World Bank, notably the International Development Association (IDA), or access to facilities of other major multilateral development partners, as those institutions do not offer special lending benefits to a country on the exclusive basis of its status as an LDC.

Access to resources available in the LDC Fund (see box II.4), for instance, will be maintained for those project proposals already in the pipeline, even though the country may have graduated from the LDC category while the project was being processed and implemented. After graduation, however, countries would no longer be able to submit new requests to the Fund.

Other forms of support

With respect to the LDC cap on the contribution to the United Nations regular budget, Bangladesh and the Sudan are the only LDCs that have their contributions assessed at the 0.01 per cent rate. The vast majority of LDCs are assessed at the minimum rate of 0.001 per cent. Contributions to the peacekeeping budget, however, could increase for some countries. In any case, graduating LDCs with a per capita GNP below $4,797 would still receive an 80 per cent discount rate (instead of 90 per cent for LDCs) for their contributions to the financing of United Nations peacekeeping operations.[31]

30 Progress Report to the DAC High Level Meeting, 4-5 April 2006, on implementing the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (DCD/DAC(2006)26/REV)1.

31 General Assembly resolution 55/235 on the scale of assessments for the apportionment of the expenses of United Nations peacekeeping operations.

Chapter III
Methodology and statistical indicators

This chapter presents a description of the variables and methodology employed to calculate indicators and composite indices that are used to designate low-income countries as least developed. As discussed in chapter I, the Committee for Development Policy (CDP) defines the category of the least developed countries (LDCs) as comprising those low-income countries suffering from structural handicaps to economic development. These handicaps are manifested in a low level of human resource development and a high level of structural economic vulnerability. Currently, the identification of LDCs depends on predetermined threshold values of three main criteria that identify the structural handicaps:

(a) Gross national income (GNI) per capita;

(b) The human assets index (HAI);

(c) The economic vulnerability index (EVI).

At its twenty-seventh session in 1991, the Committee for Development Planning decided that, in addition to these three criteria, low-income countries with a population of more than 75 million were not eligible to be considered for inclusion in the list of LDCs.[1] In the Committee's view, countries with larger populations often have an advantage in terms of the potential supply of human capital, besides offering potentially larger domestic markets. The population cap, however, is not a consideration applied to countries that were included in the list prior to 1991 or to those whose population exceeded 75 million after joining the category.[2]

Both the HAI and the EVI are constructed as composite indices of selected indicators. Indicators are proxies for the phenomena to be measured and assessed. Some indicators may capture what they are supposed to measure better

1 See report of the Committee for Development Planning on the twenty-seventh session (22-26 April 1991*), Official Records of the Economic and Social Council, 1991, Supplement No. 11* (E/1991/32).

2 In addition to being a condition that determines a country's eligibility for least developed status, population size is also a component of the EVI.

than others, primarily for reasons of data availability. In addition, as stated in paragraph 227 of the report of the Committee on its twenty-seventh session, "[i]ndicators should be robust so as to minimize the likelihood of easy reversibility from least developed to non-least developed status and vice-versa, as a result of dramatic fluctuations in one or another single indicator, and should introduce a dynamic element that would serve as a reliable basis for deciding whether countries should be added to, or removed from, the list of least developed countries".[3]

In selecting the specific indicators to be included in the indices that compose the criteria, the Committee meticulously considers the quality and relevance of the pertinent data, the robustness of its underlying methodology with respect to data collection and treatment, and the availability of the data with regard to frequency and coverage. Furthermore, in this selection process, the Committee consults with the relevant international organizations and agencies that produce data, thereby allowing a careful assessment of the quality and reliability of the indicators employed. Additionally, the data compilation methods are reviewed regularly by an expert group of the CDP.

A database with the relevant statistical information is made available to the Committee at each triennial review. The methods and techniques used to compile the relevant data and construct the composite indices are described below. Data sources and definitions are available in annex IV. Updated information will be posted at http://www.un.org/esa/policy/devplan as it becomes available.

Applying the criteria: the 2006 triennial review

Countries included in the review of least developed country status

The countries to which the above criteria are applied comprise those classified as LDCs at the time of the review (even if no longer a low-income country) as well as other developing countries classified by the World Bank as low-income countries in any one year of the relevant three-year reference period considered at the triennial review.

In the case of the 2006 review, the World Bank thresholds for low-income countries were $755 (2000), $745 (2001) and $735 (2002), which corresponded, respectively, to the World Bank's assessment in years 2002-2004 and the classification used in the Bank's corresponding fiscal years. Income data were

3 Official Records of the Economic and Social Council, 1991, op. cit.

collected for 132 developing countries. Of these, 65 were retained for further review (50 already in the LDC category in 2006 and 15 low-income countries not previously classified as least developed).

Low-income countries whose populations are above 75 million are not eligible for inclusion in the list of LDCs. As mentioned above, the population cut-off does not apply to countries that were on the list in 1991 when this rule was introduced. Thus, Bangladesh and Ethiopia—both LDCs which did not meet the graduation criteria—remained on the list after the 2006 review, while other low-income countries with populations greater than 75 million (India, Indonesia, Nigeria, Pakistan and Viet Nam) were not considered eligible for inclusion in the LDC category, although they were still included in the review for establishing the relevant thresholds (see below).

Indicators, data sources and methods

Gross national income per capita

GNI per capita can provide an indication of the income position of a country vis-à-vis other developing countries (since LDCs are understood to be low-income countries suffering from structural impediments to development). It also gives a rough idea of the productive capacity of an economy and its ability to provide requisite services.

The CDP uses GNI per capita expressed in current United States dollars, calculated according to the World Bank Atlas method, which is defined in such a way as to reduce the effects of short-term fluctuations in inflation and real exchange rates on GNI (see box III.I). The Committee does not adopt a dollar-valued measure of GNI based on purchasing power parity (PPP) estimates, as for many low-income countries published PPP estimates are not based on any direct statistical observations, and for countries with direct estimates, these often are not adequately updated.

GNI inclusion and graduation thresholds

The threshold for *inclusion* is based on a three-year average of the level of GNI per capita, which the World Bank defines for identifying low-income countries. The threshold for *graduation* is set at a higher level. For the 2006 triennial review, the threshold for graduation was $900, about 20 per cent above the $745 threshold

Box III.1

The Atlas method

The Atlas method defines the conversion factor for translating data in national currency units into United States dollars as the average of the current nominal exchange rate and the weighted average of exchange rates in the previous two periods adjusted for the difference between the rate of inflation in the country (measured in terms of its GDP deflator) and the international inflation rate (measured by the change in the special drawing right (SDR) deflator). The latter reflects the change in the GDP deflator of those economies whose currencies constitute the SDR, the weights being the amount of each country's currency in one unit of SDR. These economies are France, Germany, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America through 2000, and the euro zone, Japan, the United Kingdom and the United States from 2001 onwards.

The formula used to calculate the Atlas Conversion Factor for year t can be written as follows:

$$e_t^* = \frac{1}{3}\left[e_{t-2}\left(\frac{p_t}{p_{t-2}} \div \frac{p^{s\$}{}_t}{p^{s\$}{}_{t-2}} \right) + e_{t-1}\left(\frac{p_t}{p_{t-1}} \div \frac{p^{s\$}{}_t}{p^{s\$}{}_{t-1}} \right) + e_t \right]$$

where:

e_t is the average annual exchange rate for year t (the value of national currency expressed in United States dollars)

p_t is the GDP deflator for year t, and

$p^{s\$}{}_t$ is the SDR deflator in United States dollar terms for year t.

Additional details on the concept, methodology and results of the World Bank Atlas method are available from http://go.worldbank.org/HZIRZKLIC0.

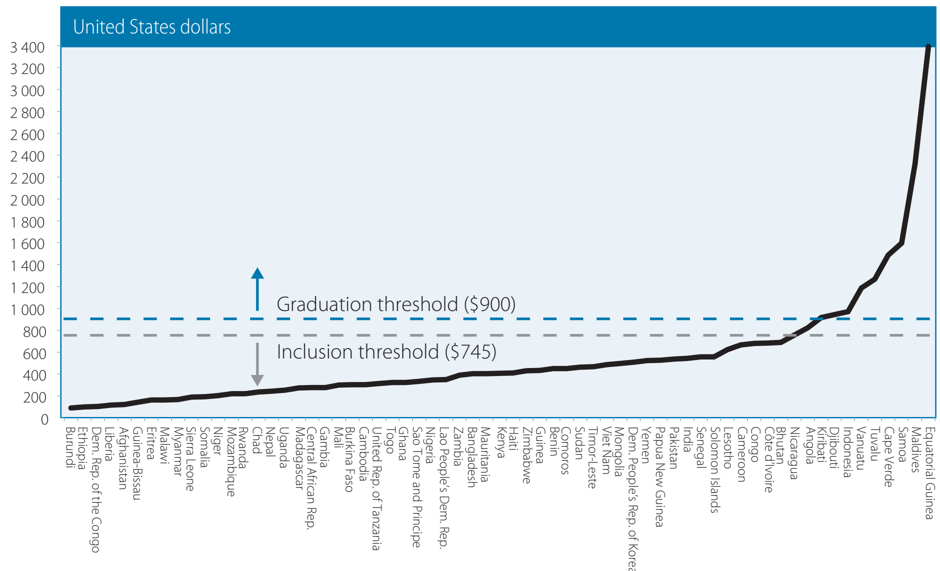
Source: World Bank, available from http://go.worldbank.org/HZIRZKLIC0 (accessed on 25 August 2008).

for inclusion (see figure III.I). This margin is admittedly arbitrary, but one which the CDP judged large enough to allow for possible short-term income fluctuations in GNI owing to exogenous and temporary shocks or short-term exchange-rate shifts, thereby avoiding the likelihood of a country's having to be reconsidered for inclusion shortly after its graduation.

As mentioned in chapter I, a level of GNI per capita that is at least twice the graduation threshold makes a country eligible for graduation even if the country does not meet either one of the two other criteria (EVI or HAI). For

Figure III.1

Average gross national income per capita, 2006 triennial review



Source: Annex table A.1. (Updates will be made available at http://www.un.org/esa/policy/devplan.)

instance, Equatorial Guinea was found eligible for graduation for the first time in 2006 owing to its relatively high GNI per capita of about $3,400, the highest among LDCs (see figure III.I).

Calculating the composite indices: the human assets index and the economic vulnerability index

Both the HAI and the EVI are relative indicators. They reflect averages of component indices (see sections on the HAI and EVI below) measured from 0 to 100 and based on minimum and maximum values in a set of reference countries. This reference set is composed of a larger sample of 132 developing countries and not only of the countries under review (65 in the case of the 2006 review). Values are ranked in order of magnitude. In order to prevent the presence of outliers in the reference set from influencing the HAI and the EVI (these being relative indices), bounds are imposed, thus allowing for better comparison of values in the distribution. Values are then converted into indices using the procedure described in box III.2.

Box III.2

Methodology applied in the calculation of the HAI and the EVI

The following technique is used to develop smooth index number series to facilitate aggregation and comparison of data from different sources: the original data is transformed into indices ranging from 0 to 100, based on minimum and maximum values in a set of reference countries. A similar methodology is applied for the Human Development Index of the United Nations Development Programme (UNDP).

The scaling between minimum and maximum values, however, raises the question of possible distortions arising in cases where distributions are skewed or have long tails. In these cases, the ranking of countries could be unduly bunched and would obscure the extent of the differences among the majority of countries. Therefore, to minimize these problems, bounds are imposed on the extreme outliers to allow for better comparison of values in the distribution. The bounds are numbers used to define the low and high end of the distribution of the index number series before application of the "max-min" procedure. Accordingly, the bounds replace the actual country data in the calculation of the index concerned. For instance, in the case of population, a minimum bound of 150,000 persons and a maximum bound of 100,000,000 persons were imposed on countries with populations below or above those levels, respectively, in the 2006 review (see table below). Thus, countries with populations smaller than the lower bound had the value of that variable replaced by 150,000, while 100,000,000 was used for those countries with populations above the upper bound.

Bounds used in the 2006 triennial review

Index/Variable	*Upper bound*	*Lower bound*
HAI		
Prevalence of undernourishment in the population (percentage)	65.000	2.500
Under-five mortality (per 1,000 live births)	240.000	10.000
Literacy rate (percentage)	99.800	15.000
Secondary enrolment rate (percentage)	100.000	5.700
EVI		
Population (millions)	100.000	0.150
Remoteness (index)	0.900	0.100
Merchandise export concentration (index)	0.950	0.100
Share of agriculture, forestry and fisheries in GDP (percentage)	60.000	0.000
Homelessness due to natural disasters (percentage)	0.002	20.340
Instability of agricultural production (index)	20.000	1.500
Instability of exports of goods and services (index)	35.000	3.000

Source: UN/DESA.

Box III.2 (cont'd)

The index numbers are derived by subtracting the minimum value in the distribution from each observed value in the series and expressing the result as a percentage of the difference between the maximum (max) and minimum (min) values in the distribution as indicated by the following formula:

I = [(V-min)/(max-min)] x 100

where:

V is the observed value in the series, and

I is the new, rescaled, index-number representation with a value ranging from 0 to 100.

The indices are defined in such a way that the higher the value of the component variables of the HAI, the better the human assets score (and vice versa). In contrast, higher values of the EVI components indicate the presence of increased vulnerability (and vice versa).

Some adjustment in the formula is needed in the case of certain components. For instance, if the max-min procedure described above were applied to such variables as under-five mortality and population, the procedure would generate indices whose values would be the opposite of what they were supposed to reflect in the HAI and EVI indicators. A higher index value for under-five mortality (one of the component variables in the HAI) should contribute to a lower HAI score since this would indicate, ceteris paribus, the existence of lower human assets in that country. Thus, if unadjusted, countries with high child mortality rates would yield relatively high index number values and high HAI scores (indicating a high level of human assets). Similarly, countries with large populations (a proxy for economic size) would yield high index number values and high EVI scores (indicating high vulnerability), which is not the case, as countries with larger populations usually have relatively greater resilience to shocks. In such cases, the following variant of the max-min procedure is used:

II = [(max-V)/(max-min)] x 100, or

II = 100 - I

where:

V is the observed value in the series, and

II is the rescaled index number representation with values ranging from 0 to 100.

Redefining the relevant components in this manner now gives the desired result of countries with the highest child mortality rates having relatively lower index numbers and lower HAI scores. Similarly, countries with larger populations would have lower index values and lower EVI scores.

Despite the fact that upper and lower limit values are based on a larger reference set, it is important to stress that the objective of the exercise is to identify low-income countries with structural handicaps to development. Thus, thresholds for inclusion and graduation are determined on the basis of the HAI and EVI values calculated for countries under review only, that is to say, low-income countries and any other countries that, although no longer low income, are still on the LDC list. In the case of the 2006 review, this implies that thresholds were determined based on the value of indicators for 65 countries, 8 of which were no longer low-income countries but were still on the LDC list at the time of the review (Angola, Cape Verde, Djibouti, Kiribati, Maldives, Samoa, Tuvalu and Vanuatu).

The CDP uses quartile distributions to establish the thresholds for inclusion. As in the case of GNI per capita, graduation benchmarks are established at a higher value for HAI (and at a lower value in the case of EVI) than the inclusion benchmark in order to minimize unwarranted changes and to lend stability to the list. Thus, to be included in the list of LDCs a low-income country should be in any of the three bottom quartiles of the HAI distribution and in any of the three upper quartiles of the EVI distribution. The quartile rule reinforces the relative nature of the LDC category: first in relation to all developing countries (the boundaries being obtained from the larger sample of developing countries, as mentioned above) and second in relation to distribution of values of the countries included in the review (on the basis of which the quartiles are calculated).

It is worth noting that the component indicators of both indices (discussed in the following two sections) are weighted and arithmetically averaged in a simple and transparent, although admittedly arbitrary, way. All HAI components carry the same weight, and the index therefore reflects the simple average of its components. The EVI also reflects a simple average of its two main components, the exposure index and the shock index.

The simplicity of equal weights was compared with the theoretical and conceptual advantage of weighting schemes based on factor analysis and growth regressions. An exercise was carried out to simulate the impact of different weights on the ranking of countries on the EVI. It was concluded that different plausible weights did not materially change the final result and did not justify the amount of statistical and econometric work that would be required to derive alternative weights.[4]

4 See report of the Committee for Development Policy on the second session (3-7 April 2000), *Official Records of the Economic and Social Council, 2000, Supplement No. 13* (E/2000/33), p. 23. See also Patrick Guillaumont "EVI and its use: design of an economic vulnerability index and its use for international development policy" CERDI, Etudes et Documents, E.2007.15. August 2007, available from http://publi.cerdi.org/ed/2007/2007.15.pdf.

Human assets index

The HAI provides information on the level of development of human capital. Accordingly, it focuses on achievements in health and education as an indication of the capacity countries have to take advantage of opportunities for development. The HAI is a combination of four indicators related both to the level of health and nutrition and to the level of education.[5] As mentioned above, all indicators carry equal weight in the calculation of the HAI, which is thus an average of its four components.

The HAI has two indicators of health and nutrition:

(a) The percentage of population that is undernourished;

(b) The rate of mortality for children aged five years and under;

and two for education:

(a) The gross secondary school enrolment ratio;

(b) The adult literacy rate.

The CDP considers these the best possible indicators for conveying information on human capital given existing limitations on the availability of data for low-income countries. Undernourishment compromises one's health status and educational achievement, and has an important negative impact on productivity. Similarly, the mortality rate for children aged five years and under is a measure of child survival and reflects the social, economic and environmental conditions in which children (and others in society) live, including health care.[6] It therefore provides complementary information on the health status of the population as a whole of any given country. Furthermore, for low-income countries, differences in life expectancy of the population tend to be strongly influenced by differences in the levels of child mortality rates.

The CDP recognizes that the mortality rate for children aged five and under gives an incomplete picture of the overall status of the population. For instance, to better reflect the impact of HIV/AIDS, which has been spreading

5 The HAI is preferred to the Human Development Index (HDI) because it takes a broader view of the human asset situation, as it includes four instead of two aspects of human development. Nutrition and secondary education are not considered in the HDI. In addition, the HDI includes GNI per capita (measured in purchasing power parity terms), which the CDP treats as a separate criterion.

6 United Nations Development Group, *Indicators for Monitoring the Millennium Development Goals: Definitions, Rationale, Concepts and Sources* (United Nations publication, Sales No. E.03.XVIII.18).

quickly in low-income countries and has had a negative impact on the availability of human resources, the CDP would have preferred to have an indicator of life expectancy as an alternative to under-five child mortality. However, such data is neither systematically available nor reliable for the majority of low-income countries.[7]

A low level of education is a major obstacle to development as it implies an overall shortage of skills for the organization and functioning of the economy and reflects a low capacity to absorb technological advances. Achievements in education are measured by the adult literacy rate and gross secondary enrolment ratio. The adult literacy rate indicates the size of the base available for enlarging the trained and skilled human resources needed for development.[8] The gross secondary enrolment ratio complements that information by providing an indication of the share of population with a certain level of skills. Gross secondary enrolment is the chosen indicator—despite problems with high drop-out rates in some countries—owing to the severe limitations in terms of data availability and reliability regarding the average years of schooling of the active population or the expected years of education at birth, which would have been the preferred indicators.[9] Gross primary school enrolment is not used because it is reflected in the adult literacy rate and is usually inflated by the inclusion of repeats and older students in various age groups.

The original data for each variable are converted into index numbers using the max-min procedure and rescaled to remove significant outliers as described in box III.2. Data definitions and sources are further described in Annex IV.

HAI inclusion and graduation thresholds

The HAI threshold for inclusion is determined by the index number corresponding to the third quartile in the distribution of HAI results for all LDCs and low-income countries under review. It is worth recalling that the third quartile of a set of numbers is the value at which 75 per cent of the numbers fall below it and 25

7 See report of the Committee for Development Policy on the tenth session (17-20 March 2008), *Official Records of the Economic and Social Council, 2008, Supplement No. 13*, (E/2008/33) paragraph 8.

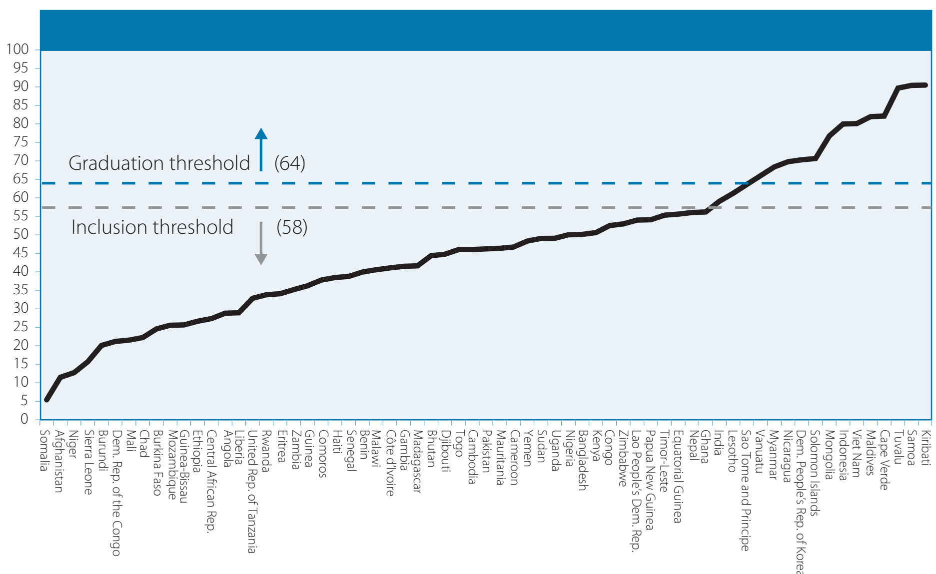
8 See report of the Committee for Development Planning on the seventh session (22 March-1 April 1971), *Official Records of the Economic and Social Council Fifty-first session. Supplement No. 7.*

9 See report of the Committee for Development Policy on the fourth session (8-12 April 2002), *Official Records of the Economic and Social Council, 2002, Supplement No. 13* (E/2002/33), paragraph 134.

per cent above, when the numbers are arranged in ascending (increasing) order. Countries with HAI values lower than the threshold meet the HAI criterion for inclusion in the list of LDCs.

The establishment of the threshold is straightforward when the number of countries in the reference set is divisible by four. If this is not the case, the quartile can no longer be expressed as an integer. In the case of the 2006 review, the reference set was composed of 65 countries. Accordingly, the third quartile fell between the forty-ninth position (Ghana, with an HAI estimated at 56.2) and the fiftieth position (India, with an HAI estimated at 59.1). The HAI threshold for inclusion was determined to be within that range and was established at 58 (roughly reflecting an average of both values) or lower. The threshold for graduation was established at 10 per cent above the inclusion threshold,[10] which corresponds to an HAI index of 64 or higher (see figure III.2).

Figure III.2
Human assets index: 2006 triennial review



Source: Annex table A.2. (Updates will be made available at http://www.un.org/esa/policy/devplan.)

10 For a technical discussion on the choice of margins, see Patrick Guillaumont, *Moving Out of the Trap: the Least Developed Countries. Vol.1. Rationale of a Category*, (Economica, Paris, forthcoming), chapter 8.

Economic vulnerability index

In 1999, the Committee recognized that vulnerability should explicitly be taken into account in the criteria used to identify LDCs, owing to the possible negative and long-lasting effects shocks can have on growth and development. Due to the inadequacy of existing indices,[11] it was necessary to construct an EVI in order to express information on the magnitude of countries' economic vulnerability. The Committee also argued that the usefulness of the index would depend upon the reliability of the statistics and the relative simplicity of computations.

The EVI attempts to capture the relative risk posed to a country's development by exogenous shocks. Impact depends on the magnitude and frequency of such shocks, on the structural characteristics of the country concerned—which affect the degree to which it is exposed to such shocks – and the country's capacity to react to shocks (i.e., its resilience).

To an extent, all countries are vulnerable to some specific adverse shocks. Thus, if vulnerability is to be used as an explicit criterion in designating countries as LDCs, there is a need to focus on those sources of vulnerability that (a) accentuate or perpetuate underdevelopment, (b) are not the result of misguided policies but instead are such that they limit policymakers' capacity to respond to shocks, and (c) are beyond a country's control.

Accordingly, the EVI is composed of seven indicators:

(a) Population size;

(b) Remoteness;

(c) Merchandise export concentration;

(d) Share of agriculture, forestry and fisheries in gross domestic product (GDP);

(e) Homelessness due to natural disasters;

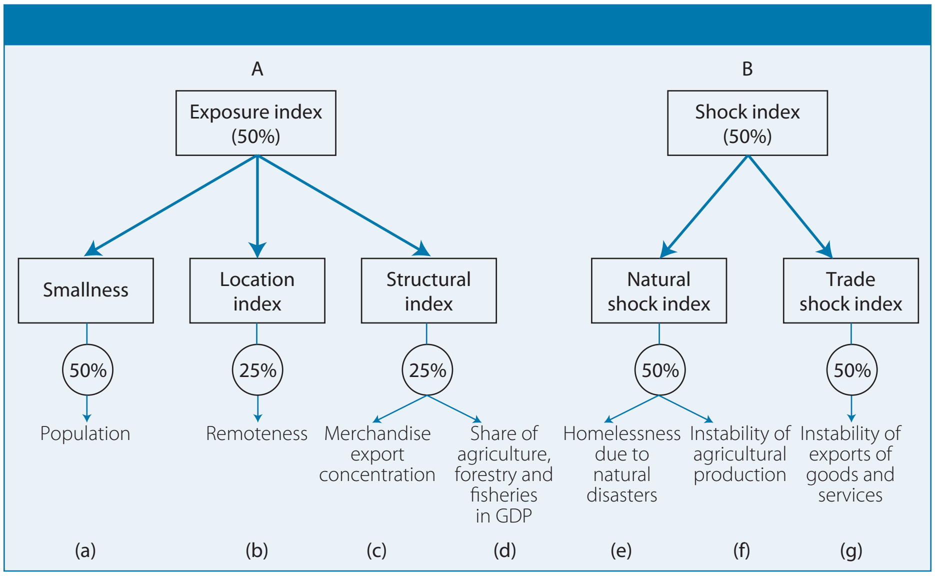
(f) Instability of agricultural production;

(g) Instability of exports of goods and services.

The indicators are grouped into two components: an exposure component (measured by the exposure index) and a shock component (measured by the shock index). The EVI is calculated as the simple, unweighted, average of these two indices (see figure III.3).

11 See report of the Committee for Development Policy on the first session (26-30 April 1999). *Official Records of the Economic and Social Council, 1999, Supplement No. 13* (E/1999/33), Annex I.

Figure III.3
Composition of the economic vulnerability index (EVI)



The exposure index (A)

The exposure index is composed of indicators (a) to (d) above.

Smallness

Population (indicator (a))

Exposure is measured by the size of the country (proxied by the logarithm of the size of its population). Larger countries are often more resilient to shocks and have a more diversified economy owing to the presence of economies of scale supported by a relatively large domestic market. Smaller size is often associated with a persistent lack of structural diversification and dependence on external markets. Additionally, small economies experience higher exposure to natural shocks, and most small, low-income countries are situated in regions that are prone to natural disasters.

In the Committee's view, the size of population is a major indicator for economic vulnerability, the importance of which needs to be properly reflected in the exposure index.[12] Thus, the size of population contributes to 50 per cent of the

12 See report of the Committee for Development Policy on the seventh session (14-18 March 2005), *Official Records of the Economic and Social Council, 2005, Supplement No. 33* (E/2005/33).

exposure index. Remoteness (indicator (b)) and the structural index (composed of indicators (c) and (d)), carrying equal weights, contribute to the other 50 per cent of the exposure index (see figure III.3).

Location index

Remoteness (indicator (b))

Location is also a factor that has a bearing on exposure and resilience, as countries situated far from major world markets (and those that are landlocked) face a series of structural handicaps, such as high transportation costs and isolation, which render them less able to respond to shocks in an effective way. Countries isolated from main markets have difficulty in diversifying their economies, even in the current era of globalization and the Internet. Remoteness is a structural obstacle to trade and growth and a possible source of vulnerability when shocks occur. It is also considered one of the main handicaps of many low-income small island developing States (SIDS).

For the purposes of identifying LDCs, remoteness is defined as the (merchandise) trade-weighted average of the distance from world markets. It should be noted that a simple index of the average physical distance from world markets is not appropriate for capturing country-specific remoteness. It involves the use of identical weights for all trade partners, regardless of their respective export destinations, and thus only indicates a potential average distance to world markets. In this regard, it does not allow one to differentiate between one country whose neighbour has a significant weight in world markets from a country which is located between two or several large markets. A more useful definition of remoteness requires the use of weights that reflect the distance to a minimum fraction of the world market. Said fraction was established at 50 per cent for the 2006 Review.

To calculate the trade-weighted average distance of an LDC from world markets, two sets of data are required: the bilateral physical distance between the exporting country and its trading partners (importers), and the market share of each trading partner in world markets.

First, a trade-weighted distance between the country considered and each potential trading partner is calculated as the product of the physical distance and the market share of the trading partner in the world markets. Then, the trade-weighted bilateral distances are added up until the cumulative market share of importing countries reaches 50 per cent of the world market. A linear programming procedure is employed to find a set of trading partners whose cumulative trade-weighted distance represents the minimum of all possible combinations of countries whose combined share in the world market is 50 per cent or greater.

Once the average minimum distances are calculated, an adjustment coefficient is applied to take into account the particular situation of landlocked countries. These countries, facing higher barriers to trade, often confront relatively higher transport costs for a given distance. Relying on a number of empirical studies of the transport costs to or from landlocked countries, an adjustment coefficient of 15 per cent was chosen and applied to the distance. An index of this distance, transformed into logarithms, is then calculated using the max-min procedure described in box III.2.

The structural index

Exposure arising from the particular characteristics of the productive structure of an economy is revealed in the composition of both GDP and exports. The structural index measures the degree of merchandise export concentration and the share of agriculture, forestry and fisheries in the economy. Both components carry an equal weight in the calculation of this sub-index (see figure III.3).

Merchandise export concentration (indicator (c))

Export concentration increases a country's exposure to trade shocks. As currently applied, export concentration excludes services. This is largely due to methodological differences in terms of both data collection and reporting, and in classification that does not allow for goods and services to be merged into a new export concentration index.

The numbers represent Herfindahl-Hirschmann indices derived from applying the following formula to the product categories of the Standard International Trade Classification (SITC) at the three-digit level:[13]

$$H_j = \frac{\sqrt{\sum_{i=1}^{n}\left(\frac{x_i}{X_j}\right)^2} - \sqrt{1/n}}{1 - \sqrt{1/n}}$$

13 For source and definition, see annex IV.

where:

j is the country index;

x_i is the value of exports of commodity i;

$X_j = \sum_{i=1}^{n} x_i$ is the value of total exports of country j; and

n is the number of products at the three-digit SITC level.

Share of agriculture, forestry and fisheries in gross domestic product (indicator (d))

Turning to the other component of the structural index, a larger share of agriculture, forestry and fisheries in GDP implies higher exposure to shocks both in relation to terms of trade and to natural disasters. The statistical series used is "agriculture, hunting, forestry and fishing as percentages of GDP" generated from national accounts value added at current prices (in United States dollars). It should be noted here that tourism is another activity that can be adversely affected by natural shocks, but it is not defined in the national accounts as a separate industry or sector.

The shock index (B)

The shock index comprises 50 per cent of the EVI. Two main sources of exogenous shocks are considered: those related to natural or weather-related phenomena, such as earthquakes, volcanic eruptions, droughts or cyclones, and those emanating from the external economic environment—specifically through trade—such as sharp slumps in external demand, terms of trade shocks, etc. Thus, the shock index is constructed as the average of the *natural shock index* and the *trade shock index*.

Financial shocks are not explicitly considered, as most LDCs do not have access to private capital flows and rely on official development assistance (ODA). These flows are largely dominated by grants or contracted at concessional terms of below-market interest rates and long maturity periods which cushion recipient countries against international interest rate shocks. While ODA flows can be volatile, creating numerous difficulties for recipient countries, increased access to official financing is precisely one of the potential benefits of belonging to the category. A problem of endogeneity would therefore be introduced if eligibility to the LDC status were to be defined by using quantitative indicators related to ODA. Additionally, the CDP does not understand vulnerability to volatility of financial flows to be structural in nature, but rather related to a country's overall economic policies.

The natural shock index

Natural disasters have a negative impact on economic development and are an important source of vulnerability for low-income countries. Countries are affected by a wide range of natural shocks whose nature, frequency and impact vary greatly and are hard to predict. Even if data were readily available and reliable, it would be difficult to meaningfully combine relevant information on a wide variety of natural phenomena into a single index. Alternative proxy measures are therefore used.

The *natural shock index* is defined as the simple average of two components: homelessness due to natural disasters (indicator (e), and the instability of agricultural production (indicator (f). Both are presented as index numbers. These two proxy indicators are found to be complementary, reflecting natural shocks in a comprehensive manner.

Homelessness due to natural disasters (indicator (e))

The homelessness index conveys information on the average share of the population that is displaced by natural disasters over a period of time. In the case of the 2006 review, that average refers to the period 1990-2004 (see annex IV).

Instability of agricultural production (indicator (f))

The other component of the natural shock index measures the instability of agricultural production (over the period 1974-2004 for the 2006 review) against its trend value. While the trend value reflects factors which may be permanent in nature (such as availability and quality of arable land) as well as economic policies, fluctuation around that trend may capture, among other things, the occurrence of natural shocks and their impact. Of course, this method of estimating trends can give rise to certain problems.[14]

The trend equation estimated for each country is expressed as follows:

$$\log Y_t = \alpha + \beta \log Y_{t-1} + \gamma t + e_t$$

where:

Y_t is the agricultural production index,

t is the time variable (each year in the sample period), and

γ_t is the trend.

14 For details, see Patrick Guillaumont, *Moving Out of the Trap: the Least Developed Countries. Vol.1. Rationale of a Category,* op.cit., chapter VI. See also report of the Committee for Development Policy on the second session (3-7 April 2000) *Official Records of the Economic and Social Council, 2000, Supplement No. 13* (E/2000/33), annex I.

The standard error of the regression is used as the measure of agricultural instability for each country and is expressed as:

$$S = \sqrt{\sum_t e_t^2 \Big/ (N-1)}$$

Trade shock index

Instability of exports of goods and services (indicator (g))

For low-income countries, particularly for countries heavily dependent on agricultural exports or the provision of tourism services, instability of export proceeds is a source of vulnerability. This instability largely results from structural factors such as fluctuations in world demand and other reasons not necessarily associated with the domestic policy of the country concerned (such as climatic events or changes in policies of major importing markets).

The trade shock index is measured by an index number series representing the instability of exports of goods and services (in current United States dollars expressed as index numbers), deflated by an index of import unit values. The result approximates a measure commonly referred to as the purchasing power of exports, which is an indicator of the country's capacity to import goods and services from current export earnings.

The instability index is calculated, as above for agricultural instability, by a regression of a trend equation for exports (deflated by import unit values) and using the standard error of the regression as the indicator of instability. The trend equation is expressed as follows:

$$\log X_t = \alpha + \beta \log X_{t\,1} + \gamma t + e_t$$

where:

X_t is the value of exports of goods and services deflated by import unit values,

t is the time variable (each year in the sample period),

γ_t is the trend,

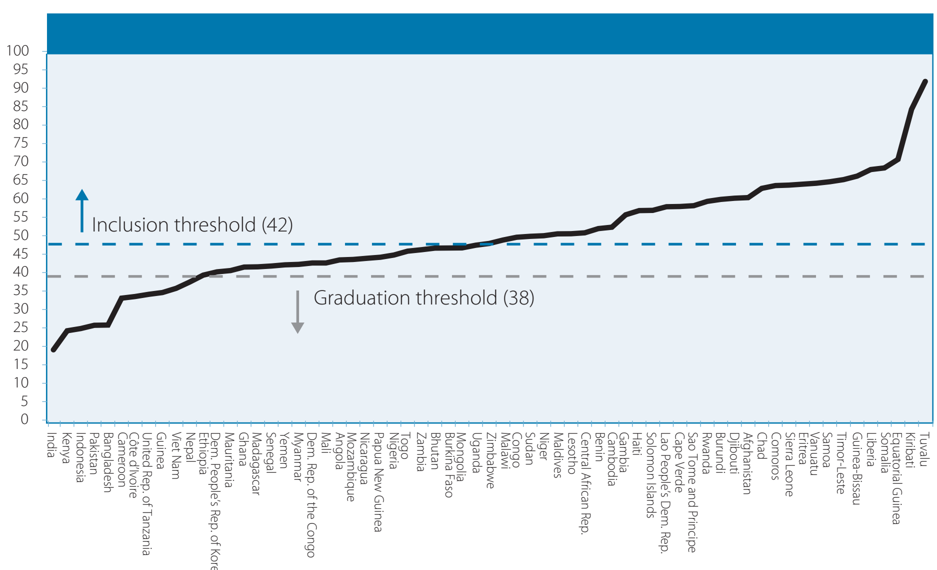
and the standard error given by:

$$S = \sqrt{\sum_t e_t^2 \Big/ (N-1)}$$

EVI inclusion and graduation thresholds

As in the case of the HAI, once the various components of the EVI have been calculated and aggregated into the composite index, threshold values for inclusion in and graduation from the category are established. The EVI threshold for inclusion is the value of the index corresponding to the first quartile in the distribution of the EVI for all countries reviewed. In the case of the 2006 review, which comprised a total number of countries indivisible by 4 (see section above on HAI inclusion and graduation thresholds), the first quartile fell between the sixteenth (Madagascar, whose EVI equalled 41.6) and the seventeenth (Senegal, whose EVI equalled 41.8), and the threshold for inclusion was established at 42 or above. The threshold for graduation was established at 10 per cent below the inclusion threshold and corresponded to an EVI index of 38 or lower (see figure III.4).

Figure III.4
Economic vulnerability index: 2006 triennial review



Source: Annex table A.3. (Updates will be made available at http://www.un.org/esa/policy/devplan.)

Annexes

Contents

Annex I

General Assembly resolution 59/209 of 20 December 2004 on a smooth transition strategy for countries graduating from the list of least developed countries

The General Assembly,

Recalling its resolution 46/206 of 20 December 1991,

Recalling also Economic and Social Council resolution 2004/66 of 5 November 2004,

Reconfirming Economic and Social Council resolutions 2000/34 of 28 July 2000, 2001/43 of 24 October 2001, 2002/36 of 26 July 2002 and 2004/3 of 3 June 2004,

1. *Re-emphasizes* the need for a smooth transition for countries graduating from the list of least developed countries;

2. *Reconfirms* that graduating from the list of least developed countries should not result in a disruption of development plans, programmes and projects;

3. *Decides* that the process to ensure a smooth transition of countries graduating from the list of least developed countries shall be as follows:

(*a*) When the Committee for Development Policy, in its triennial review of the list of least developed countries, identifies a country that meets the criteria for graduation for the first time, it will submit its findings to the Economic and Social Council;

(*b*) After a country has met the criteria for graduation for the first time, the Secretary-General of the United Nations will invite the Secretary-General of the United Nations Conference on Trade and Development to prepare a vulnerability profile[a] on the identified country, as described in paragraph 3 (*a*) above, to be taken into account by the Committee for Development Policy at its subsequent triennial review;

a See *Official Records of the Economic and Social Council, 1999, Supplement No. 13* (E/1999/33), chap. III, para. 123.

(*c*) At the subsequent triennial review undertaken by the Committee for Development Policy, referred to in paragraph 3 (*b*) above, the qualification for graduation of the country will be reviewed and, if reconfirmed, the Committee will submit a recommendation, in accordance with the established procedures, to the Economic and Social Council;

(*d*) The Economic and Social Council, in turn, will take action on the recommendation of the Committee for Development Policy at its first substantive session following the triennial review of the Committee and will transmit its decision to the General Assembly;

(*e*) Three years following the decision of the General Assembly to take note of the recommendation of the Committee for Development Policy to graduate a country from the list of least developed countries, graduation will become effective; during the three-year period, the country will remain on the list of least developed countries and will maintain the advantages associated with membership on that list;

4. *Invites* the graduating country, in cooperation with its bilateral and multilateral development and trading partners and with the support of the United Nations system, to prepare, during the three-year period, a transition strategy to adjust to the phasing out, over a period appropriate to the development situation of the country, of the advantages associated with its membership on the list of least developed countries, and to identify actions to be taken by the graduating country and its bilateral and multilateral development and trading partners to that end;

5. *Recommends* that the graduating country establish, in cooperation with its bilateral and multilateral development and trading partners, a consultative mechanism to facilitate the preparation of the transition strategy and the identification of the associated actions;

6. *Requests* the Administrator of the United Nations Development Programme, in his capacity as Chair of the United Nations Development Group, to assist countries graduating from the list of least developed countries by providing, if requested, the support of the United Nations Resident Coordinator and the United Nations Country Team to the consultative mechanism;

7. *Urges* all development partners to support the implementation of the transition strategy and to avoid any abrupt reductions in either official development assistance or technical assistance provided to the graduated country;

8. *Invites* development and trading partners to consider extending to the graduated country trade preferences previously made available as a result of least developed country status, or reducing them in a phased manner in order to avoid their abrupt reduction;

9. *Invites* all members of the World Trade Organization to consider extending to a graduated country, as appropriate, the existing special and differential treatment and exemptions available to least developed countries for a period appropriate to the development situation;

10. *Recommends* that the continued implementation of technical assistance programmes under the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries be considered for the graduated country over a period appropriate to the development situation of the country;

11. *Invites* the Government of the graduated country to closely monitor, with the support of the consultative mechanism, the implementation of the transition strategy and to keep the Secretary-General informed on a regular basis;

12. *Requests* the Committee for Development Policy to continue to monitor the development progress of the graduated country as a complement to its triennial review of the list of least developed countries, with the assistance and support of other relevant entities, and to report thereon to the Economic and Social Council.

74th plenary meeting
20 December 2004

Annex II

Selected measures in favour of exports originating from LDCs since 2000 (as of October 2007)

Preference-granting country	*Description*	*Beneficiary(ies)*	*Coverage/margin of preference*	*Reference*
Asia-Pacific Trade Agreement (APTA)[a]	Amendment to the Bangkok Agreement. Entry into force: 1 September 2006	Bangladesh Lao People's Democratic Republic	In addition to 570 products (with average margin of preference of 23.9 per cent) available to all APTA members, tariff concessions granted exclusively to LDC members on 48 products with average margin of preference of 39.7 per cent	WT/COMTD/N/22 (26 July 2007)
Australia	Duty- and quota-free entry Entry into force: 1 July 2003	LDCs	All products	WT/COMTD/N/18 (21 January 2004)
Canada	GSP – Least-developed Countries' Tariff Programme Entry into force: January 2003, extended until 30 June 2014	LDCs	Duty-free access for all products with exception of over-quota access for supply-managed products in the dairy, poultry and eggs sectors	WT/COMTD/N/15/Add.1 (13 February 2003) and Add.2 (11 May 2004) WT/COMTD/W/159 (25 May 2007)
China	Special preferential tariff agreement, announced by President Hu Jintao at the high-level meeting on financing for development of the United Nations 2005 World Summit on 14 September 2005	39 LDCs[b]	Unilateral special preferential tariffs (zero rated) are offered to 182 tariff lines	WT/TPR/S/161/Rev.1

Annex II (cont'd)				
Preference-granting country	*Description*	*Beneficiary(ies)*	*Coverage/margin of preference*	*Reference*
Eurasian Economic Community (EAEC)[c]	Harmonized system of preference by the Eurasian Economic Community (EAEC) Entry into force: May 2001	47 LDCs	Duty free for all products	WT/TPR/S/170
European Communities	GSP – Everything But Arms (EBA) initiative Entry into force: 5 March 2001	LDCs	All products except arms and ammunition, with rice and sugar subject to phase-in periods until 1 September and 1 July 2009, respectively	WT/COMTD/N/4/Add.2 (5 October 2001) WT/TPR/S/177/Rev.1
Iceland	GSP – Tariff Preferences in Regard to the Importation of Products Originating in the World's Poorest Developing Countries Entry into force: 29 January 2002	LDCs	Essentially all products with some exceptions in agricultural products (HS[d] chapters: 04, 15, 18, 19, 21 and 22) and non-agricultural products (HS sub headings: 3502 and 3823, and all of HS 16 with the exception of sub-headings 1603 to 1605)	WT/COMTD/N/17 (10 October 2003) and Corr.1 (20 January 2004) WT/TPR/S/164
Japan	GSP – Enhanced duty- and quota-free market access Entry into force: 1 April 2007	LDCs	Duty-free on 8,859 tariff lines (or 98 per cent of the tariff line level), covering over 99 per cent in terms of the import value from LDCs	WT/COMTD/N/2/Add.14 (12 April 2007)
Morocco	Preferential tariff treatment for LDCs Entry into force: 1 January 2001	33 African LDCs	Duty-free access on 61 products (at the HS 4 to 10-digit level)	WT/LDC/SWG/IF/18 and G/C/6 (9 May 2001)

Annex II (cont'd)				
Preference-granting country	*Description*	*Beneficiary(ies)*	*Coverage/margin of preference*	*Reference*
New Zealand	GSP – Tariff Treatment for LDCs Entry into force: 1 July 2001	LDCs	All products	WT/COMTD/27 (20 November 2000) WT/TPR/S/115
Norway	GSP – Duty and quota-free market access Entry into force: 1 July 2002	LDCs	All products	WT/TPR/S/138
Republic of Korea	Presidential Decree on Preferential Tariff for LDCs Entry into force: 1 January 2000	LDCs	Duty-free access is granted on 87 tariff items (HS 6-digit)	WT/COMTD/N/12/Rev.1 (28 April 2000) WT/TPR/S/137
Republic of Moldova	GSP	LDCs	Duty-free for all products	WT/ACC/MOL/37
South Asian Free Trade Agreement (SAFTA)[e]	Entry into force: 1 January 2006	Bangladesh Bhutan Maldives Nepal	Special concessions available for least-developed contracting States	SAARC Secretariat website (www.saarc-sec.org)
Switzerland	GSP – Revised Preferential Tariffs Ordinance Entry into force: 1 April 2007	LDCs	Duty free for all products, with broken rice, animal feed, cane and beet sugar and chemically pure sucrose in solid form which are subject to phase in period until September 2009	TN/CTD/M/28
Turkey	GSP Entry into force: 31 December 2005	All LDCs	Duty free and quota-free access to all industrial products, in-line with EBA	Upcoming TPR

Annex II (cont'd)				
Preference-granting country	*Description*	*Beneficiary(ies)*	*Coverage/margin of preference*	*Reference*
Russia	Harmonized system of preference by the Eurasian Economic Community (ECEA)	47 LDCs	Duty free for all products	WT/TPR/S/170
United States	GSP for least-developed beneficiary developing countries Entry into force: extended until 31 December 2008	43 designated LDCs in 2007[f]	In addition to the standard GSP coverage of 4,650 products, 1,450 articles exclusively available for LDC beneficiaries for duty-free treatment	WT/COMTD/N/1/Add.4 (1 March 2007) WT/TPR/S/160

Source: Based on World Trade Organization document entitled "Market access for products and services of export interest to least developed countries" (WT/COMTD/LDC/W/41), 16 October 2007, Annex table 2. For measures taken in favour of exports originating from LDCs prior to 2001, see document WT/COMTD/LDC/W/38.

a The members of the APTA are Bangladesh, China, India, Lao People's Democratic Republic, the Republic of Korea and Sri Lanka.

b Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burundi, Cape Verde, Central African Republic, Cambodia, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Guinea, Guinea Bissau, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Maldives, Mali, Mauritania, Myanmar, Nepal, Mozambique, Niger, Rwanda, Samoa, Sierra Leone, Somalia, Sudan, Timor-Leste, Togo, Uganda, United Republic of Tanzania, Vanuatu, Yemen and Zambia.

c The members of the Eurasian Economic Community are Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

d The Harmonized Commodity Description and Coding System (HS) of the World Customs Union.

e The members of SAFTA, which superseded the South Asian Preferential Trade Agreement (SAPTA) in 2006, are Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

f Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Timor-Leste, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Somalia, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen and Zambia.

Annex III

Specific WTO references to decisions and declaractions in favour of LDCs

1. Ministerial decisions and declarations

Ministerial decisions and declarations	*Reference*
Decision on Measures in Favour of Least-Developed Countries	The Legal Texts of the WTO
Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries	The Legal Texts of the WTO
Decision on the Acceptance of and Accession to the Agreement Establishing the World Trade Organization	The Legal Texts of the WTO
Singapore Ministerial Declaration, adopted on 13 December 1996	WT/MIN(96)/DEC, paragraphs 5, 6, 7, 13, 14, 15 and 22
Comprehensive and Integrated WTO Plan of Action for the Least-Developed Countries;	WT/MIN/(96)/14
Geneva Ministerial Declaration, adopted on 20 May 1998	WT/MIN(98)/DEC/1, paragraphs 5, 6 and 9(c)
Doha Ministerial Declaration, adopted on 14 November 2001	WT/MIN(01)/DEC/1, paragraphs 2, 3, 9, 15, 16, 21, 22, 24, 25, 26, 27, 28, 32(i), 33, 36, 38, 39, 42, 43, 44, 50 and 51
Doha Decision on Implementation-Related Issues and Concerns	WT/MIN(01)/17, paragraphs 2.2, 3.5, 3.6, 4.4, 5.3, 5.4, 6.2, 8.2, 10.5 and 12.1(ii)
Hong Kong Ministerial Declaration, adopted on 18 December 2005	WT/MIN(05)/DEC, paragraphs 6, 11, 26, 36, 47, 48, 49, 50, 51, 55, 57, 59; Annex C (paragraphs 3, 9 and 10); and Annex F

2. Decisions of the General Council and other bodies

Decision	*Reference*
Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (the "Enabling Clause") of 28 November 1979. The Enabling Clause provides permanent legal cover for the Generalized System of Preferences, for S&D provisions under GATT agreements, for certain aspects of regional or global preferential agreements among developing countries, and for special treatment for least-developed countries.	L/4903 paragraphs 2(d); 6 and 8

Annex III (cont'd)

Decision	*Reference*
Waiver for Preferential Tariff Treatment of Least-Developed Countries (15 June 1999), which allows developing country Members to offer preferential tariff treatment for products from LDCs.	WT/L/304
WTO Work Programme for Least-Developed Countries	WT/COMTD/LDC/11
Guidelines on the Accession of Least – Developed Countries	WT/L/508
Extension of the Transition Period Under Article 66.1 of the TRIPS Agreement for Least-Developed Country Members for Certain Obligations with respect to Pharmaceutical Products	IP/C/25
Least-Developed Country Members – Obligations Under Article 70.9 of the TRIPS Agreement with respect to Pharmaceutical Products	WT/L/478
Implementation of Article 66.2 of the TRIPS Agreement	IP/C/28
Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health	WT/L/540, paragraphs 1(b), 2(a)(ii), 4, 6(i) and 7; and Annex
Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade and Services	TN/S/13
Modalities for the Treatment of Autonomous Liberalization	TN/S/6, paragraph 14
Guidelines and Procedures for the Negotiations on Trade and Services	S/L/93, paragraph 2
The Doha Work Programme	WT/L/579, paragraphs 1(d), 24 and 45; Annex B, paragraphs 4, 9, 10 and 14; Annex C, paragraph (c); and Annex D, paragraphs 2, 3, 4, 5 and 6

Source: World Trade Organization.

Annex IV

Data sources and definitions used in the 2006 triennial review of the list of least developed countries

Gross national income per capita

Gross national income (GNI) per capita is equal to the per capita gross domestic product (GDP) minus per capita primary incomes payable to non-resident units plus per capita primary incomes receivable from non-resident units. Values are expressed in current United States dollars, calculated according to the World Bank Atlas method, and reflect a simple average of three years (2000, 2001 and 2002 for the 2006 triennial review).

Data sources: The primary source is the World Bank database. The historical series is available from the World Development Indicators database, and data for the most recent year are available from http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf. Information on country classification over the years can be found at http://siteresources.worldbank.org/DATASTATISTICS/Resources/OGHIST.xls. Estimates of GNI per capita for countries not reported in World Bank sources are calculated with available data from the Statistics Division of the United Nations Department of Economic and Social Affairs (UNSTAT), available from http://data.un.org.

Human assets index (HAI)

The **percentage of population undernourished** indicates the prevalence of undernourishment in the total population, that is to say, the proportion of the population whose dietary consumption continuously falls below an established minimum dietary energy requirement for maintaining a healthy life and carrying out light physical activity.

Data source: United Nations Food and Agriculture Organization of the United Nations (FAO), Food Security Statistics, available from http://www.fao.org/faostat/foodsecurity/ index_en.htm.

The **mortality rate for children aged five years and under** assesses the probability of dying between birth and age five. It is expressed as deaths per 1,000 births.

Data source: Population Division of the United Nations Department of Economic and Social Affairs, World Population Prospects database, available from http://esa.un.org/unpp/ and http://data.un.org.

The **gross secondary school enrolment ratio** is the number of pupils enrolled in secondary schools, regardless of age, expressed as a percentage of the population in the theoretical age group for the same level of education.

Data sources: UNESCO Institute for Statistics, available from http://www.uis.unesco.org (section on education). Estimates for countries not reported by UNESCO were obtained from the following sources: World Bank, World Development Indicators database; United Nations Development Programme, *Pacific Human Development Report* (various issues); and Asian Development Bank, Key Indicators 2005, available from: http://www.adb.org/documents/books/key_indicators/.

The **adult literacy rate** represents the number of literate persons aged fifteen and above expressed as a percentage of the total population in that age group. A person is considered literate if he/she can read and write, with understanding, a simple statement related to his/her daily life.

Data sources: UNESCO Institute for Statistics, Literacy and non-Formal Education Section, Youth (15-24) and Adult (15+) Literacy Rates by Country and by Gender for 2002-2004, August 2005 Assessment, available from http://www.uis.unesco.org/TEMPLATE/html/Exceltables/education/Literacy_National_August2005.xls. For countries not reported by UNESCO, information was obtained from the United Nations Statistics Division databases, available from http://data.un.org.

Economic vulnerability index (EVI)

Population is the de facto population in a country as of 1 July of the year indicated.

Data source: Population Division of the United Nations Department of Economic and Social Affairs, available from http://data.un.org.

Remoteness (location index) reflects the minimum average distance for a given country to reach a significant fraction of the world markets. The fraction was established at 50 per cent (2006 triennial review).

> *Data sources*: Fondation pour les Etudes et Recherches sur le Développement International (FERDI), Centre for Study and Research for International Development (CERDI) of the University of Clermont-Ferrand, France.

Merchandise export concentration is expressed as Herfindahl-Hirschmann indices derived from three-digit SITC product categories (Revision 2 was used for the 2006 triennial review). For the purposes of the review of the list of LDCs, the Herfindahl-Hirschmann index is defined as the sum of squares of the percentages of the shares of each commodity as a proportion of total exports. If a country exports only one commodity, the index is 10,000. If there is a (near) infinite number of commodities with near-zero market shares each, the index is approximately zero. Results are normalized, however, and range from 0 to 1 (maximum concentration).

> *Data sources:* United Nations Conference on Trade and Development, *Handbook of International Trade and Development Statistics* (various issues). Hirschmann indices are estimated with data from UNSTAT for countries where data from the UNCTAD source are not available.

Share of agriculture, forestry and fisheries in GDP. The statistical series "agriculture, hunting, forestry and fishing as percentages of GDP" is generated from national accounts value added at current prices (in United States dollars).

> *Data source:* United Nations Statistics Division, United Nations National Accounts Main Aggregates Database, available from http://unstats.un.org/unsd/snaama/selectionbasicFast.asp.

Homelessness due to natural disasters. Homelessness is defined as "people needing immediate assistance for shelter after a natural disaster", where a disaster is defined as "a situation or event, which overwhelms local capacity, necessitating a request at the national or international level for assistance; an unforeseen and often sudden event that causes great damage, destruction and human suffering". The statistical series used in the calculations is the "number of homeless due to natural disasters during the period 1990-2004" expressed as a percentage of population in 1997. For countries with missing data, available data on the total number of persons affected by natural disasters were used to estimate the homelessness.

Data source: Emergency Disasters Database (EM-DAT), which is maintained by the WHO Collaborating Centre for Research on the Epidemiology of Disasters (CRED), available at http://www.emdat.be/; and, World Bank, World Development Indicators database.

Instability of agricultural production consists of a measure of annual fluctuations of agricultural output from its trend value in each country. The instability index is calculated by regression of a trend equation for agricultural output and using the standard error of the regression as the indicator of instability.

Data source: Food and Agriculture Organization of the United Nations (FAO). The agricultural production data are published by FAO for the period 1979-2004 as a volume index with 1999-2001=100 (available at http://faostat.fao.org/site/339/default.aspx).

Instability of exports of goods and services represents the value of exports of goods and services (in current United States dollars expressed as index numbers) deflated by an index of import unit values. The result approximates a measure commonly referred to as the purchasing power of exports, which is an indicator of the country's capacity to import goods and services from current export earnings. The instability index is calculated by regression of a trend equation for exports (deflated by import unit values) and using the standard error of the regression as the indicator of instability.

Data sources: International Monetary Fund, *Balance of Payments Statistics Yearbook* and *International Financial Statistics Yearbook*. Supplementary sources for export data are IMF, *Direction of Trade Statistics* and the United Nations Comtrade database of UNSTAT. Import unit values are obtained from the UNSTAT's *Monthly Bulletin of Statistics*.

Statistical tables

Contents

Table A.1

Gross national income per capita, 2006 triennial review

United States dollars

Countries	GNI per capita[a]	Countries	GNI per capita[a]
Afghanistan	122.0[b]	Lesotho	623.3
Angola	823.3	Liberia	116.7
Bangladesh	403.3	Madagascar	273.3
Benin	450.0	Malawi	163.3
Bhutan	690.0	Maldives	2 320.0
Burkina Faso	303.3	Mali	300.0
Burundi	90.0	Mauritania	403.3
Cambodia	303.3	Mongolia	496.7
Cameroon	666.7	Mozambique	220.0
Cape Verde	1 486.7	Myanmar	167.0[b]
Central African Republic	276.7	Nepal	243.3
Chad	236.7	Nicaragua	756.7
Comoros	450.0	Niger	203.3
Congo	680.0	Nigeria	346.7
Côte d'Ivoire	683.3	Pakistan	536.7
Democratic People's Republic of Korea	508.0[b]	Papua New Guinea	526.7
Democratic Republic of the Congo	103.3	Rwanda	220.0
Djibouti	943.3	Samoa	1 596.7
Equatorial Guinea	3 393.3[b]	Sao Tome and Principe	333.3
Eritrea	163.3	Senegal	556.7
Ethiopia	100.0	Sierra Leone	190.0
Gambia	276.7	Solomon Islands	556.7
Ghana	323.3	Somalia	193.0[b]
Guinea	433.3	Sudan	463.3
Guinea-Bissau	143.3	Timor-Leste	466.7
Haiti	410.0	Togo	323.3
India	543.3	Tuvalu	1 267.0[b]
Indonesia	970.0	Uganda	253.3
Kenya	406.7	United Republic of Tanzania	313.3
Kiribati	916.7	Vanuatu	1 186.7
Lao People's Democratic Republic	350.0	Viet Nam	486.7
		Yemen	523.3
		Zambia	390.0
		Zimbabwe	430.0[b]

Note: Data pertaining to subsequent triennial reviews will be made available at http://www.un.org/esa/policy/devplan.

a World Bank, World Development Indicators (WDI).

b United Nations Statistics Division (UNSTAT).

Table A.2

Human assets index and its components, 2006 triennial review

Countries	*HAI*	*Prevalence of undernourishment in total population (percentage)*[a]	*Under-five mortality rate (per 1000 live births)*[b]	*Adult literacy rate*[c]	*Gross secondary school enrolment ratio (percentage)*[d]
Afghanistan	11.5	56.0[e]	252	36[f]	12.0[g]
Angola	28.8	40.0	245	67	19.0[g]
Bangladesh	50.1	30.0	79	41[h]	47.0
Benin	39.9	15.0	161	34	28.0
Bhutan	44.4	23.0[e]	84	47[i]	10.0[j]
Burkina Faso	24.6	19.0	196	13	11.0
Burundi	20.1	68.0	187	59	11.0
Cambodia	46.0	33.0	140	74	25.0
Cameroon	46.7	25.0	163	68	31.0
Cape Verde	82.1	2.5	36	76[h]	70.0
Central African Republic	27.3	43.0	176	49	12.0[g]
Chad	22.2	34.0	203	26	16.0
Comoros	37.8	62.0	77	56[h]	31.0
Congo	52.5	37.0	108	83[h]	32.0[g]
Côte d'Ivoire	41.0	14.0	189	48	26.0[g]
Democratic People's Republic of Korea	70.3	36.0	59	95[k]	64.0[k]
Democratic Republic of the Congo	21.2	71.0	212	65	18.0[l]
Djibouti	44.7	27.0	140	66[i]	20.0
Equatorial Guinea	55.6	9.0[e]	181	84	30.0[g]
Eritrea	34.1	73.0	94	57[i]	28.0
Ethiopia	26.6	46.0	172	42[h]	20.0
Gambia	41.5	27.0	129	38[i]	34.0
Ghana	56.2	13.0	102	54	39.0
Guinea	36.2	26.0	166	41[i]	24.0
Guinea-Bissau	25.6	35.0	211	40[i]	18.0[l]
Haiti	38.5	47.0	110	52[h]	29.3[k]
India	59.1	21.0	99	61	53.0
Indonesia	80.0	6.0	54	88[h]	61.0
Kenya	50.6	33.0	118	74	33.0

Table A.2 (cont'd)

Countries	*HAI*	*Prevalence of undernourish-ment in total population (percentage)*[a]	*Under-five mortality rate (per 1000 live births)*[b]	*Adult literacy rate*[c]	*Gross secondary school enrolment ratio (percentage)*[d]
Kiribati	90.5	6.0	65[m]	93[f]	104.0
Lao People's Democratic Republic	54.0	22.0	141	69	44.0
Lesotho	61.2	12.0	123	81	35.0
Liberia	28.9	46.0	224	56[h]	34.0[l]
Madagascar	41.6	37.0	131	71	14.0[k]
Malawi	40.5	33.0	184	64	33.0
Maldives	81.9	11.0	55	96	67.0
Mali	21.5	29.0	220	19	20.0
Mauritania	46.4	10.0	156	51	23.0
Mongolia	76.8	28.0	85	98	84.0
Mozambique	25.6	47.0	182	46[h]	16.0
Myanmar	68.4	6.0	112	90	39.0
Nepal	56.0	17.0	88	49	45.0
Nicaragua	69.8	27.0	40	77	61.0
Niger	12.7	34.0	264	9	7.0
Nigeria	50.0	9.0	200	67[h]	36.0
Pakistan	46.2	20.0	114	49	23.0
Papua New Guinea	54.1	13.0[e]	98	57	26.0
Rwanda	33.8	37.0	190	64	16.0
Samoa	90.4	4.0	31	99[h]	76.0
Sao Tome and Principe	63.6	13.0	112	83[i]	39.0[g]
Senegal	38.8	24.0	133	39	19.0
Sierra Leone	15.7	50.0	290	30	26.0[n]
Solomon Islands	70.6	20.0	58	77[i]	61.0
Somalia	5.4	61.0[e]	211	17[o]	5.7[k]
Sudan	49.0	27.0	119	59	35.0
Timor-Leste	55.3	7.0	134	59[i]	35.0[g]
Togo	46.0	26.0	137	53	36.0[l]
Tuvalu	89.7	3.0[e]	51[m]	95[f]	84.0[g]

Table A.2 (cont'd)

Countries	*HAI*	*Prevalence of undernourishment in total population (percentage)*[a]	*Under-five mortality rate (per 1000 live births)*[b]	*Adult literacy rate*[c]	*Gross secondary school enrolment ratio (percentage)*[d]
Uganda	49.0	19.0	139	69[h]	20.0
United Republic of Tanzania	32.8	44.0	164	69	6.0[l]
Vanuatu	66.0	12.0	42	74	28.0
Viet Nam	80.1	19.0	39	90	72.0
Yemen	48.3	36.0	95	49[h]	47.0
Zambia	35.2	49.0	173	68	28.0
Zimbabwe	53.0	44.0	117	90[h]	40.0

Notes:

HAI components are expressed in original, unbounded values, where applicable.

Data pertaining to subsequent triennial reviews will be made available at http://www.un.org/esa/policy/devplan.

a FAO website (www.fao.org), unless otherwise indicated.
b Population Division, DESA (World Population Prospects, 2004 revision), unless otherwise indicated.
c UNESCO website (www.unesco.org) (August 2005 assessment), unless otherwise indicated.
d UNESCO website (www.unesco.org), unless otherwise indicated.
e FAO estimates.
f Asian Development Bank website (www.adb.org) (key indicators 2005).
g 2001/2002.
h UNESCO estimate (July 2002).
i UNDP Human Development Index 2005.
j Asian Development Bank website (www.adb.org).
k Previous HAI.
l 1999/2000.
m UNICEF, *The State of the World's Children 2006: Excluded and Invisible*, available from www.unicef.org.
n 2000/2001.
o UNDP Human Development Index 2001.

Table A.3

Economic vulnerability index, 2006 triennial review

Countries	*EVI*[a]	*Exposure index*[b]	*Shock index*[c]
Afghanistan	60.3	41.2	79.4
Angola	43.4	47.4	39.5
Bangladesh	25.8	22.3	29.3
Benin	51.9	46.5	57.4
Bhutan	46.6	61.9	31.3
Burkina Faso	46.7	49.9	43.5
Burundi	59.9	62.0	57.7
Cambodia	52.3	43.4	61.2
Cameroon	33.1	39.4	26.7
Cape Verde	57.9	62.5	53.3
Central African Republic	50.8	64.7	36.9
Chad	62.8	49.8	75.9
Comoros	63.6	76.7	50.5
Congo	49.6	54.6	44.6
Côte d'Ivoire	33.5	38.5	28.5
Democratic People's Republic of Korea	40.2	35.6	44.8
Democratic Republic of the Congo	42.6	39.2	46.0
Djibouti	60.2	61.1	59.2
Equatorial Guinea	70.7	75.2	66.2
Eritrea	64.0	50.2	77.7
Ethiopia	39.3	31.7	47.0
Gambia	55.7	57.4	54.0
Ghana	41.5	38.9	44.1
Guinea	34.6	44.5	24.7
Guinea-Bissau	66.2	70.5	61.8
Haiti	56.8	44.0	69.6
India	19.1	19.4	18.7
Indonesia	24.8	24.0	25.7
Kenya	24.2	31.3	17.2
Kiribati	84.3	82.3	86.2
Lao People's Democratic Republic	57.9	57.0	58.8
Lesotho	50.5	63.0	38.1
Liberia	67.9	62.4	73.5
Madagascar	41.6	43.9	39.3

Table A.3 (cont'd)

Countries	*EVI*[a]	*Exposure index*[b]	*Shock index*[c]
Malawi	48.8	55.2	42.5
Maldives	50.5	69.6	31.4
Mali	42.6	53.8	31.5
Mauritania	40.6	49.8	31.3
Mongolia	46.7	57.0	36.5
Mozambique	43.6	45.3	41.8
Myanmar	42.2	36.8	47.7
Nepal	37.4	41.5	33.4
Nicaragua	43.9	46.3	41.5
Niger	50.0	49.2	50.8
Nigeria	44.8	32.8	56.7
Pakistan	25.7	20.2	31.2
Papua New Guinea	44.2	50.5	37.8
Rwanda	59.3	54.9	63.8
Samoa	64.7	80.8	48.5
Sao Tome and Principe	58.1	81.6	34.7
Senegal	41.8	36.9	46.7
Sierra Leone	63.7	58.8	68.7
Solomon Islands	56.9	76.1	37.6
Somalia	68.4	61.2	75.6
Sudan	49.9	38.5	61.2
Timor-Leste	65.2	64.8	65.7
Togo	45.8	48.5	43.1
Tuvalu	91.8	87.2	96.5
Uganda	47.4	42.3	52.5
United Republic of Tanzania	34.1	38.3	29.9
Vanuatu	64.2	77.0	51.5
Viet Nam	35.7	23.3	48.1
Yemen	42.1	41.2	43.1
Zambia	46.2	51.8	40.6
Zimbabwe	47.9	44.3	51.5

Note: Data pertaining to subsequent triennial reviews will be made available at http://www.un.org/esa/policy/devplan.

a The EVI is calculated at 50 per cent of the sum of the figures for the exposure and shock indices.

b The exposure index is calculated at 50 per cent of the max-min figures for the population indicator (2005) plus 25 per cent of the max-min figures for the remoteness indicator (location index) and 25 per cent of the figures for the structural index.

c The shock index is calculated at 50 per cent of the sum of the figures for the natural shock index and the max-min figures for export instability (trade shock index).

Table A.4

Components of the exposure index, 2006 triennial review

Countries	*Population*[a]	*Remoteness (location index)*[b]	*Structural index*[c]	*Export concentration (Herfindahl-Hirschmann index)*[d]	*Share of agriculture, forestry and fisheries (percentage of GDP)*
Afghanistan	29 863 010	0.766	44.5	0.32[e]	38.0
Angola	15 941 390	0.679	60.6	0.91	15.5
Bangladesh	141 822 304	0.587	28.2	0.30	19.8
Benin	8 438 853	0.579	50.1	0.46	35.0
Bhutan	2 162 546	0.768	46.2	0.41	33.2
Burkina Faso	13 227 840	0.736	57.7	0.60	33.8
Burundi	7 547 515	0.864	73.2	0.65	49.0
Cambodia	14 071 010	0.636	46.3	0.40[e]	34.0
Cameroon	16 321 860	0.598	39.7	0.45	23.1
Cape Verde	506 807	0.580	27.7	0.48	6.2
Central African Republic	4 037 747	0.802	72.4	0.49	59.3
Chad	9 748 931	0.671	56.1	0.63[e]	29.9
Comoros	797 902	0.727	80.0	0.88	40.9
Congo	3 998 904	0.658	49.5	0.85	6.3
Côte d'Ivoire	18 153 870	0.603	38.6	0.39	25.9
Democratic People's Republic of Korea	22 487 660	0.602	33.8	0.25[e]	29.9
Democratic Republic of the Congo	57 548 740	0.658	70.1	0.56[e]	51.9
Djibouti	793 078	0.618	31.0	0.58	3.1
Equatorial Guinea	503 519	0.602	75.3	0.89	34.7
Eritrea	4 401 357	0.618	40.1	0.59	13.6
Ethiopia	77 430 696	0.618	54.1	0.41	43.0
Gambia	1 517 079	0.561	43.1	0.46	26.4
Ghana	22 112 810	0.597	47.1	0.39	36.1
Guinea	9 402 098	0.587	44.3	0.55	21.6
Guinea-Bissau	1 586 344	0.572	95.7	0.88	67.8
Haiti	8 527 777	0.632	33.7	0.27	28.3
India	1 103 371 008	0.559	20.3	0.13	22.2
Indonesia	222 781 504	0.749	14.8	0.12	16.0

Table A.4 (cont'd)

Countries	*Population*[a]	*Remoteness (location index)*[b]	*Structural index*[c]	*Export concentration (Herfindahl-Hirschmann index)*[d]	*Share of agriculture, forestry and fisheries (percentage of GDP)*
Kenya	34 255 720	0.673	20.6	0.25	14.0
Kiribati	99 350	0.764[f]	46.4	0.64	17.3
Lao People's Democratic Republic	5 924 145	0.808	52.5	0.31[e]	48.1
Lesotho	1 794 769	1.000	28.2	0.35	16.1
Liberia	3 283 267	0.604	81.4	0.63	75.8
Madagascar	18 605 920	0.735	44.4	0.48	26.2
Malawi	12 883 940	0.931	57.8	0.61	33.6
Maldives	329 198	0.694[g]	28.3	0.47	7.7
Mali	13 518 420	0.747	72.8	0.82	36.3
Mauritania	3 068 742	0.511	40.6	0.51	19.9
Mongolia	2 646 487	0.775	31.8	0.36	20.0
Mozambique	19 792 300	0.759	49.1	0.63[e]	21.5
Myanmar	50 519 488	0.598	63.8	0.36	58.3
Nepal	27 132 630	0.758	43.7	0.30	38.0
Nicaragua	5 486 685	0.692	21.9	0.22	17.8
Niger	13 956 980	0.722	58.4	0.55	38.4
Nigeria	131 529 704	0.579	71.4	1.00	25.7
Pakistan	157 935 104	0.542	25.6	0.23	21.5
Papua New Guinea	5 887 138	0.708	39.0	0.37	27.5
Rwanda	9 037 690	0.849	51.8	0.40	41.3
Samoa	184 984	0.815	40.5	0.60	13.1
Sao Tome and Principe	156 523	0.620	62.8	0.93	17.0
Senegal	11 658 170	0.561	23.7	0.29	15.1
Sierra Leone	5 525 478	0.594	84.4	0.86	47.9
Solomon Islands	477 742	0.764	57.3	0.44	44.9
Somalia	8 227 826	0.664	97.5	0.91	65.0
Sudan	36 232 952	0.547	66.8	0.59	45.6
Timor-Leste	947 064	0.749[h]	34.8	0.26[e]	30.5
Togo	6 145 004	0.592	46.8	0.32	40.8
Tuvalu	10 441	0.764[i]	65.7	0.98	18.9
Uganda	28 816 230	0.853	36.8	0.29	30.9

Table A.4 (cont'd)

Countries	*Population*[a]	*Remoteness (location index)*[b]	*Structural index*[c]	*Export concentration (Herfindahl-Hirschmann index)*[d]	*Share of agriculture, forestry and fisheries (percentage of GDP)*
United Republic of Tanzania	38 328 812	0.699	49.0	0.35	41.3
Vanuatu	211 367	0.764[j]	35.7	0.40	21.4
Viet Nam	84 238 232	0.605	24.9	0.24	20.1
Yemen	20 974 660	0.563	58.7	0.90	14.2
Zambia	11 668 460	0.939	41.1	0.50	20.8
Zimbabwe	13 009 530	0.943	14.6	0.14	14.6

Notes:

Population, export concentration and share of agriculture, forestry and fisheries reflect original unbounded values, where applicable.

Data pertaining to subsequent triennial reviews will be made available at http://www.un.org/esa/policy/devplan.

a UN/DESA, Statistics Division (2005).
b Centre d'Etudes et de Recherches sur le Développement International (CERDI).
c The structural index is calculated at 50 per cent of the sum of the max-min figures for export concentration and share of agriculture, forestry and fisheries.
d Normalized; UNCTAD (2003, or later), unless otherwise indicated.
e United Nations Commodity Trade Statistics Database (COMTRADE) (2003, or most recent year).
f Owing to insufficient data availability, the remoteness data for Kiribiti are assumed to be the equivalent of those used for the Solomon Islands.
g Owing to insufficient data availability, the remoteness data for the Maldives are assumed to be the equivalent of those used for Sri Lanka.
h Owing to insufficient data availability, the remoteness data for Timor-Leste are assumed to be the equivalent of those used for Indonesia.
i Owing to insufficient data availability, the remoteness data for Tuvalu are assumed to be the equivalent of those used for the Solomon Islands.
j Owing to insufficient data availabillity, the remoteness data for Vanuatu are assumed to be the equivalent of those used for the Solomon Islands.

Table A.5

Components of the shock index, 2006 triennial review

Countries	*Homelessness due to natural disaters, (percentage of population)*[a]	*Agricultural instability (index)*[b]	*Export instability (index)*[c]
Afghanistan	0.513	15.36	32.10
Angola	0.206	4.68	17.37
Bangladesh	2.885	3.47	7.38
Benin	0.915	6.48	24.71
Bhutan	0.055	6.32	12.95
Burkina Faso	0.124	7.76	18.10
Burundi	0.417	5.64	26.97
Cambodia	2.393	8.01	24.20
Cameroon	0.024	3.53	13.84
Cape Verde	1.189	15.96	13.44
Central African Republic	1.547	3.89	12.92
Chad	1.156	7.81	40.32
Comoros	0.078	2.87	27.59
Congo	1.605	2.32	19.17
Côte d'Ivoire	0.114[d]	4.28	11.68
Democratic People's Republic of Korea	4.348	8.15	12.53
Democratic Republic of the Congo	0.354	3.72	21.44
Djibouti	3.325	8.81	21.64
Equatorial Guinea	2.156[e]	6.78	28.64
Eritrea	0.486	18.76	28.19
Ethiopia	0.205	14.28	13.84
Gambia	0.419	18.42	13.51
Ghana	1.305	7.66	14.56
Guinea	0.302[e]	3.48	8.25
Guinea-Bissau	0.103	4.26	33.18
Haiti	1.544	2.73	34.89
India	0.508	3.11	3.85
Indonesia	0.424	3.08	8.66
Kenya	0.011	5.42	7.40
Kiribati	5.013[e]	12.55	49.82
Lao People's Democratic Republic	20.340	8.16	18.84
Lesotho	0.059	7.56	16.09
Liberia	0.081	11.28	35.17
Madagascar	3.781	2.25	14.36
Malawi	0.494	10.12	13.06
Maldives	13.800	4.00	5.61
Mali	0.139	6.13	11.62
Mauritania	1.827	3.40	9.51

Table A.5 (cont'd)

Countries	*Homelessness due to natural disaters, (percentage of population)*[a]	*Agricultural instability (index)*[b]	*Export instability (index)*[c]
Mongolia	0.006	8.06	18.45
Mozambique	3.034	7.30	11.96
Myanmar	0.311	4.97	21.64
Nepal	0.599	3.95	12.23
Nicaragua	0.434	8.81	13.79
Niger	0.892	12.98	14.93
Nigeria	0.307	3.73	28.50
Pakistan	5.831	3.23	7.62
Papua New Guinea	3.401	1.60	14.13
Rwanda	0.113	13.58	26.23
Samoa	16.293	7.52	13.19
Sao Tome and Principe	0.002[f]	7.03	20.41
Senegal	0.573	16.53	9.99
Sierra Leone	0.253[e]	5.46	35.97
Solomon Islands	0.325	9.68	11.06
Somalia	6.982	9.12	30.63
Sudan	0.730	8.42	25.88
Timor-Leste	0.109[e]	4.88	120.80
Togo	1.583	5.47	15.49
Tuvalu	5.520	21.10	42.69
Uganda	0.170	3.27	27.25
United Republic of Tanzania	0.194	3.97	11.92
Vanuatu	5.157	8.81	15.96
Viet Nam	1.523	2.12	21.69
Yemen	1.253	5.21	16.09
Zambia	0.110	9.86	14.62
Zimbabwe	0.542	12.62	16.50

Notes:

Expressed in original, unbounded values, where applicable.

Data pertaining to subsequent triennial reviews will be made available at http://www.un.org/esa/policy/devplan.

- **a** Emergency Disasters Data Base (EM-DAT), WHO Collaborating Centre for Research on the Epidemiology of Disasters (CRED).
- **b** UN/DESA, based on data from the Food and Agriculture Organization of the United Nations (FAO) (1979-2004).
- **c** UN/DESA, based on data from the International Monetary Fund (IMF), the World Bank and the United Nations Commodity Trade Statistics Database (COMTRADE) (1979-2004).
- **d** Average of Burkina Faso, Liberia and Mali (1990-2004).
- **e** Based on regression using data from neighbouring countries: logarithm of homelessness due to natural disasters as a function of people affected by natural disasters (1990-2004).
- **f** Minimum value instead of percentage owing to lack of data (1990-2004).

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