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Contribution of UNCTAD to the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020: Fifth progress report

Activities carried out by UNCTAD from 2011 to 2015 in implementing the Programme of Action for the Least Developed Countries for the Decade 2011–2020: Lessons learned and the way forward

Report of the UNCTAD secretariat

Executive summary

The Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action) was adopted by the Fourth United Nations Conference on the Least Developed Countries in May 2011 (A/CONF.219/7). The comprehensive high-level midterm review of the Programme, which took place in Antalya, Turkey, from 27 to 29 May 2016, adopted a political declaration¹ that is expected to contribute to an improved implementation of priority areas contained in the Programme in the remaining years.

In the five years since the adoption of the Programme, UNCTAD has conducted a wide range of activities in support of the least developed countries, as have other United Nations system entities, development partners and, not least, the least developed countries themselves.

¹ Adopted on 29 May 2016 (A/CONF.228/L.1).

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Despite the work and actions that have contributed to the fulfilment of the Programme's objectives, it is clear that these objectives are at risk of not being met. Only nine least developed countries have had gross domestic product growth rates greater than 7 per cent per year, and only 14 currently meet the graduation criteria. As a group, the least developed countries also lagged behind other developing countries in achieving most of the Millennium Development Goals.

This report has been prepared as a background document for the review of progress by the Trade and Development Board at its next annual session. It provides a summary of UNCTAD implementation activities in support of the least developed countries since the adoption of the Istanbul Programme of Action and, midway through the term of the Programme, contains a succinct assessment of where the least developed countries stand in achieving some of the quantitative and qualitative targets therein. Building on UNCTAD experience in the implementation of the Programme, this report also provides policy conclusions and a way forward for improving implementation of the agreed priorities in the years ahead.

Introduction

1. Periodic assessments and analyses by UNCTAD of the socioeconomic progress of the least developed countries indicate that, while the growth performance demonstrated by many of those countries is impressive, improvements in their human and social development aspects to the level envisaged in the Istanbul Programme of Action have not yet been achieved. Progress towards the achievement of the goals and targets of the Programme has been weak, varying between countries and regions and across sectors. The sluggish socioeconomic performance of the least developed countries is a reflection of structural weaknesses inherent in their economies and the resulting vulnerability to shocks of various forms and magnitudes, whether economic, social, political or environmental. UNCTAD has stressed that, to reach the targets set in the Sustainable Development Goals and the Programme, the least developed countries and their international development partners must continue to build the productive capacities of the least developed countries and work towards genuine structural economic transformation as a way to build resilience. Without their economic transformation from low-productivity to high-productivity economies, sustainable development and decent employment outcomes for their populations will be difficult to realize.

2. The Istanbul Programme of Action is an internationally developed framework that aims to enhance the development partnership between the least developed countries and the international community. The Programme contains eight priority areas for action, as follows:

- (a) Productive capacities;
- (b) Agriculture, food security and rural development;
- (c) Trade;
- (d) Commodities;
- (e) Human and social development;
- (f) Multiple crises and other development challenges;

- (g) Mobilizing financial resources for development and capacity-building;
 - (h) Good governance at all levels.
3. Each priority area includes commitments, specific goals and targets, in a number of different areas.
4. UNCTAD, whose seminal work led to the establishment of the least developed countries category in 1971, has been consistently supporting the trade and development interests of developing countries, including the least developed countries since the first session of the United Nations Conference on Trade and Development in 1964. Since the adoption of the Programme, UNCTAD has incorporated the priority areas, goals and targets into its work, in addition to instituting new projects to fulfil the Programme objectives, as detailed in chapter II of this report. UNCTAD will continue to address the trade and development challenges facing the least developed countries in all of the Programme's priority areas, within its mandate. Paragraph 156 of the Programme and paragraph 18(g) of the Doha Mandate, adopted at the thirteenth session of UNCTAD in Qatar in 2012, provide UNCTAD with a mandate to assist the least developed countries through intergovernmental consensus-building and technical assistance.
5. From 2011 to 2014 (the most recent year of available data), the average annual real growth rate of gross domestic product for the least developed countries as a group was 4.9 per cent. This level of growth falls short of the 7 per cent target committed to in the Programme. Only nine countries² of the 48 least developed countries grew at a rate above the target over this period. Despite economic growth not being the sole objective of sustainable development, strong growth can support opportunities to improve socioeconomic conditions for growing populations and provide a foundation for improvement in human and social development indicators. Targets in health, education and employment may all be supported by continuing growth, as long as the growth is broad based and sustainable. As such, the international community, in addition to the least developed countries themselves, must redouble efforts to boost growth in those countries in order to bring about increased living standards for the world's poorest people.
6. A key goal of the Istanbul Programme of Action is to enable half of the least developed countries to meet the graduation criteria by 2020. To date, progress in reaching this target has been inadequate. Only four countries have graduated from least developed country status, namely Botswana (1994), Cabo Verde (2007), Maldives (2011) and Samoa (2014). Three additional countries are slated for graduation, namely Angola, Equatorial Guinea and Vanuatu, and seven others have been found pre-eligible for graduation, namely Bhutan, Kiribati, Nepal, Sao Tome and Principe, Solomon Islands, Timor-Leste and Tuvalu. A more complete discussion of the progress of the least developed countries and development partners against the targets set by the Programme is provided in chapter III of this report.

I. UNCTAD contributions to the implementation of the Istanbul Programme of Action

7. UNCTAD supports the least developed countries in their efforts to achieve the goals of the Istanbul Programme of Action. Its work is organized under three broad pillars, namely research and analysis, consensus-building and technical cooperation. UNCTAD

² Afghanistan, Burkina Faso, Cambodia, the Democratic Republic of the Congo, Ethiopia, the Lao People's Democratic Republic, Mozambique, Myanmar and Sierra Leone.

contributions to the implementation, follow-up and monitoring of progress towards the goals and targets of the Programme, in areas within its mandate, include reviews by the annual sessions of the Trade and Development Board. The outcomes of the Board's reviews, in the form of decisions and agreed conclusions, are included in its annual report to the General Assembly. These reviews are additional to the substantive and technical contributions of UNCTAD to advancing the development objectives of the 48 least developed countries.

8. This report is not intended to cover all UNCTAD actions in support of the least developed countries or of the implementation of the Istanbul Programme of Action. Instead, it highlights some of the more consequential activities and events undertaken and publications prepared by the secretariat in the past five years.

A. Research and analysis

9. The research and analysis of UNCTAD contained in its publications is the backbone of its substantive work. The publications are oriented towards development policy and grounded in solid evidence-based analysis.³ The analysis of issues relevant to the least developed countries is most apparent in *The Least Developed Countries Report* of UNCTAD. However, since such issues cut across many aspects of trade and development, they are also addressed in other flagship publications.⁴ UNCTAD research and analysis focuses, in particular, on the challenges faced by the least developed countries in the areas of trade and development, and provides practical policy options and solutions, taking into account that different countries have differing development needs. As well as contributing to the pool of existing knowledge on development, UNCTAD reports keep issues relating to the least developed countries at the forefront of the international community's collective consciousness. UNCTAD research and analysis has continued to emphasize the importance of building productive capacities in creating structural transformation, and it is partly as a result of this research that productive capacities are a priority area in the Istanbul Programme of Action. The research and analysis undertaken by UNCTAD is part of an integrated approach to the formulation and implementation of sound development policies that aim to achieve sustained, inclusive and broad-based economic growth and development in the least developed countries.

The Least Developed Countries Report

10. *The Least Developed Countries Report* is the only report in the United Nations system that focuses entirely on the prospects and concerns of the least developed countries. It is a comprehensive annual report that provides research and analysis on the world's most impoverished countries, that is, those that are the focus of the Istanbul Programme of Action. In the period 2011–2015, the Report covered numerous topics deliberately chosen from the priority areas of the Programme and advanced ideas that promoted its successful implementation at the national, regional and global levels.

11. The 2011 edition of the Report, subtitled *The Potential Role of South–South Cooperation for Inclusive and Sustainable Development*, observed that the rising importance of South–South economic relationships is highly significant for the implementation of the Istanbul Programme of Action. UNCTAD considers that the benefits

³ Accra Accord, para. 184 (TD/442).

⁴ *Economic Development in Africa Report, Information Economy Report, Review of Maritime Transport, Technology and Innovation Report, Trade and Development Report, Trade and Environment Review and World Investment Report.*

of South–South cooperation will be greatest when a dynamic two-way relationship is established in which policies carried out by catalytic developmental States in the least developed countries and South–South cooperation reinforce each other in a continual process of change and development. In such a relationship, South–South cooperation supports both the building of the catalytic developmental State in the least developed countries and the successful achievement of its objectives.

12. *The Least Developed Countries Report 2012: Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities* noted the increasing importance of remittances in the years preceding the Report. UNCTAD analysed the policy settings that would be necessary to best make use, for development purposes, of the knowledge and wealth acquired by diasporas. The Report stated that diasporas could further structural change and economic development by strengthening the knowledge base in home countries.

13. *The Least Developed Countries Report 2013: Growth with Employment for Inclusive and Sustainable Development*, points out that despite maintaining comparably strong growth after the global financial crisis, job growth in the least developed countries has remained disappointing. Jobless growth is a source of social tension and is of particular concern in the least developed countries, owing to the challenges posed by demographic patterns and persistent poverty. The least developed countries have particularly young populations, and their population is expected to roughly double by 2050. Given the sheer numbers of new entrants to the labour markets of the least developed countries in the coming decade, the levels of growth seen recently will not be enough to provide decent and productive work to everyone.

14. *The Least Developed Countries Report 2014: Growth with Structural Transformation – A Post-2015 Development Agenda*, found that despite a fairly strong record of growth in the least developed countries, many markers still fail to show the development progress necessary to break the cycle of poverty afflicting those countries. The Report calls this the “least developed country paradox,” that is, growth without structural transformation. In this wide-ranging report UNCTAD discusses recommendations in areas such as resource mobilization, industrial and sectoral policies, and macroeconomic policy that may assist the least developed countries in achieving structural transformation and inclusive growth.

15. *The Least Developed Countries Report 2015: Transforming Rural Economies*, provides an in-depth look at rural economies and the contribution they make – and could potentially make – to the Sustainable Development Goals. Rural economies cannot be categorized simply, and UNCTAD argues for differentiation between peri-urban, intermediate, and remote and isolated rural areas. Given that rural areas are those where poverty is most widespread, focus on their issues is central to poverty eradication.

Economic Development in Africa Report

16. Productive capacities have been an area of key importance on the UNCTAD research agenda for some time and are included as the first priority area of the Istanbul Programme of Action. The *Economic Development in Africa Report 2012: Structural Transformation and Sustainable Development in Africa* built on this theme. A key recommendation in the Report is that achieving sustainable development in Africa – where nearly three quarters of the least developed countries are located – requires deliberate, concerted and proactive measures to promote structural transformation and the relative decoupling of natural resource use and environmental impacts from the growth process. Growth that relies on industries that have a negative effect on the environment and rapidly consume a country’s resource base will not result in vibrant and sustainable economies. Therefore, growth strategies should promote activity that does not rely on unsustainable resource extraction and environmental degradation. Structural transformation that is built

on the unsustainable harvesting of natural resources will not bring about balanced long-term growth. Furthermore, structural transformation cannot be achieved without a focused effort to promote policies that are appropriate to the circumstances of the individual countries concerned.

B. Consensus-building and intergovernmental support

17. At the thirteenth session of UNCTAD, the secretariat organized a high-level event on the implementation of the Istanbul Programme of Action, with a particular focus on issues related to structural transformation and graduation from the least developed country category. This kind of activity is characteristic of the work that UNCTAD undertakes each year to build consensus within the international community on actions needed to enhance the sustainable development prospects of the least developed countries. Extensive and constructive discussions highlighting the challenges, opportunities and prospects of the least developed countries for graduation from the category took place at the session. Participants called upon UNCTAD to intensify its support to the least developed countries to enable them to meet the graduation target, including devising a smooth transition strategy for graduating countries.

18. Over the past five years, UNCTAD has continued to provide support to trade negotiators and policymakers in the least developed countries. UNCTAD has also lent support to those countries as a group so as to strengthen their capacities to engage in multilateral, regional and subregional trade negotiations. UNCTAD provides analyses of the development implications of technical issues related to the World Trade Organization, and in this way aids consensus-building on development concerns related to multilateral trade. In addition, UNCTAD provides updates that enable the international system and member States to continue working towards the advancement of the least developed countries. The report of the Secretary-General of the United Nations to each session of the General Assembly and Economic and Social Council on the implementation of the Istanbul Programme of Action contains input from system-wide agencies, including UNCTAD, on activities advancing the implementation of the Programme. By providing reports on its activities to aid the development of the least developed countries, UNCTAD reports to member States on the implementation by bodies of the United Nations system of programmes and actions they have agreed to. Similarly, UNCTAD provides a comprehensive report on its activities in support of the least developed countries to each annual session of the Trade and Development Board. The reports and related discussions at these forums provide well-informed environments where member States can evaluate the ongoing progress of the least developed countries, as well as the actions of their international development partners. In sum, the consensus-building pillar of the work of UNCTAD is instrumental in exchanging experiences in the implementation of the Programme and identifying challenges and limitations, as well as formulating recommended actions for the improved implementation of the priorities of the Programme.

19. UNCTAD was a lead discussant and panellist in high-level round tables and several side events in connection with the meeting on the Midterm Review of the Programme of Action, held in Antalya from 27 to 29 May 2016. It also submitted a report to the meeting highlighting activities carried out in the five years since the adoption of the Programme in May 2011. At this meeting, UNCTAD also organized a high-level side event on fostering structural progress toward graduation from least developed country status.

World Investment Forum

20. The World Investment Forum is a high-level, biennial, multi-stakeholder gathering designed to facilitate dialogue and action on the world's key emerging investment-related

challenges. Its mission is to provide a platform where a debate on investment for development can take place, and ultimately, to promote investment flows that contribute to sustainable and inclusive development. The fourth World Investment Forum, held in 2014, has been the largest to date; 39 least developed countries were represented among the 3,000 stakeholders. The Forum provided opportunities for the least developed countries to showcase investment opportunities to an international audience and engage with international organizations and senior business executives. A particular focus was investing in the Sustainable Development Goals, and the Forum included sessions on the following topics: investing in the future, a sustainable stock exchanges global dialogue, making value chains work for the poor and leveraging private finance for sustainable development. A ministerial round table on investing in the Goals convened investment, trade and development ministers from 29 countries and two heads of international organizations, 10 of which represented the least developed countries.

C. Technical cooperation and capacity-building

21. UNCTAD conducts many activities in order to assist the least developed countries. This report does not elaborate on each activity, but highlights those that have the furthest reach and apply to the greatest number of least developed countries. Many events that have been highly significant to individual least developed countries are therefore not included, but can be found in the previous yearly summaries of UNCTAD contributions to the Istanbul Programme of Action.

Graduation from the least developed country category

22. UNCTAD fulfils a critical role in implementing the Istanbul Programme of Action by providing advisory services and technical assistance to countries with graduation prospects. Over the past five years, UNCTAD has prepared and delivered workshops and training and other support to stakeholders of the least developed countries preparing for transition from least developed country status. The most notable beneficiary of these services was Samoa, which graduated in 2014. Services continue to be provided to Angola, Bhutan, Equatorial Guinea, Kiribati, Nepal, Sao Tome and Principe, Solomon Islands, Timor-Leste and Vanuatu, all of which have graduation prospects. Countries not yet found eligible for graduation by the Committee for Development Policy⁵ that wish to be kept informed of graduation matters may also receive support from UNCTAD, as for example Cambodia in 2013 and the Lao People's Democratic Republic in 2015.

Trade and related areas

23. UNCTAD provides assistance upon request by least developed country member States in updating their diagnostic trade integration studies, which serve as tools to identify policy limitations and gaps in the least developed countries, and developing action matrices to address domestic bottlenecks to trade. The studies are crucial and a cornerstone of the Enhanced Integrated Framework in terms of integrating and mainstreaming trade into national development plans. Diagnostic trade integration studies identify the constraints to the integration of a least developed country into the multilateral trading system and the mainstreaming of trade issues into national development strategies. Over the past five years, many least developed countries⁶ have benefited from UNCTAD involvement in updating their diagnostic trade integration studies.

⁵ <http://www.un.org/en/development/desa/policy/cdp/> (accessed 3 August 2016).

⁶ Djibouti, Ethiopia, Gambia, Mali, Mozambique, the Niger and Senegal.

24. In considering whether to accede to the World Trade Organization, the least developed countries face a difficult and multifaceted decision, and on choosing to do so, face a highly complex accession process. UNCTAD provides support on an ongoing basis to the least developed countries working towards accession to the World Trade Organization. This support extends to advisory services, reviews and field missions, where necessary. This is one example of the technical trade-related areas in which UNCTAD provides valuable assistance to the least developed countries. Further areas of assistance include non-tariff measures, rules of origin, market access, geographical indications and trade in services policies.

25. UNCTAD also contributes to the integration of the least developed countries into the global trade network through its services policy reviews. Services are an area of increasing importance in world trade, as noted in the *Economic Development in Africa Report 2015*. UNCTAD services policy reviews include specific country and sector-focused services assessments examining policy and regulatory frameworks and the potential impact of services trade liberalization. The reviews build awareness in beneficiary countries of the contribution that the services sector can make in their development. Since the adoption of the Istanbul Programme of Action, Lesotho, Rwanda and Uganda have benefited from such reviews.

Trade logistics and technology

26. One aspect of UNCTAD work in supporting trade for sustainable development is its promotion of the Automated System for Customs Data (ASYCUDA), which enables countries to increase revenue collected by customs, as well as to reduce clearing times and costs. ASYCUDA facilitates international trade by contributing to the modernization of customs operations through the use of information technology and helps develop a new administrative culture and closer relationships with trading communities. Speeding up and simplifying the customs clearance process for traded goods strengthens the competitiveness of importers and exporters. Furthermore, ASYCUDA helps develop sustainable partnerships and cooperation with beneficiary countries and international and regional organizations. The System is used by more than 90 countries, over a third of which are least developed countries.

27. Another area where UNCTAD assists the least developed countries is in the implementation of trade facilitation agreements and in understanding the challenges and domestic bottlenecks in this area. UNCTAD work in this area is varied; in addition to publishing research, UNCTAD conducts workshops and training events and helps those countries develop trade facilitation implementation plans. For example, in 2013, UNCTAD continued to implement a port-training programme aimed at strengthening the knowledge and skills of port managers in Benin, Djibouti, Guinea, Senegal, Togo and the United Republic of Tanzania.

External debt

28. An ongoing UNCTAD programme is the Debt Management and Financial Analysis System. UNCTAD has provided this support since the early 1980s. It is relevant to the Istanbul Programme of Action priority area of mobilizing financial resources for development and capacity-building. The System includes the development, installation and maintenance of specialized software designed to meet the operational, statistical and analytical needs of debt managers in developing countries. Training and advisory services related to technical and institutional debt management issues are also offered, as well as capacity-building with regard to debt data validation, statistics and basic debt analysis. Over the past five years, many capacity-building workshops have taken place in the least

developed countries and have improved the abilities of relevant officials in debt analysis and debt management techniques.

Investment

29. UNCTAD continues to receive requests from the least developed countries to provide assistance for investment policy reviews, which seek to improve the investment framework in a country to ensure that it receives the greatest development gains possible from foreign direct investment. The ongoing demand for support with regard to such reviews provides evidence of the importance for the least developed countries of this area of the work of UNCTAD. An investment policy review for the Sudan was completed in 2015, and a review for Madagascar is currently in its final stages. Given that mobilizing financial resources for development and capacity-building is a priority area of the Istanbul Programme of Action, investment policy reviews are likely to be an important part of UNCTAD actions in support of the least developed countries.

Building the capacities of selected least developed countries to upgrade and diversify their fish exports

30. With funding from the United Nations Development Account, UNCTAD implemented a project to improve the ability of selected least developed countries to export fish to developed and developing countries. This project included policy-oriented research and analysis on export development and diversification and the problems facing those countries in meeting international standards. UNCTAD conducted national workshops in Cambodia, the Comoros, Mozambique and Uganda; stakeholders from Government, industry, academia and civil society gathered to discuss and formulate plans to address barriers to exports. UNCTAD, with the input of key stakeholders, recommended policies and strategies stemming from the workshop for implementation by both national Governments and international development partners. As part of the project outcome, UNCTAD prepared a training manual on building the capacities of the least developed countries to upgrade and diversify their fish exports, which included ways and means of improving national food safety and quality standards in compliance with international sanitary and phytosanitary standards.

Strengthening trade and planning ministries to reduce poverty

31. UNCTAD formulated and implemented a project financed from the United Nations Development Account on the strengthening of capacities of trade and planning ministries of selected least developed countries to develop and implement trade strategies that are conducive to poverty reduction. The project assisted selected least developed countries in implementing trade strategies to enhance national development objectives. Project case studies were completed, national workshops were held in Bhutan, Ethiopia, Kiribati, the Lao People's Democratic Republic, Lesotho and Senegal, and two regional workshops were organized in Africa and in the Asia-Pacific region. The workshops helped identify concrete policy actions to make trade more inclusive and better able to contribute to national development goals in the context of the Millennium Development Goals and the Sustainable Development Goals. As part of the project outcome, UNCTAD prepared a policy handbook on trade mainstreaming, which drew lessons from the beneficiary countries' experiences and provided insights on designing and implementing effective trade strategies in the least developed countries. The handbook will be used as a tool for carrying out capacity-building activities in other least developed countries and serve as a guide to policy formulation in developing countries.

II. Progress towards reaching the key targets in the Istanbul Programme of Action

A. Graduation from the least developed country category

32. The most significant challenge facing the least developed countries and their development partners at the midway point of the timeline of the Istanbul Programme of Action relates to the quantitative target to enable half of the least developed countries to meet the graduation criteria by 2020. Since the adoption of the Programme, only Samoa has graduated from least developed country status (2014). Angola, Equatorial Guinea, Tuvalu and Vanuatu are all slated for graduation. Kiribati has met the criteria for graduation twice, and five additional countries have met the graduation criteria for the first time, namely Bhutan, Nepal, Sao Tome and Principe, Solomon Islands and Timor-Leste. The current number of least developed countries that have met the graduation criteria is thus 14.⁷ This suggests that the stated aim of the Programme will be a challenge to reach.

B. Sustained economic growth

33. The Programme specifies a growth target of 7 per cent per year for the least developed countries. From 2011 to 2014, the average annual real growth rate of gross domestic product for those countries as a group was 4.9 per cent. The average growth rate for individual least developed countries⁸ over the same period was 4.4 per cent. Only nine countries⁹ over this period had a growth rate above the 7 per cent target. The Central African Republic, Equatorial Guinea and Timor-Leste experienced negative growth.¹⁰ In regional terms, African least developed countries grew in aggregate by 6.1 per cent per year, Asian least developed countries by 4.3 per cent and island least developed countries and Haiti by 1.2 per cent. Not achieving the growth target set by the Programme and the preceding Brussels Programme of Action – also a target under the Sustainable Development Goals – will have a significant bearing on the attainment of other development targets.

C. Internet access

34. In 2000, the number of Internet users per 100 inhabitants in the least developed countries was only 0.1. The least developed countries increased access and had reached 4.47 Internet users per 100 inhabitants by 2010. The goal in the Brussels Programme of Action had been for the least developed countries to reach 10 users per 100 inhabitants, or 10 per cent, by 2010, but this was not achieved. The Istanbul Programme of Action targets 100 per cent access to the Internet by 2020, an ambitious goal. With a new programme of action that aims to enable 100 per cent access, the least developed countries reached 8.64 users per 100 inhabitants in 2014.¹¹ While the number of people with access to the Internet has approximately doubled, the rate of growth needs to increase dramatically in

⁷ Three countries graduated from least developed country status prior to the commencement of the Istanbul Programme of Action.

⁸ The Sudan and South Sudan are not included for reasons of data availability.

⁹ See note 2.

¹⁰ Ibid.

¹¹ World Bank, 2016, World Development Indicators database, available at data.worldbank.org/data-catalog/world-development-indicators (accessed 3 August 2016).

order for the Programme target to be met. Furthermore, it is likely that reaching the remaining members of the population will require exponential efforts, as they are likely to reside in the most remote areas, which are difficult to connect to national infrastructures.

D. Government expenditure allocated to agriculture

35. The emphasis on agriculture in the Istanbul Programme of Action is enhanced by a quantitative target for Governments of the least developed countries to allocate 10 per cent of their expenditure to this sector. Progress in this area is difficult to quantify because of a scarcity of data. In 2010, of the 13 countries reporting to the Food and Agriculture Organization of the United Nations database, none were at 10 per cent. Nepal, the country with the highest level of expenditure set aside for agriculture, allocated 8.63 per cent. Zambia was the only other country allocating more than 5 per cent. In 2012, the database showed that, of five least developed countries, only Nepal had expenditures greater than 10 per cent. Each of the four other least developed countries reporting in this database (Afghanistan, Angola, Uganda and the United Republic of Tanzania) had allocated less than 5 per cent of government expenditure to agriculture.

E. Doubling of the share of least developed country exports in global exports

36. During the term of the Brussels Programme of Action from 2000 to 2010, the share of least developed country exports in world exports increased from 0.56 per cent to 1.07 per cent. Increasing this share had not been an explicit target in the Brussels Programme of Action, but was specified as such in the Istanbul Programme of Action. Specifically, the target is to double the share of least developed country exports in world exports by 2020, including broadening the export base of those countries. This would bring their share of exports to approximately 2 per cent of world trade.

37. In the period 2000–2010, the increase of the share of least developed country exports in world trade was largely due to a commodity boom, and was not accompanied by strong structural transformation. Since the decline in commodity prices, the share of trade of the least developed countries has remained more or less constant. In 2011, the least developed countries accounted for 1.10 per cent of world merchandise exports, and in 2014, the figure was only 1.09 per cent.¹² In recognition of the fact that sustainable development can only occur in the least developed countries with the diversification of their exports, the Istanbul Programme of Action and UNCTAD support are focused on structural transformation.

38. Diversification of the production and export bases of the least developed countries is mentioned many times in the Programme. Despite diversification being a prominent target, and widely agreed to be a key facet of sustainable economic development, UNCTAD research has shown that many least developed countries remain commodity-dependent. While there is evidence that the merchandise export concentration (Herfindahl–Hirschman) index of least developed countries has been falling in recent years, it remains above the levels of the early 2000s, and higher than those of developing countries that are not least developed countries.¹³ In 2000, the concentration index for the least developed countries

¹² World Trade Organization, 2016, International trade and tariff data, available at wto.org/english/res_e/statis_e/statis_e.htm (accessed 3 August 2016).

¹³ UNCTAD, 2016, UNCTADstat database, available at unctadstat.unctad.org/ReportFolders/reportFolders.aspx (accessed 3 August 2016).

was 0.330. In 2014, the concentration index was 0.362 for the least developed countries, 0.127 for high-income developing economies and 0.109 for middle-income developing economies. In economies undergoing sustainable structural transformation, indices of export concentration should decline. Such economies should produce a wider variety of goods and move up the value chain from exporting low value commodities and agricultural products to higher value added and more diverse goods and services. In recent months, it has again been seen that dependence on commodities in times of volatile and falling prices can create difficulties for economies reliant on commodity exports.

F. Achievement of the Millennium Development Goals by 2015

39. The Istanbul Programme of Action contains a number of targets that duplicate those of the Millennium Development Goals, either explicitly referring to the Goals or restating a Goal without a direct reference. For example, paragraph 77(a) specifies that the least developed countries should pursue policy measures in line with achieving Millennium Development Goals 4 and 5 (reduced child mortality and maternal health). Paragraph 73(a) specifies the goal of universal access to free primary education, which is Millennium Development Goal 2, however, the Istanbul Programme of Action does not mention this goal by name. A detailed analysis of progress towards the Goals is provided in *The Least Developed Countries Report 2014*. Only one least developed country, the Lao People's Democratic Republic, appeared on track to meet all of the Goals, which also put it on track to meet the Programme goals on improving child and maternal health, halting the spread of disease and improving access to safe drinking water. The Report also indicates little progress in the least developed countries towards reducing by half the proportion of people living in extreme poverty by 2015. In six least developed countries, the poverty headcount ratio (the proportion of the population living in absolute poverty) is 70 to 90 per cent, and in eight other least developed countries, 50 to 70 per cent. Only eight African least developed countries and six other least developed countries¹⁴ were on track to halve poverty between 1990 and 2015 (according to 2011 data), while poverty had increased since 1990 in seven least developed countries.

40. According to UNCTAD assessments, the following States were on track to meet Programme target on child health by 2015 or had met the target: Bangladesh, Bhutan, Cambodia, Eritrea, Ethiopia, the Gambia, Guinea, the Lao People's Democratic Republic, Liberia, Madagascar, Malawi, Mozambique, Nepal, the Niger, Rwanda, Senegal, Timor-Leste, Uganda, the United Republic of Tanzania, Vanuatu and Zambia. Seven countries had made little progress, no progress or negative progress. With regard to the target on maternal health (reducing maternal mortality by three quarters), it was likely that many African least developed countries and Haiti would fall short of the target, whereas the Asian least developed countries were on track.

41. The target to halt and reverse the spread of malaria, HIV/AIDS and other diseases is not on track to being met in the least developed countries. Although access to antiretroviral therapy is improving, universal access has not yet been achieved. In none of these countries does 90 per cent of the population with advanced HIV have access to the therapy. In most least developed countries for which data are available, access is below 50 per cent.

42. Another target in the Programme related to the Millennium Development Goals is that of halving the proportion of people without access to safe drinking water by 2015, and striving to provide safe access to all by 2020, along with basic sanitation. Many of the least

¹⁴ Bhutan, Cambodia, Chad, Djibouti, the Gambia, Guinea, the Lao People's Democratic Republic, Mauritania, Nepal, Senegal, the Sudan, Timor-Leste, Uganda and Yemen.

developed countries, in particular those in Asia, are on track to meet this target. However, there are still many for which the target may be unachievable. *The Least Developed Countries Report 2014* noted that 14 least developed countries had made either scant progress or had stagnated and/or reversed progress towards that target.

43. The official development assistance targets, as contained in the Istanbul Programme of Action (paragraph 116), in addition to the Millennium Development Goals, required donor countries that had been providing 0.20 per cent of their gross national product to the least developed countries through official development assistance to continue to do so, those that had met the target of 0.15 per cent to strive to reach 0.20 per cent and those that had not yet met the target of 0.15 per cent to strive to achieve it by 2015. A comparison of the years 2010 and 2013 (the most recent year of available data) shows that the same number of donor countries (9 of 29) contributed 0.15 per cent or more of their gross national incomes to the least developed countries.¹⁵ Fewer countries donated 0.20 per cent of their gross national incomes in 2013 (six) than in 2010 (eight), namely Denmark, Ireland, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland. In absolute dollar terms, official development assistance to the least developed countries rose by 2 per cent in 2013 to \$44.2 billion, accounting for 93 per cent of total official capital flows. However, preliminary estimates show that bilateral official development assistance from major donors to the least developed countries fell by 16 per cent in real terms from 2013 to 2014.¹⁶

G. Building productive capacities

44. In addition to the specific quantitative targets discussed above, the Istanbul Programme of Action also contains qualitative goals related to productive capacities, including measures such as increasing the value addition in natural resource-based industries and primary energy supply per capita. A full discussion of this is available in the progress report prepared for the sixtieth session of the Trade and Development Board.¹⁷ In a number of these areas of the Programme, the achievements of developing countries that are not least developed countries are used as a benchmark against which the least developed countries are compared; hence this comparator group is included in the analysis below.

45. An increasing share of value added in the manufacturing sector is one indicator of the structural transformation resulting from adding productive capacities. In this regard, from 2002 to 2011, the median share of value added in the manufacturing sector in the least developed countries fell by 0.6 percentage points. This indicates deindustrialization and a slowing of progress towards structural transformation. However, it should be noted that negative progress also occurred in developing countries that do not belong to the least developed country category, with the median share of value added in the manufacturing sector falling by 1.0 percentage points.

46. With regard to transport, in 2010, only three the least developed countries had a higher proportion of paved roads than the unweighted average of developing countries that are not least developed countries (56 per cent), while 20 least developed countries had a

¹⁵ United Nations, 2016, Integrated Implementation Framework, available at iif.un.org/content/integrated-implementation-framework-achieving-mdgs-through-mutual-accountability (accessed 3 August 2106).

¹⁶ For more details, see UNCTAD, 2015, *The Least Developed Countries Report 2015: Transforming Rural Economies* (Geneva and New York, Sales No. E.15.II.D.7, United Nations publication).

¹⁷ TD/B/60/8.

proportion of paved roads lower than 20 per cent, indicating that they were unlikely to match the average of other developing countries in the near term.¹⁸

47. With regard to private sector development, the least developed countries have been lagging behind the rest of the world for some time, and this is both a cause and an outcome of their low levels of development. The World Bank Doing Business indicators provide an assessment of the rules and regulations in an economy that affect the private sector's ability to function well. The bulk of the least developed country group is situated among the higher Doing Business rankings (where a higher ranking shows a more challenging business environment), with a median ranking among the least developed countries of 153. The median ranking of developing countries that are not least developed countries is 99. Three least developed countries rank below 90, but roughly half of them are above 150.

48. An area of encouraging development is in public spending on education by the least developed countries. Many of these countries allocate a higher proportion of government expenditure to education than developing countries that are not least developed countries. In fact, the least developed countries have a higher unweighted average (18 per cent) and median (17 per cent) than the group of other developing countries (unweighted average 15 per cent and median 14 per cent).¹⁹

III. Conclusions and the way forward

49. The socioeconomic progress achieved by the least developed countries as a group since the adoption of the Istanbul Programme of Action remains weak. Consequently, they remain vulnerable to shocks, whether economic, political or environmental. When the Fourth United Nations Conference on the Least Developed Countries was held in May 2011, the international community had been addressing the impact of an earthquake in Haiti in January 2010. Another earthquake, in Nepal in April 2015, reversed the hard-won socioeconomic gains of several years in the country, and in March 2015, a cyclone had a negative impact on the socioeconomic and institutional composition of Vanuatu, as a consequence of which the General Assembly postponed a decision on the graduation of the country from least developed country status. In other countries, such as Angola, external economic shocks such as those caused by volatility in commodity prices, in particular the recent spiral fall in petroleum prices, negatively affected graduation prospects. However, the country took tangible action by making graduation a part of its trade and development agenda and using graduation as a catalyst for inclusive growth and sustainable development. In this regard, Angola and its development and trading partners should further efforts to enhance economic diversification anchored on fostering productive capacities and structural economic transformation.

50. A number of countries have made modest progress in some areas, while lagging behind in others. Other countries have made no significant progress towards any of the goals or targets in the Istanbul Programme of Action. For example, with respect to meeting the target on gross domestic product growth, only 9 of the 48 least developed countries met the 7 per cent target, while some others experienced negative growth. In countries where evidence suggests economic progress, this has not always resulted in poverty reduction and improved human well-being. Of the 48 least developed countries, only the Lao People's Democratic Republic was assessed as being on track to meet all seven Millennium

¹⁸ UNCTAD, 2016, *Benchmarking Productive Capacities in Least Developed Countries* (Geneva, United Nations publication) UNCTAD/WEB/ALDC/2015/9.

¹⁹ Ibid.

Development Goals.²⁰ At this stage, the goal of enabling half of the least developed countries to meet the graduation criteria seems daunting, given weak productive capacities and a lack of structural transformation in their economies. In terms of the three graduation criteria, more least developed countries have reached the gross national income per capita criterion than that of the human assets index and the economic vulnerability index.²¹ This indicates that development partners should continue to focus on the pressing issues of human development and economic vulnerability. Growth in per capita incomes may be a necessity, but is not a sufficient condition for countries to rise from a history of low development. Economic diversification and structural transformation, and the enablement of broad-based income growth by providing employment to all, are vital to creating sustainable development in the least developed countries and meeting the Sustainable Development Goals.

51. Of primary concern to many least developed countries is the creation of quality productive jobs for their populations. Inclusive and sustainable development requires developing countries to achieve not just growth in gross domestic product, but growth in employment and the social benefits that go along with this. Despite the positive growth trend in most of the least developed countries, employment growth has not increased at levels that enable their populations to be assured of stable and productive jobs. The continuing levels of unemployment of millions of people represent an enormous waste of human potential and are also associated with poorer social outcomes. Creating productive employment opportunities to match the rapid population growth in those countries remains a key policy challenge.

52. Now that the implementation of the post-2015 development agenda has begun, it is apparent that the Sustainable Development Goals are more ambitious than the Millennium Development Goals. Working towards the objectives of the Istanbul Programme of Action will go hand in hand with working towards the 2030 Agenda for Sustainable Development, which incorporates the Sustainable Development Goals. UNCTAD support for the least developed countries towards meeting the objectives of the Programme is coherent with Goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). In particular, the first target of Goal 8 is to sustain 7 per cent gross domestic product growth per year in the least developed countries, matching the target set in the Programme. It is clear that, despite the continuing growth of the least developed countries, the growth rates achieved so far are not high enough to ensure transformational changes in an acceptable period of time. To this end, all least developed countries and development partners should critically evaluate the strategies they are currently adopting in order to ascertain whether they are in accordance with the Programme.

53. Therefore, it is essential for the least developed countries and their development partners to redouble their efforts to reverse the sluggish socioeconomic performance of the least developed countries and put them on a path of sustained growth and development. This requires substantially reducing poverty and building economic resilience by fostering productive capacities and structural economic transformation. To that end, the least developed countries and their development partners should strive to enhance the quality of growth, which should be inclusive, participatory and sustainable. To do so, it is necessary, among others, to develop productive capacities that in turn help create productive employment opportunities, improve the capacity of the least developed countries to produce

²⁰ UNCTAD, 2014, *The Least Developed Countries Report 2014: Growth with Structural Transformation – A Post-2015 Development Agenda* (Geneva and New York, Sales No. E.14.II.D.7, United Nations publication).

²¹ E/2015/33.

goods and services and help make them internationally competitive. Sustained structural transformation in their economies can take place only if an enabling policy framework is put in place to accelerate the process of capital accumulation, structural change and technological progress. This may be achieved through nationally owned, participative, inclusive and development-oriented policies, as well as the increased use of development partnerships.

54. In the years ahead, the UNCTAD secretariat, through its three pillars of work, will continue to address the pressing priorities and needs of the least developed countries. It will focus in particular on the improved implementation of priority areas of the Istanbul Programme of Action. This includes the following:

- (a) Deepening analytical and conceptual work;
- (b) Providing support to countries that are in the process of graduation from the category of least developed countries;
- (c) Helping the countries concerned take advantage of trade and investment opportunities, including though South–South and triangular cooperation;
- (d) Addressing international trade and commodity issues;
- (e) Helping build the technological capabilities of the least developed countries;
- (f) Assisting the least developed countries in attracting and benefiting from investment, including foreign direct investment.

55. UNCTAD will also continue addressing the priority areas of work highlighted in the Programme – agriculture, food security, technology and innovation, climate change and the vulnerabilities of the least developed countries, for example. The secretariat, in collaboration with other bodies, will also assist them in integrating the Programme into their national development strategies, and in ensuring complete implementation of the actions and commitments contained therein.

56. The areas of intervention by UNCTAD described in this report are reflection of an increasing interest and demand for the support of the secretariat from the least developed countries in areas defined in the Istanbul Programme of Action. Effectively responding to the growing list of demands of member States requires concerted efforts by donors, the beneficiary countries themselves and the secretariat to strengthen policy formulation and implementation capacities of the least developed countries and to enhance the substantive or developmental impact of technical cooperation and capacity-building projects and programmes on domestic institutions and economies of those countries. To that end, ongoing efforts aimed at enhancing their ownership capacities should be continued, while ensuring the predictability and sustainability of such activities at national levels. This will also require financial support by donor countries. In this regard, the UNCTAD Least Developed Country Trust Fund continues to be an important means of initiating, designing and implementing technical cooperation and capacity-building activities in the least developed countries. As in previous years, the challenge for the secretariat is to mobilize resources so as to regularly replenish the Trust Fund.
