A little progress is a good thing, and a great deal of it is absolutely fatal.

Being least developed

Columnist T.K JAYARAMAN believes some countries do not want to graduate to the next higher level, that of being developing countries.

The *Iloilovatu* berths at the jetty at Oinafa in Rotuma.

ALL less developed countries want to grow. Yet some of them prefer continuing to be called least developed country (LDC), even if they record impressive increases in their national incomes.

They do not want to graduate to the next higher level: a developing country.

Last week, Vanuatu government officials were in New York to present their case before the UN Committee for Economic and Social Commission (ECOSOC) to continue as an LDC, along with Kiribati (per capita income: $US703 in 2006 prices), Samoa ($US2277), Solomon Islands ($US684).

Vanuatu (per capita income: $US1799) feels it might lose some privileges which are associated with LDC status. These privileges relate to market access for their exports as well as special treatment in many areas include trade and foreign aid.

Benefits of being an LDC

During the last ministerial talks in Hong Kong, it was agreed LDCs could have 100 per cent duty-free, quota-free access to US markets after the Doha round of trade talks were completed. Now that Doha talks collapsed, LDCs do not want to miss any chance and they would like to continue clinging on to current provisions relating to special treatment, particularly in terms of trade and aid to support their development priorities.

The benefits of being in the LDC group include eligibility for the US government sponsored Millennium Challenge Account (MCA) fund. Vanuatu is the only Pacific island country, which received a handsome grant of $US66 million for a host of infrastructure projects such as ports, jetties in the outer islands and rural roads.

Further, LDCs are eligible for soft loans from the World Bank and Asian Development Bank (ADB). The soft loans are generally for a long maturity period ranging from 30 to 40 years with an interest rate varying from 1 percent to 0.75 per cent, referred to service charge.

> The fears of graduation on the basis of good performance and the consequent loss of privileges are understandable.

Thus, these soft loans have a huge grant element.

Criteria

The cut off level of income to distinguish developed countries from the rest is per capita gross national income, $US11,456. There are 66 high-income or developed countries and territories; and 185 developing countries and territories.

The developing countries are divided into high middle, low middle and low income countries. The LDCs are ranked next to the developing countries

Among Pacific island countries, Fiji with its current per capita income at $US3306 (2006 prices) is called a low middle income developing country. Consequently, Fiji does not enjoy any special privileges, including the facility of soft loans from World Bank or ADB.

The least developed countries are categorised on the grounds of three criteria laid down in 2006: (i) per capita income; (ii) the Augmented Physical Quality of Life Index (APQLI); and (iii) an Economic Vulnerability Index (EVI).

The APQLI relates to human resource weakness criterion, involving a composite Human Assets Index (HAI) based on indicators of: (a) nutrition; (b) health; (c) education; and (d) adult literacy.

The EVI is based on indicators of: (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration; and (e) the handicap of economic smallness (as measured through the population in logarithm); and the percentage of population displaced by natural disasters.

The earlier (2003) criteria for categorizing developing countries into LDC did not include EVI, but included the following: threshold per capita GDP of $US765; an augmented physical quality of life index of 47; economic classification index of 26; and threshold population of 75 million.

The current 2006 requirements for a country to be called an LDC are: a GDP per capita less than $US1035; an EVI score of less than 34; and an APQLI score greater than 64.

LDCs of the world

As of September 2006, there were 50 LDCs as designated by UN Office of the High Representative for the Least Developed Countries. With the graduation of Cape Verde in 2007, there are now 49 countries in the world, which are designated as LDCs on the basis of the 2006 criteria.

Africa has the largest number - 33. They include Angola, Somalia, Sudan, and Uganda, which often hit the headlines for one reason or another such as civil strife. Asia has 10 LDCs, which include Bangladesh, Bhutan, Maldives, and Nepal. Central and Latin America has only one, which is Haiti. The Oceania region has five LDCs, which are Kiribati, Samoa, Solomon Islands, Tuvalu, Vanuatu.

Every three years, LDCS are reviewed by UN Economic and Social Council's (ECOSOC) Committee of Development Policy (CDP) for identifying any of them that could eventually graduate because of improvements in any of the three criteria. Based on the CDP report, the ECOSOC would make a recommendation to the UN General Assembly, which is responsible for the final decision on the new list of LDCs for operational purposes.

Ever since LDCs arrived on the scene, there have been only two graduations. The first country to graduate was Botswana in 1994. It was followed by Cape Verde in 2007. It is obvious why countries in LDC list are not keen to graduate.

Special case

Special consideration has been shown to Pacific island countries (PICs). Except for the Solomon Islands, all PICs have higher threshold incomes. Their human resource development indicators are far superior to the countries in Asia and Africa. Special considerations include recognition of PICs' vulnerability to the extremes of weather conditions, including their location in the cyclone prone regions of the Pacific as well as high earthquake risks.

On the basis of threshold income level, Vanuatu was found eligible for graduation from LDC status in 1997. However, it was allowed to retain the LDC status on the grounds of perceived deterioration in the quality of life following a major the earthquake in 2002, which inflicted severe damages to public and private properties in Port Vila.

Much before the earthquake of 2002, Vanuatu's Prime Minister pleaded in his 1997 address to the UN General Assembly for retention of LDC status. The General Assembly in its resolution: 52/210 of 18 December 1997 withheld the recommendation to graduate Vanuatu.

Review of LDCs

On the basis of the 2003 triennial review, CDP concluded that Cape Verde, and Maldives and Samoa were eligible for graduation in 2006. Maldives after Tsunami of 2005 continued in the LDC list.

While Cape Verde graduated in 2007, the decision on Samoa is still pending.

Although Vanuatu has not figured in the latest CDP review report, a preemptive move by the government is understandable. A timely lobbying is essential for retaining the LDC status.

Vanuatu has done very well among all Pacific island countries with an impressive growth rate at 5 per cent to 6 per cent per annum during last three years on a continuous basis. Its per capita income is growing along with improvements in quality of life. The recent grant of $US66 million has given additional boost to the country's development efforts

The fears of graduation on the basis of good performance and the consequent loss of privileges are understandable. Vanuatu feels that graduation would be less beneficial or even harmful.

Rephrasing Oscar Wilde, one would say: "A little progress is a good thing, and a great deal of it is absolutely fatal."

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