



THE LEAST DEVELOPED COUNTRIES REPORT 2014

Growth with structural transformation: A post-2015 development agenda

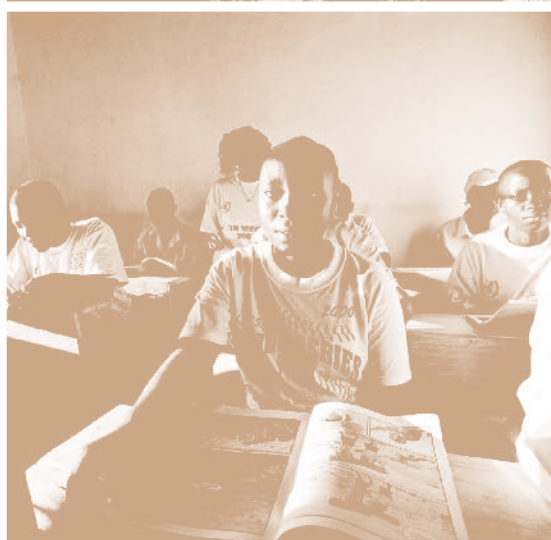
CHAPTER 2

LDCs' PROGRESS TOWARDS ACHIEVING THE MDGs



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A. Introduction

While the LDCs have achieved economic growth in line with the 7 per cent target, the majority of LDCs are expected to miss most of the MDGs.

The Millennium Development Goals (MDGs, see table 7) have embodied the objectives of the global community with respect to development since 2000. In addition, the Brussels and Istanbul Plans of Action have set the economic development objectives for least developed countries (LDCs) during this period. However, while the LDCs have achieved an overall economic growth rate broadly in line with the 7 per cent target set by those Plans of Action, the majority of LDCs are expected to miss most of the MDGs. As discussed in box 2, the MDG metrics, by their very nature, are exceptionally challenging to the LDCs, so that failure to meet those targets should not be interpreted simply as a shortcoming of LDC governments themselves; it also reflects in part a failure of the international community to live up to its commitments to global development in general, and to LDCs in particular.

Nonetheless, many LDCs have enjoyed unprecedented growth rates for much of the period since 2000, and official development assistance (ODA) receipts have increased rapidly, even though they remain far short of the target of 0.15–0.20 per cent of donor country gross national income (GNI). The failure of the current model of economic growth to deliver social benefits on the scale envisaged by the MDGs during a period of exceptionally favourable economic growth and strongly rising ODA suggests a deeper problem. This has important implications for the post-2015 development agenda: LDCs will stand little chance of achieving the much more ambitious sustainable development goals (SDGs) unless lessons are drawn from the experience of these past 15 years. The nature of these lessons is discussed in later chapters of this Report.

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This chapter reviews LDCs' performance relative to the key MDG targets relating to poverty, employment, hunger, education, health and access to water and sanitation (section B). It then considers the performance of the international community on MDG 8 (concerning international support to development) with respect to LDCs (section C). Section D summarizes and concludes.

B. Tracking the MDGs

This section begins with a summary of global performance in respect of the MDGs, followed by an assessment of LDCs' progress towards the MDGs since the 1990 baseline. Since time-series data for all the MDGs have some gaps, the assessment uses data for five-year periods. It should be noted, however, that the country coverage of data for some indicators and country groups vary even between five-year periods. This makes the results sensitive to outlier values, particularly for island LDCs and for 2011–2012, for which data are more limited.

Global performance on the MDGs presents a mixed picture.

1. GLOBAL PROGRESS TOWARDS THE MDGs: AN OVERVIEW

MDGs 1-7 set outcome targets for reduction of extreme poverty and hunger, improvements in basic standards of human development (in terms of education, gender equity, health, and access to water and sanitation facilities) and environmental sustainability. The single goal relating to international support to development (MDG 8), which is essential for realizing these outcomes, is discussed separately in section C of this chapter.

Global performance on the MDGs presents a mixed picture (World Bank and IMF, 2013; UN/DESA, 2013). The headline goal of halving extreme poverty

Box 2. MDG Metrics and the Interpretation of LDC Performance

Most of the MDGs (and their successors among the planned SDGs) are based on deficit indicators; that is, they aim to reduce a negative indicator, either to zero or by a certain proportion, rather than to increase a positive indicator. Thus the MDGs include halving poverty, undernutrition and the proportion of people without access to safe water and sanitation, and reducing under-five mortality rates by two thirds and maternal mortality ratios by three quarters. Similarly, universal net primary school enrolment can be interpreted as reducing to zero the proportion of children of the relevant age group who are not at school, and “decent work for all” as reducing to zero the proportion of the labour force that does not have decent work.

There are three critical advantages in using such deficit indicators:

- First, it is intuitively appealing to set a target of levelling up or down towards an ideal level which, in some cases (e.g. poverty and school enrolment), is generally taken for granted in developed countries.
- Second, they allow the global goals to be interpreted equally as a set of identical national or regional goals. If, for instance, poverty is halved, the under-five mortality rate is reduced by two-thirds and the maternal mortality ratio is reduced by three quarters in every country, it follows that concomitantly they will also be reduced by the same amount within every region and globally.
- Third, the absolute improvement as a result of meeting a goal is greatest where the starting point is worst. For example, in two countries of the same size, halving poverty takes more people out of poverty where it starts at 50 per cent than where it starts at 20 per cent. If, instead, the goal were to double the incomes of the poorest 20 per cent, the greatest absolute increase would be where the initial income was highest, that is, where the need was least.

This third advantage means that the deficit type of indicator is particularly useful as a basis for global prioritization and its assessment: the most effective way of meeting the goals globally is to target resources where the need is greatest. However, it also makes performance against the MDGs less appropriate as a means of comparing the performance of national governments, because the absolute improvement needed to achieve the goal is much greater in the most disadvantaged countries, where capacity is also the most limited. Thus, a country with 60 per cent of the population living in poverty must lift 30 per cent of that population out of poverty to meet the goal, yet a country with 20 per cent of its population living in poverty need only do one third as much. A country where 90 per cent of people have access to water or sanitation need only provide these facilities to 5 per cent more to meet the relevant MDG, whereas a country where only 40 per cent of people have such access must provide 30 per cent more with access. The case of under-five mortality rates is still more problematic, as the percentage reduction in under-five mortality rates has been substantially smaller historically starting from the relatively high rates characteristic of LDCs (starting from an average of 162 per 1,000 live births in 1990) than from lower rates (Easterly, 2009, figure 5).

Thus the nature of the MDG targets means that achieving them requires a much greater absolute improvement by LDCs than other developing countries (ODCs) (in general). Coupled with the much more limited resources and capacity available to LDCs, this means that it is much more difficult for them to achieve a given performance relative to MDG targets.

By some measures, LDC performance on the MDGs has been quite favourable relative to ODCs: a 2010 assessment of performance against the 25 MDG indicators for which data were available found that a greater proportion of LDCs than of all developing countries had shown some improvement since 1990 on around half of the indicators. Moreover, on most indicators, a greater proportion of LDCs than of all developing countries had accelerated their rate of improvement during the course of the period (Fukuda-Parr and Greenstein, 2010, tables 1 and 2). This represents a very considerable improvement in the lives of their people.

Using the MDGs as a yardstick of government performance with respect to social development would lead almost inevitably to the conclusion that most LDC governments have not performed nearly as well as most ODC governments. This is unhelpful and disempowering, portraying even LDCs which have performed remarkably well on social indicators as failures (Vandemoortele, 2007; Easterly, 2009).

Thus the failure of the majority of LDCs to meet most of the MDGs is not primarily a reflection of underperformance by their own governments; rather, it is in large measure a reflection of a failure by the international community to give them adequate priority. As argued in this Report, it also reflects an excessive focus on outcome targets with insufficient attention given to the means of attaining them. As discussed later in this chapter, the planned SDGs are considerably more demanding than the MDGs, and nowhere more so than for the LDCs. They are unlikely to be achieved if these shortcomings in the MDG approach are not addressed.

from the 1990 level by 2015 had already been achieved globally by 2010-2011, although the expected reduction in sub-Saharan Africa is only a quarter. The goal for access to safe drinking water has also been met globally, but only around half of all developing countries are on track to meet this goal, while sub-Saharan Africa and the World Bank country grouping Middle East and North Africa are not even half-way towards meeting this target. The (rather vague and less ambitious) goal of improving the lives of 100 million slum dwellers by 2020 is also on track globally, whereas the goal of gender parity in primary and secondary education should be met by 2015, 10 years after the target date of 2005.

*Several MDG goals have been met,
but ...*

Table 7. Millennium Development Goals and targets

Goal 1 Eradicate extreme poverty and hunger	<i>Target 1.A</i>
	Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day.
	<i>Target 1.B</i>
	Achieve full and productive employment and decent work for all, including women and young people.*
	<i>Target 1.C</i>
Goal 2 Achieve universal primary education	<i>Target 2.A</i>
	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
Goal 3 Promote gender equality and empower women	<i>Target 3.A</i>
	Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.
Goal 4 Reduce child mortality	<i>Target 4.A</i>
	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.
Goal 5 Improve maternal health	<i>Target 5.A</i>
	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
	<i>Target 5.B</i>
Goal 6 Combat HIV/AIDS, malaria and other diseases	Achieve, by 2015, universal access to reproductive health.*
	<i>Target 6.A</i>
	Have halted by 2015, and begun to reverse, the spread HIV/AIDS.
	<i>Target 6.B</i>
Goal 7 Ensure environmental sustainability	Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it.
	<i>Target 6.C</i>
	Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
	<i>Target 7.A</i>
	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
Goal 8 Develop a global partnership for development	<i>Target 7.B</i>
	Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.*
	<i>Target 7.C</i>
	Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.
Goal 8 Develop a global partnership for development	<i>Target 7.D</i>
	Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.
	<i>Target 8.A</i>
	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (including a commitment to good governance, development and poverty reduction – both nationally and internationally).
	<i>Target 8.B</i>
	Address the special needs of the least developed countries (including tariff- and quota-free access for LDCs' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC), and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction.
	<i>Target 8.C</i>
	Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions).
<i>Target 8.D</i>	
Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.	
Goal 8 Develop a global partnership for development	<i>Target 8.E</i>
	In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
Goal 8 Develop a global partnership for development	<i>Target 8.F</i>
	In cooperation with the private sector, make available benefits of new technologies, especially information and communications

Source: United Nations (2008).

Notes: *Targets added at the 2005 United Nations World Summit.

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In several other areas, global progress has fallen far short of that required to meet the MDG targets. This includes the goal of universal primary education, targets for reducing infant, under-five and maternal mortality rates, access to basic sanitation facilities, and universal access to reproductive health care and antiretroviral therapy for human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS). Progress in reducing undernutrition is also falling short of the rate needed to meet the MDGs globally, with nearly three quarters of all developing countries off-track on this indicator.

2. LDCs' PROGRESS TOWARDS INDIVIDUAL MDGs AND THEIR TARGETS

a. Poverty

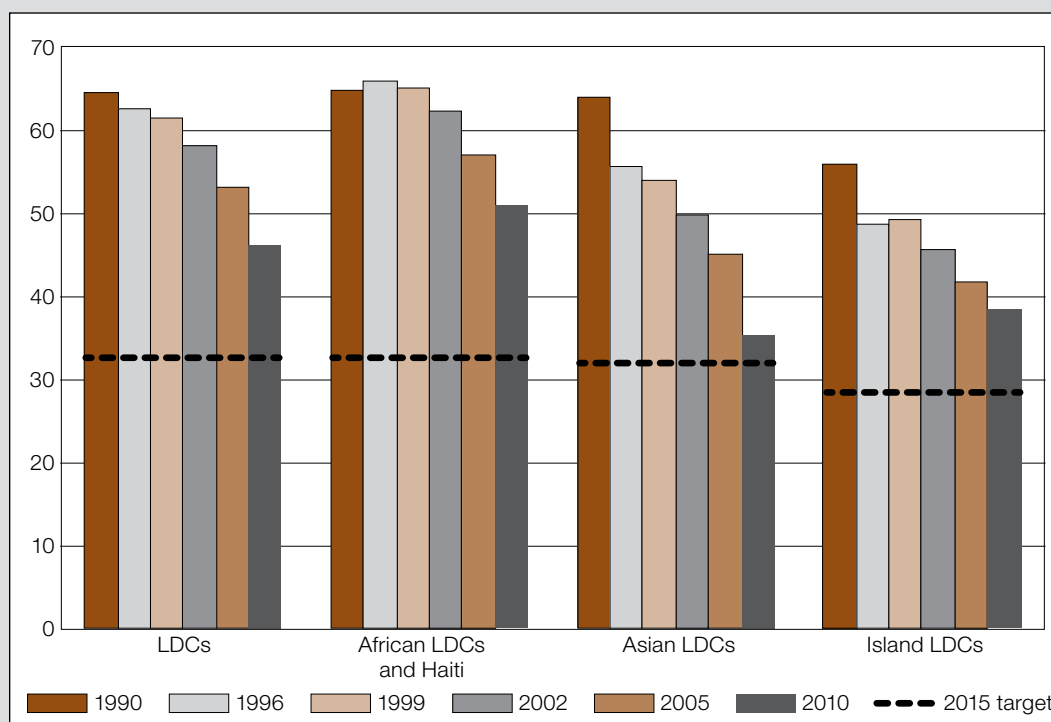
On average, LDCs reduced the proportion of people living in poverty, based on the \$1.25-a-day poverty line¹, from 65 per cent in 1990 to 46 per cent in 2010 (chart 6.) This is nearly as fast as the reduction in ODCs in percentage points (from 40 per cent to 20 per cent) but substantially slower in relative terms (less than one third compared with half), and insufficient to achieve the target of halving poverty by 2015. The LDC average mainly reflects the African, and not the Asian, context: while Asian LDCs are broadly on course to halve poverty, reducing it from 64 per cent to 36 per cent between 1990 and 2010, progress in African LDCs and Haiti has been much slower, the rate falling only from 65 per cent to 51 per cent. Thus a key issue in assessing poverty reduction performance in LDCs is the structural and policy differences between those in the Asian and African regions since 1990.

Overall, despite the recent relatively strong growth performance of the LDCs, about 46 per cent of their population — around 400 million people — still remain below the \$1.25-a-day poverty line. Moreover, there is growing evidence that economic growth and poverty reduction have been highly unevenly distributed between growing and declining regions and territories among LDCs and ODCs (Rodríguez-Pose and Gill, 2006; Zhang and Zou, 2011). Lagging regions and territories contain a large and growing proportion of the “bottom 40 per cent”, who have become an increasing focus of attention in the context of the post-2015 development agenda and the planned SDGs.

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A key issue in assessing poverty reduction performance in LDCs is the structural and policy differences between those in the Asian and African regions since 1990.

Chart 6. Per cent of population living below the poverty line of \$1.25 a day (PPP), 1990–2010



Source: UNCTAD secretariat calculations, based on data from World Bank, *PovcalNet* (<http://iresearch.worldbank.org/PovcalNet/index.htm?2>) (accessed September 2014).

Note: Weighted averages. The dotted lines reflect the MDG target of halving the poverty headcount ratio by 2015 for each LDC group.

b. Employment

Productive employment is the best, most dignified and most economically sustainable pathway out of poverty.

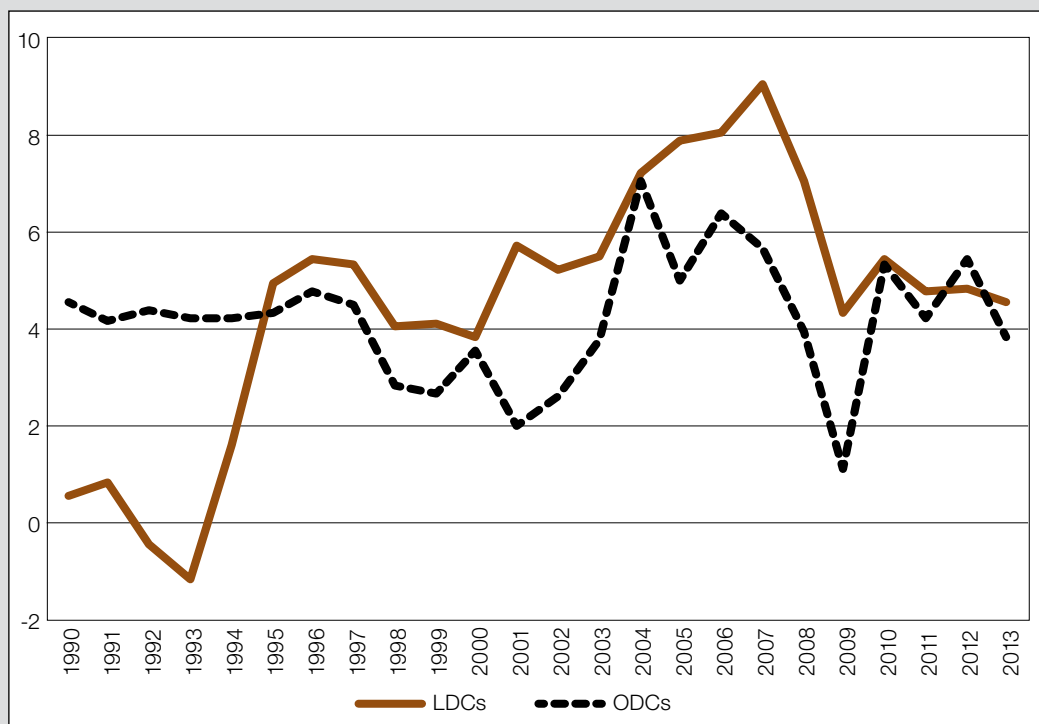
Failure to achieve the MDG of halving poverty largely reflects LDCs inability to translate rapid economic growth into increases in employment.

The MDG target to “achieve full and productive employment and decent work for all, including women and young people”, has received relatively little attention since it was added in 2005. However, employment is central to poverty reduction. Productive employment is the best, most dignified and most economically sustainable pathway out of poverty. It is also key to establishing a virtuous circle of economic and human development, as discussed in chapter 3.

Indeed, the general failure of non-Asian LDCs to achieve the MDG of halving poverty largely reflects their inability to translate historically rapid economic growth since the mid-1990s (chart 7) into corresponding increases in employment. The Least Developed Countries Report 2013 (UNCTAD, 2013b) showed that those LDCs with faster GDP growth have had *less* employment creation. That Report therefore called for a break with the “business as usual” policies and practices of the current growth model, and for a new set of priorities and policies based on inclusive growth and sustainable development to create more and better-quality employment. The findings of the current Report reinforce this conclusion.

Assessing overall employment trends in LDCs is complicated by the absence of open unemployment. The lack of social safety nets such as unemployment benefits forces people in LDCs, faced with few alternative sources of income, to resort to very low-income activities, generally in family agriculture and informal services, rather than being entirely unemployed. Thus they are generally underemployed rather than unemployed. This is referred to as vulnerable employment, defined by the International Labour Organization (ILO) as the sum of own-account workers and contributing family workers. As a result, changes in employment as a proportion of the population over time mainly reflect changes in the age composition of the population (and, for example, participation in education), rather than job creation.

Chart 7. Annual GDP growth in LDCs and ODCs, 1990–2013
(Per cent)



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).

Progress towards the provision of “decent jobs” may be measured in terms of the extent to which the proportion of people in vulnerable employment has fallen. Recent (post-2010) data on vulnerable employment are available for only half of all LDCs. Among these, vulnerable employment accounts for between 77 per cent and 95 per cent of total employment in African LDCs (plus Haiti), Bangladesh and the Lao People’s Democratic Republic, but less (53–72 per cent) in other Asian LDCs and Vanuatu, and only 30 per cent in Yemen. In ODCs, vulnerable employment is typically between about 30 and 50 per cent, and has declined to some extent in most countries, although it can be as high as 75–80 per cent in some sub-Saharan African ODCs, and is 80 per cent in India.²

The pattern of changes in vulnerable employment over time varies widely between individual LDCs.

The pattern of changes in vulnerable employment over time also varies widely between individual LDCs (among the still smaller number of countries for which there is more than one observation available since around 1990). Most countries have seen reductions during this period: six countries in a range of 1.2 to 3 percentage points per year, and five between 0.2 and 0.6 percentage points per year. All three LDCs experiencing the fastest reductions have been in Asia (Bhutan, Cambodia and Yemen). However, two countries have seen virtually no change in vulnerable employment, one (Madagascar) a modest increase, and two (Bangladesh and Zambia) a more rapid increase of around 1–2 percentage points per year.

There is also a wide gender gap in vulnerable employment.

There is also a wide gender gap in vulnerable employment, as formal sector job opportunities for women are often limited by their role in unpaid household and care work. In 2012, across LDCs as a whole, 85 per cent of women and 73 per cent of men were in vulnerable employment, and in most there were many more women than men employed in the non-agricultural informal sector (UNCTAD, 2013b, chap.3).

c. Hunger

The average prevalence of undernourishment in LDCs has fallen steadily by about a quarter (FAO, 2013), from 35 per cent in 1991–1995 to 25 per cent in 2011–2012 (chart 8).³ This is a slightly smaller reduction proportionally than the average for ODCs, and substantially less than that needed to halve hunger by 2015. The level of undernutrition is higher and has fallen more slowly in African LDCs and Haiti than in Asian LDCs. However, while the reduction in Asian LDCs has also been faster than the average for ODCs, it is still insufficient to halve undernutrition by 2030. While the extent of undernutrition is lower in island LDCs than in Asian and African LDCs and Haiti, it has fallen much more slowly in the former.

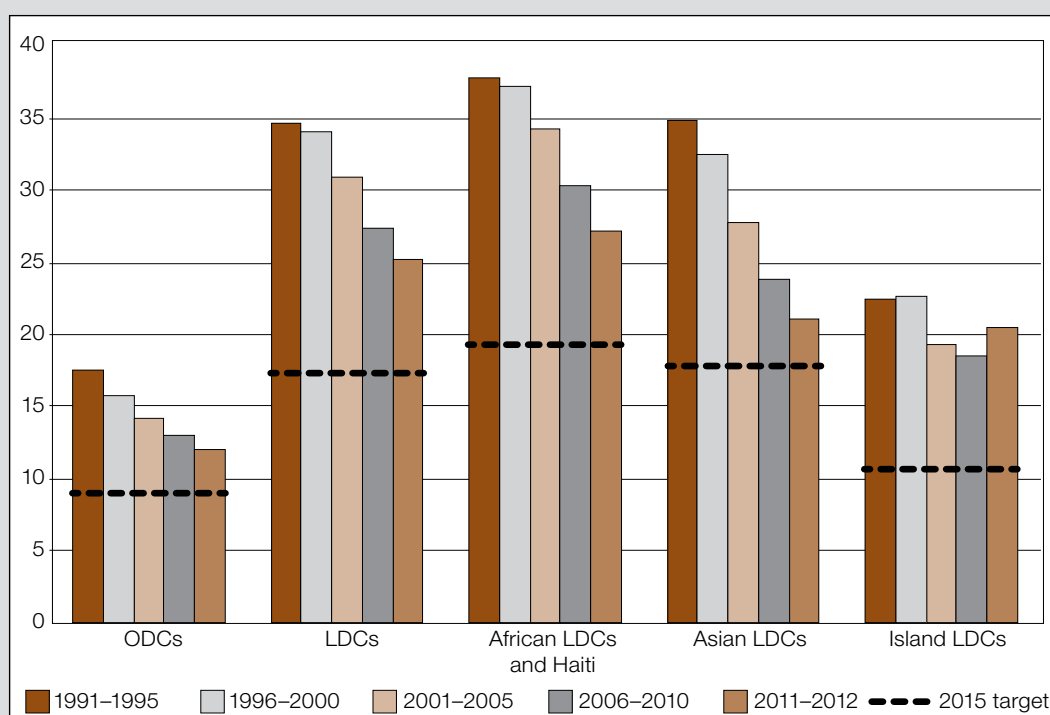
The average prevalence of undernourishment in LDCs has fallen steadily but ...

Thus, faster GDP growth among LDCs, and even the success of Asian LDCs in halving poverty, has not proved sufficient to halve hunger. This also requires sustained investment and improvements in agricultural productivity, as well as reductions in poverty and effective social safety nets.⁴ LDCs therefore need to continue to put in place the necessary policies and infrastructure to tackle these issues. There are encouraging signs of progress in this respect, according to the Hunger and Nutrition Commitment Index (HANCI) of the Institute for Development Studies (IDS). According to that index, LDCs account for four out of seven countries with a high level of political commitment to tackling hunger and undernutrition, and seven out of ten with moderate commitment (IDS, 2014).

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World food prices are also important in the fight against hunger and malnutrition. Rapid increases in prices of basic foods such as maize and rice in 2005–2008, and again in 2010–2011, are estimated to have increased the incidence of undernourishment (insufficient calorie intake) significantly, with the greatest impacts on the poorest and those living in urban areas (Anríquez et al., 2013). They also led to episodes of public unrest and riots in

Chart 8. Prevalence of undernourishment, 1990–2012
(Per cent of population)



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).
Note: Unweighted averages. The dotted lines reflect the MDG target of halving under-nourishment by 2015 for each country group.

many LDCs. While recent revisions in FAO estimation methods suggest that overall undernourishment has continued to fall in LDCs as a whole and in most individual LDCs (FAO, 2013), this is only part of the picture (World Bank, 2008). As households reduce spending on non-staple foods to meet their calorie needs, adverse effects are likely on other aspects of nutrition, particularly micronutrient intake (Iannotti et al., 2012; Torlesse et al., 2003). In addition, numerous studies have found significant adverse effects of higher staple food prices on poverty in both LDCs and ODCs, generally with the greatest effects on the poorest (Zezza et al., 2008; Wodon et al., 2008; Ivanic and Martin, 2008; Wodon and Zaman, 2010; de Hoyos and Medvedev, 2011; Ivanic et al., 2012; Simler, 2010; Caracciolo et al., 2014). The achievement of health and education MDGs may also be adversely affected by the diversion of household expenditure from health and education to food items to sustain nutritional intake (UNCTAD, 2013a).

There was a strong increase in net primary enrolment rates both in African LDCs plus Haiti and in Asian LDCs.

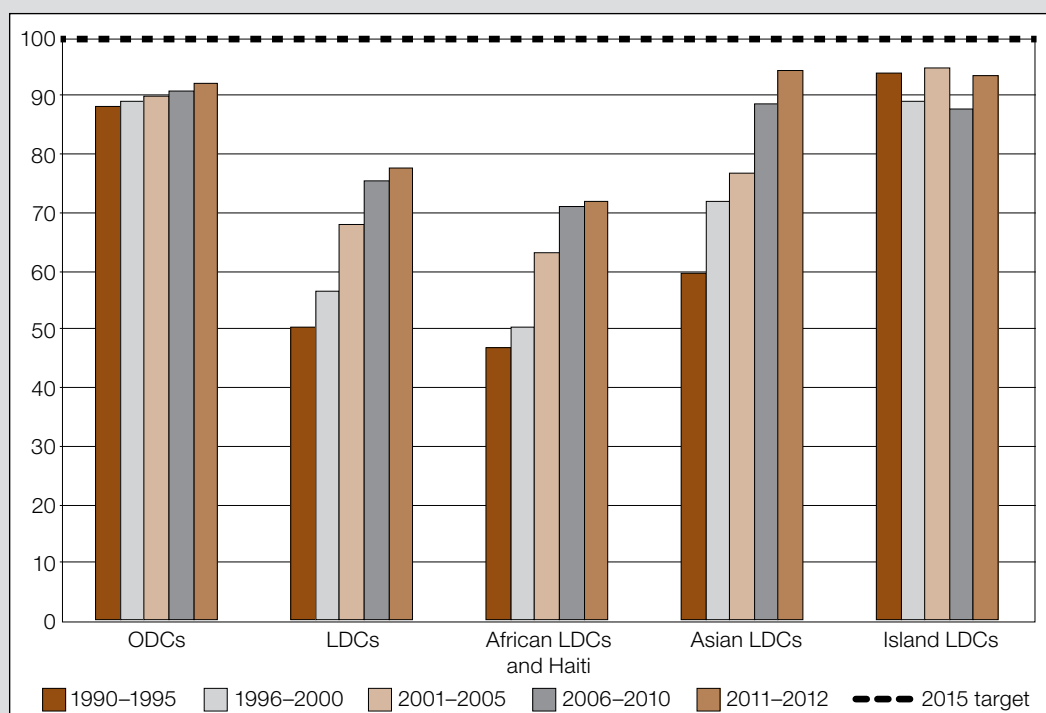
d. Primary education

(i) Primary school enrolment

MDG 2 seeks to ensure that, by 2015, all children will complete a full course of primary schooling (United Nations, 2008). The average primary school enrolment ratio in LDCs increased from 50 per cent in 1990 to 75 per cent in 2012 (chart 9). While it thus remains well below the ODC average of 90 per cent, the extent of improvement in LDCs is much better on this indicator, as they have halved the proportion of children not in primary school, compared with a reduction of just one fifth in ODCs.

There was a strong increase in net primary enrolment rates both in African LDCs plus Haiti (from 46 per cent to 71 per cent) and in Asian LDCs (from 60 per cent to 94 per cent). Asian LDCs performed particularly well, reducing the proportion of children not in school by nearly three quarters; indeed, they

Chart 9. Net enrolment rates in primary school, 1990–2012
(Per cent of the population in primary school age)



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).
Note: Unweighted averages. The dotted lines reflect the MDG target of universal primary education by 2015. Variations in the Island LDC figures largely reflect differences in country data availability between periods.

now have a higher enrolment ratio than ODCs. Island LDCs maintained relatively high enrolment rates (around 90 per cent). Thus the remaining gap in primary education is now between the African LDCs and Haiti group and the rest of the world.

Overall, around a quarter of children of primary school age in LDCs are not enrolled in an educational institution. However, though more widely used than completion rates, enrolment rates tend to overstate the proportion of children *completing* primary education. Five LDCs have achieved completion rates of 100 per cent (Bhutan, Nepal, Sao Tome and Principe, and Kiribati), and four others (Cambodia, Lao People's Democratic Republic, Myanmar and Zambia) have ratios above 90 per cent. However, 16 have ratios between 50 and 70 per cent, and six between 30 and 50 per cent.

(ii) Gender balance in education

MDG target 3A aims to eliminate gender disparities in primary and secondary education by 2005, and at all levels of education by 2015. While the gender balance at all levels of education has improved strongly in LDCs since 1990, 2005 targets have not been met, on average, and the gender gap remains very wide at the secondary and, especially, the tertiary levels. Between 1990–1995 and 2011–2012, the average ratio of girls to boys enrolled in primary schools in LDCs rose from 0.78 to 0.94 (chart 10). It also rose at the secondary level, from 0.64 to 0.85, and at the tertiary level from 0.40 to 0.59. While gender balance is similar across geographical groups at the primary level, island LDCs have performed much better than the LDC average in higher education, with ratios of 1.04 at the secondary level and 0.85 at the tertiary level.

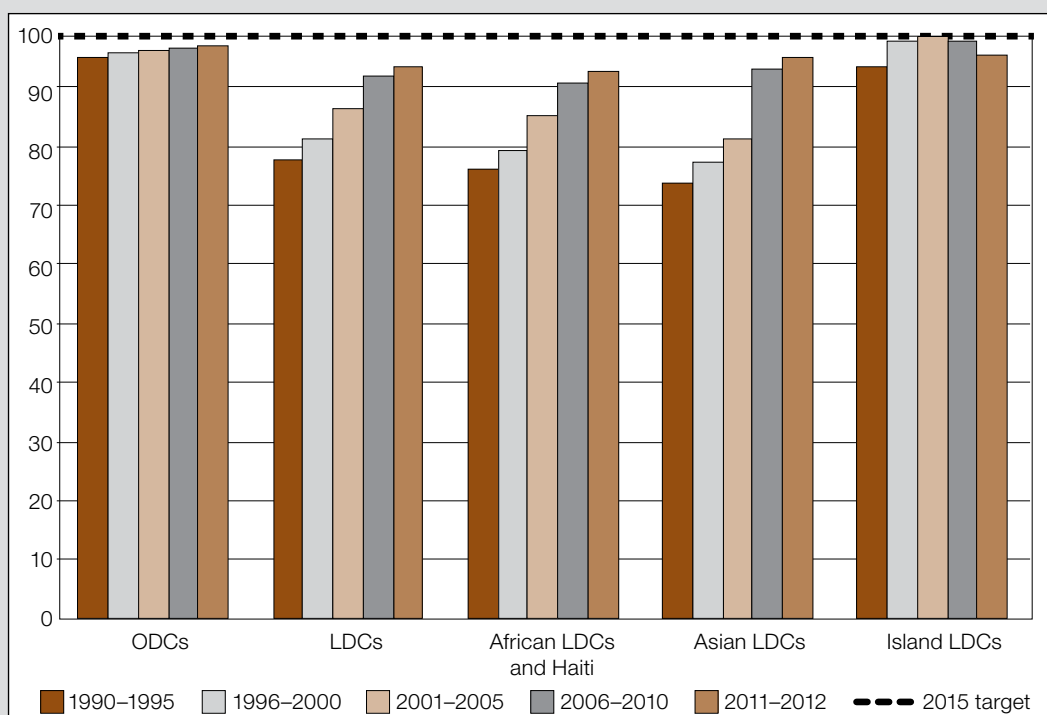
The gap between LDCs and ODCs is much greater at higher levels of education: while the average gender ratio at the primary level for LDCs is only

While the gender balance at all levels of education has improved strongly in LDCs, targets have not been met.

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Chart 10. Ratio of female/male enrolment in primary education, 1990–2012
(Per cent)



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).
Note: Unweighted averages. The dotted lines reflect the MDG objective of gender parity in primary education by 2015.

The average under-five mortality rate in LDCs has fallen by almost half.

slightly below that of ODCs (0.94 compared with 0.97), ODCs have already achieved parity at the secondary level on average, and exhibit a strong and increasing pro-female bias in tertiary education, with a ratio of 1.51, up from 1.12 in 1990–1995.

e. Child mortality rates

While the gap with ODCs has narrowed, the average under-five mortality rate in LDCs remains nearly three times the average for ODCs.

The world has seen a major reduction in the number of deaths of children under 5 years of age, from 12.6 million in 1990 to 6.6 million in 2012 (WHO, 2013). The average under-five mortality rate in LDCs has fallen by almost half, from 156 per 1,000 live births in 1990–1995 to 83 per 1,000 in 2011–2012, with a somewhat faster rate of improvement in Asian LDCs than in the African LDCs and Haiti or the island LDCs (chart 11). This is slightly faster than the average for ODCs, which fell from 52 per 1,000 to 29 per 1,000 over the same period. This may be partly due to improvements in maternal and child nutrition, as well as more effective vaccination and maternal and child health programmes. Bangladesh, Liberia, Malawi and Nepal have already met the target of reducing under-five mortality rates by two thirds since 1990, while Bhutan, Ethiopia, Madagascar, Niger and Rwanda have achieved reductions of around 60 per cent, enough to meet the target by 2015.

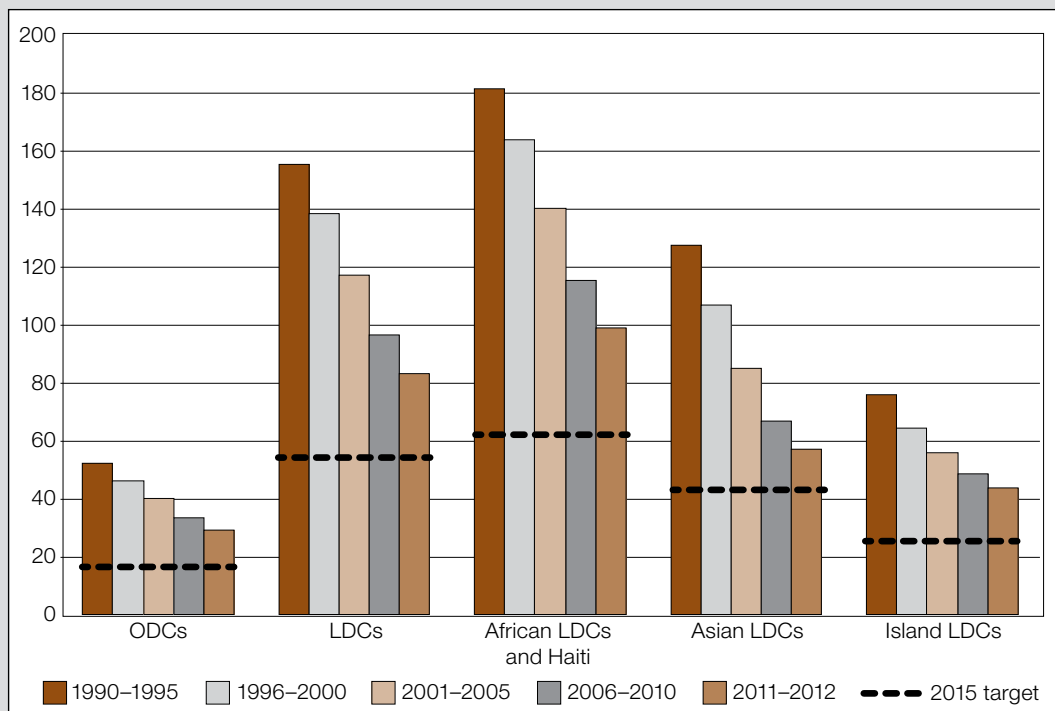
The average maternal mortality ratio has fallen by nearly half in LDCs.

However, while the gap with ODCs has narrowed slightly since 1990–1995, the average under-five mortality rate in LDCs remains nearly three times the average for ODCs, with, on average, around one in twelve children born in an LDC dying before their fifth birthdays.

f. Maternal health

The average maternal mortality ratio per 100,000 live births has fallen by nearly half in LDCs, from 792 in 1990 to 429 in 2010. Again, this is significantly

Chart 11. Under-five mortality rate 1990–2012
(Deaths per 1,000 live births)



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).
Note: Unweighted averages. The dotted lines reflect the MDG target of reducing infant mortality by two thirds by 2015 for each country group.

faster than for ODCs, where the decrease was nearly one third (from 186 to 126), but it is nevertheless well short of the rate of improvement required to achieve the new target of a reduction by three quarters. While the maternal mortality ratio in island LDCs has converged rapidly towards the average for ODCs, the average ratio in Asian LDCs remains more than double that of the ODCs, and the average ratio in African LDCs and Haiti is four times that of the ODCs (chart 12).

MDG 5 also includes universal access to reproductive health (added to the list in 2005). While data are limited, the unmet need for contraception among married women aged 15–49 years remains between 15 and 35 percent in most LDCs. In no country has the figure fallen sufficiently to reach zero by 2015, and in some cases it has increased in recent years (e.g. Mozambique, Nepal and the United Republic of Tanzania).

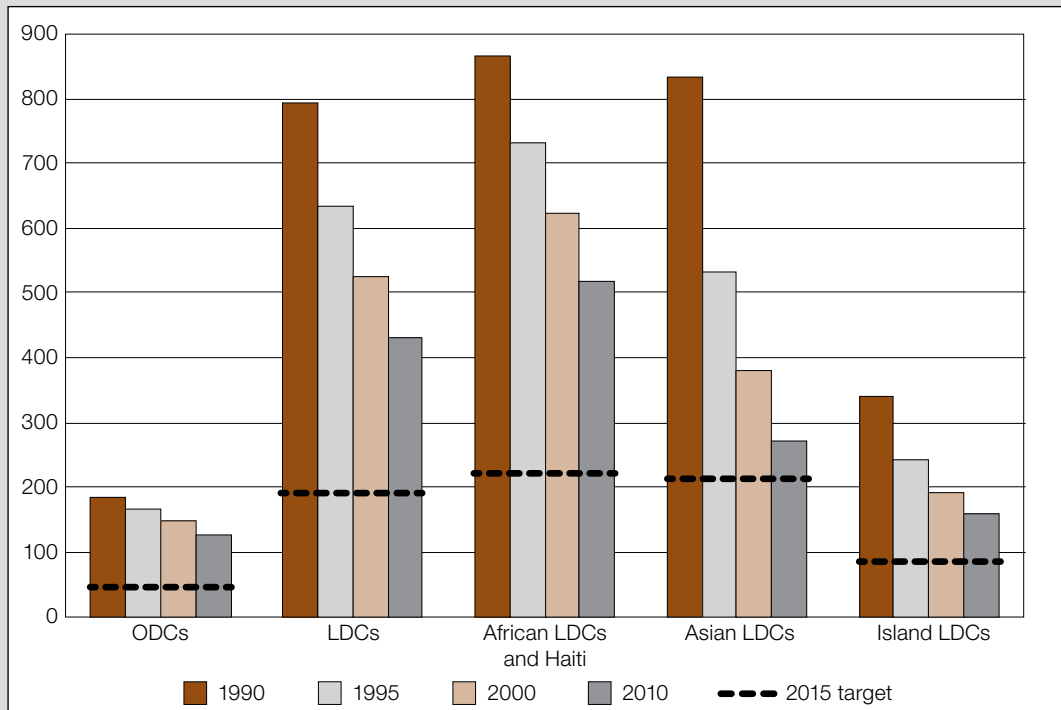
g. HIV/AIDS

MDG 6 includes reversing the spread of HIV/AIDS by 2015 and ensuring access to antiretroviral therapy (ART) for all those who need it by 2010. There has been an observable decline in the prevalence of HIV/AIDS in LDCs since 2000, as in the developing world as a whole, reflecting improvements in access to treatment, nutrition, medical practices and condom use (chart 13). However, despite recent improvements, the goal of universal access to ART remains far from achieved even after the target date of 2010: in no LDC do even 90 per cent of people with advanced HIV infection have access to ART, and in only three countries (Cambodia, Rwanda and Zambia) is the proportion above 75 per cent. In the majority of countries for which data are available, the figure is below 50 per cent, and in seven countries (Afghanistan, Comoros, Bhutan, Madagascar, Somalia, South Sudan and Yemen) it is less than 15 per cent.

There has been an observable decline in the prevalence of HIV/AIDS in LDCs since 2000.

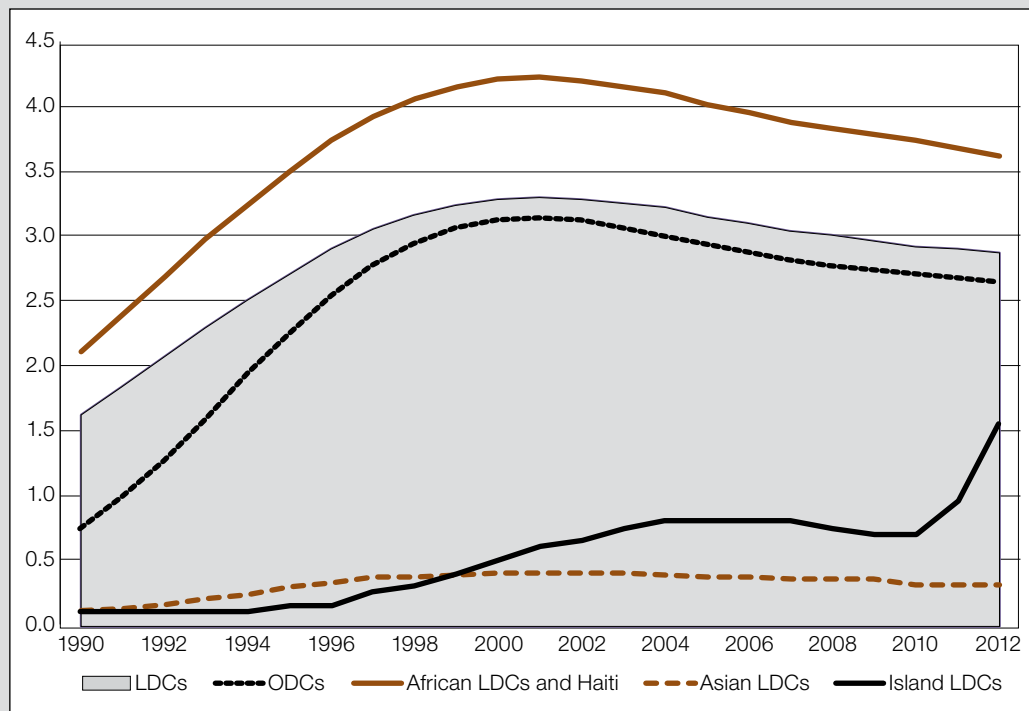
Despite recent improvements, the goal of universal access to ART remains far from achieved even after the target date of 2010.

Chart 12. Maternal mortality ratio, 1990–2010
(Maternal deaths per 100,000 live births)



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).
 Note: Modelled estimate of maternal mortality ratio of women aged 15–49 years. Unweighted averages.
 The dotted lines reflect the MDG target of reducing maternal mortality by three quarters by 2015 for each LDC group.

Chart 13. Proportion of the population with HIV in LDCs and ODCs, 1990–2012
(Per cent of total 15–49-year-olds)



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).
 Notes: Unweighted averages. The increase for island LDCs in the period 2010–2012 reflects a rise in the estimate for Comoros, accentuated by the absence of data for most other countries in the group.

The vulnerability of LDCs' health system has been sharply highlighted by the spread of the Ebola virus in West Africa in 2014, which could jeopardize or even reverse the achievements of several LDCs in the region in terms of human and economic development.

h. Water and sanitation

Apart from the direct benefits of improved water and sanitation services, they can also contribute to human development, helping to lower infant mortality and increase school attendance and educational attainment (DFID, 2007). However, climate change will present an increasing challenge to water supply in the coming decades (IPCC, 2014), making the achievement of water-related SDGs even more challenging.

Average access to an improved water source in LDCs increased from 54 per cent in 1990–1995 to 69 per cent in 2011–2012. Still, this falls short of the rate of improvement needed to halve the proportion of the population without such access by 2015, which would require an increase to 81 per cent. However, Asian LDCs have performed substantially better than the average, and are close to achieving the goal. Overall, ODCs are also on track to achieve the goal, with average access having increased from 82 per cent to 90 per cent (chart 14).

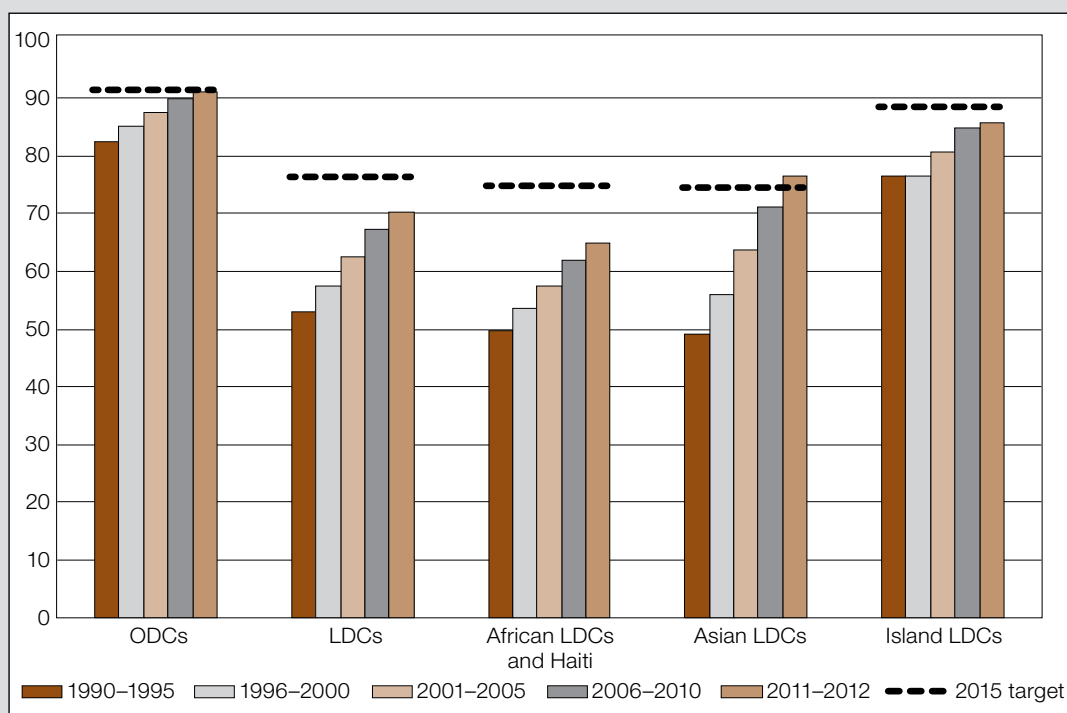
LDCs have also made substantial progress on sanitation, but remain further from the goal of halving the proportion of the population without access. Average access increased from 22 per cent in 1990 to 36 per cent in 2012, but this is little more than one third of the increase required to meet the goal, and the average level of access remains less than half the average for ODCs (76 per cent) (chart 15). Again, the Asian LDCs have performed much better, nearly tripling access; but they too are likely to fall short of the goal. In both water and, particularly,

Access to an improved water source in LDCs increased but still falls short of the rate of improvement needed.

However, Asian LDCs have performed substantially better than the average, and are close to achieving the goal.

LDCs have also made substantial progress on sanitation, but remain further from the goal.

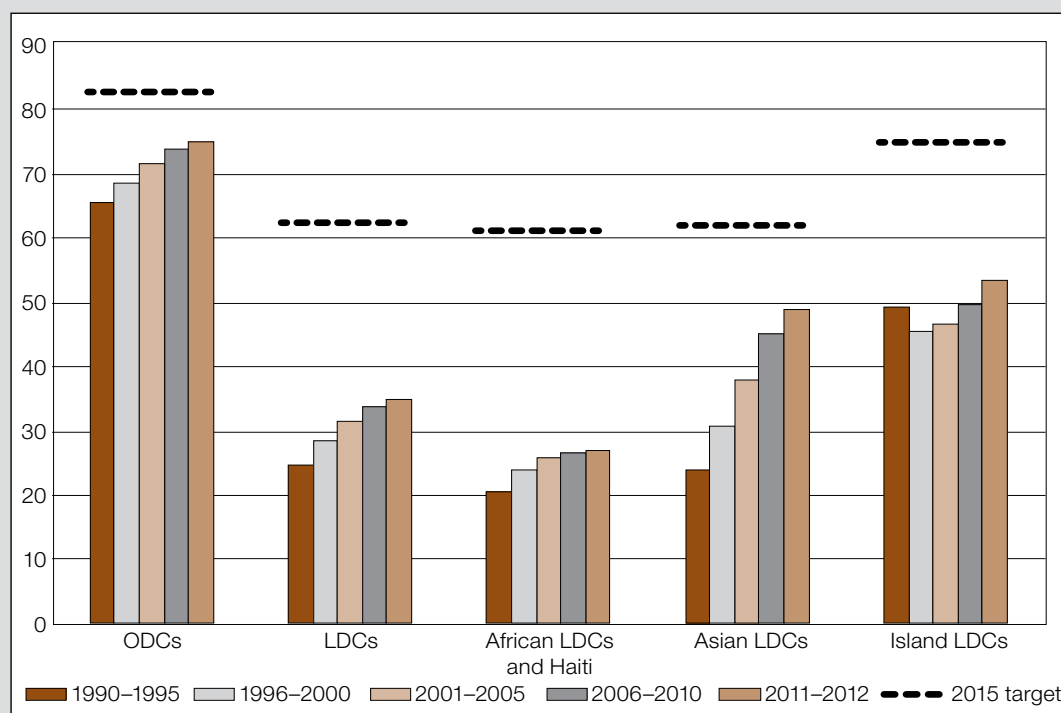
Chart 14. Per cent of the population in LDCs and ODCs with improved access to water sources, 1990–2012



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).

Note: Unweighted averages. The dotted lines reflect the MDG target of halving the proportion of the population without access to an improved water source by 2015 for each LDC group.

Chart 15. Per cent of the population in LDCs and ODCs with access to sanitation facilities, 1990–2012



Source: UNCTAD secretariat calculations, based on data from World Bank, *World Development Indicators* database (accessed September 2014).
 Note: Unweighted averages. The dotted lines reflect the MDG target of halving the proportion of the population without access to improved sanitation by 2015 for each LDC group.

Progress has generally been greater for goals which rely more on public service provision and donor support than for goals which depend primarily on household incomes.

Most LDCs are off track on the majority of MDGs.

There is a marked contrast between the performance of the Asian LDCs, on the one hand, and that of the African LDCs and Haiti and island LDCs, on the other.

sanitation, there are wide rural-urban gaps in access, especially in African LDCs. On average, only 18 per cent of the people in rural areas of African LDCs and Haiti have access to sanitation, which is less than half the proportion in urban areas.

3. PROGRESS TOWARDS REACHING MDG TARGETS

Table 8 presents a country-by-country assessment of LDCs' performance against selected MDG targets, based on an extrapolation of the observed rate of improvement since 1990 until 2015.

As shown in table 9, progress has generally been greater for goals which rely more on public service provision and donor support than for goals which depend primarily on household incomes. Based on the assessment method described in the notes to the table, the average scores for poverty and undernutrition are 2.7–2.8 out of a possible 4, compared with 3–3.3 for primary school enrolment, access to water, and maternal and under-five mortality. The worst performance is for sanitation, with an average of 2.2.

Most LDCs are off track on the majority of MDGs for which data are available. However, there is a marked contrast between the performance of the Asian LDCs, on the one hand, and that of the African LDCs and Haiti and island LDCs, on the other. Only one Asian LDC (Yemen) is off track on most of the targets, and one (Afghanistan) on half of the targets for which data are available. The Lao People's Democratic Republic, uniquely among LDCs, is on track to achieve all the seven goals considered here, and the five other countries in this group are on target for the majority of them.

Table 8. LDCs' progress towards achieving the Millennium Development Goals by 2015

LDCs	1.a Poverty \$1.25 per day	1.c Proportion of under- nourished population	2.a Net enrolment ratio in primary education	4.a Under-five mortality rate	5.a Maternal mortality rate	7.c Proportion of population using improved drinking water source	7.d Proportion of population using improved sanitation facilities
Afghanistan	Low progress	Achieved or on track	Medium progress	Medium progress	Achieved or on track	Achieved or on track	Low progress
Angola	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track
Bangladesh	Stagnation/reversal	Achieved or on track	Achieved or on track	Medium progress	Medium progress	Achieved or on track	Stagnation/reversal
Benin	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track	Achieved or on track	Achieved or on track	Low progress
Bhutan	Achieved or on track	Stagnation/reversal	Medium progress	Medium progress	Medium progress	Achieved or on track	Low progress
Burkina Faso	Low progress	Stagnation/reversal	Achieved or on track	Medium progress	Medium progress	Low progress	Low progress
Burundi	Achieved or on track	Stagnation/reversal	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Medium progress
Cambodia	Achieved or on track	Achieved or on track	Low progress	Low progress	Low progress	Medium progress	Medium progress
Central African Rep.	Medium progress	Achieved or on track	Low progress	Low progress	Low progress	Low progress	Low progress
Chad	Medium progress	Stagnation/reversal	Stagnation/reversal	Medium progress	Medium progress	Achieved or on track	Medium progress
Comoros	Stagnation/reversal	Stagnation/reversal	Stagnation/reversal	Low progress	Low progress	Low progress	Medium progress
Dem. Rep. of the Congo	Achieved or on track	Achieved or on track	Stagnation/reversal	Medium progress	Medium progress	Achieved or on track	Stagnation/reversal
Djibouti	Achieved or on track	Achieved or on track	Stagnation/reversal	Medium progress	Medium progress	Achieved or on track	Stagnation/reversal
Equatorial Guinea	Achieved or on track	Achieved or on track	Stagnation/reversal	Medium progress	Medium progress	Stagnation/reversal	Stagnation/reversal
Eritrea	Achieved or on track	Low progress	Stagnation/reversal	Medium progress	Achieved or on track	Stagnation/reversal	Stagnation/reversal
Ethiopia	Achieved or on track	Low progress	Low progress	Achieved or on track	Achieved or on track	Medium progress	Low progress
Gambia	Achieved or on track	Low progress	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Low progress
Guinea	Achieved or on track	Low progress	Medium progress	Achieved or on track	Medium progress	Achieved or on track	Low progress
Guinea-Bissau	Stagnation/reversal	Achieved or on track	Medium progress	Achieved or on track	Medium progress	Achieved or on track	Low progress
Haiti	Stagnation/reversal	Low progress	Medium progress	Medium progress	Medium progress	Achieved or on track	Low progress
Kiribati	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Low progress	Low progress
Lao People's Dem. Rep.	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track
Lesotho	Medium progress	Low progress	Stagnation/reversal	Stagnation/reversal	Low progress	Stagnation/reversal	Low progress
Liberia	Stagnation/reversal	Low progress	Stagnation/reversal	Achieved or on track	Medium progress	Achieved or on track	Low progress
Madagascar	Stagnation/reversal	Stagnation/reversal	Low progress	Achieved or on track	Medium progress	Medium progress	Low progress
Malawi	Medium progress	Achieved or on track	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track	Medium progress
Mali	Achieved or on track	Achieved or on track	Medium progress	Medium progress	Medium progress	Achieved or on track	Low progress
Mauritania	Achieved or on track	Achieved or on track	Medium progress	Medium progress	Medium progress	Achieved or on track	Low progress
Mozambique	Medium progress	Medium progress	Achieved or on track	Medium progress	Medium progress	Medium progress	Low progress
Myanmar	Achieved or on track	Medium progress	Achieved or on track	Medium progress	Medium progress	Medium progress	Low progress
Nepal	Achieved or on track	Medium progress	Low progress	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track
Niger	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track	Achieved or on track	Achieved or on track	Medium progress
Rwanda	Medium progress	Achieved or on track	Medium progress	Achieved or on track	Achieved or on track	Achieved or on track	Low progress
Sao Tome and Principe	Low progress	Achieved or on track	Achieved or on track	Achieved or on track	Achieved or on track	Low progress	Achieved or on track
Senegal	Achieved or on track	Stagnation/reversal	Medium progress	Achieved or on track	Medium progress	Achieved or on track	Medium progress
Sierra Leone	Low progress	Medium progress	Medium progress	Medium progress	Medium progress	Medium progress	Stagnation/reversal
Solomon Islands	Achieved or on track	Achieved or on track	Medium progress	Low progress	Medium progress	Low progress	Low progress
Somalia	Achieved or on track	Low progress	Medium progress	Low progress	Medium progress	Stagnation/reversal	Stagnation/reversal
Sudan (former)	Achieved or on track	Low progress	Achieved or on track	Achieved or on track	Achieved or on track	Medium progress	Low progress
Timor-Leste	Low progress	Achieved or on track	Achieved or on track	Medium progress	Low progress	Medium progress	Stagnation/reversal
Togo	Achieved or on track	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track	Achieved or on track	Medium progress
Tuvalu	Achieved or on track	Stagnation/reversal	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track	Low progress
Uganda	Achieved or on track	Stagnation/reversal	Achieved or on track	Achieved or on track	Medium progress	Stagnation/reversal	Low progress
United Rep. of Tanzania	Low progress	Stagnation/reversal	Achieved or on track	Achieved or on track	Medium progress	Achieved or on track	Medium progress
Vanuatu	Medium progress	Stagnation/reversal	Medium progress	Achieved or on track	Medium progress	Stagnation/reversal	Achieved or on track
Yemen	Low progress	Stagnation/reversal	Medium progress	Medium progress	Medium progress	Stagnation/reversal	Achieved or on track
Zambia	Stagnation/reversal	Stagnation/reversal	Achieved or on track	Achieved or on track	Medium progress	Medium progress	Stagnation/reversal

Source: UNCTAD secretariat calculations, based on data from UN/DESA, Statistics Division, Millennium Indicators Database (available at: <http://mdgs.un.org/unsd/mdg/Default.aspx>, accessed September 2014), except for the poverty indicators, which are taken from World Bank, PovCalNet (<http://research.worldbank.org/PovCalNet/index.htm>, accessed September 2014).

Note: For each country and for each assessed MDG target, progress towards its achievement is evaluated according to the following methodology. Based on the level of the indicator in 1990, a target value is projected for 2015 which is compatible with reaching the relevant MDG target (e.g. halving the poverty rate, or reaching a net primary enrolment rate of 100 per cent). A linear trend is interpolated, based on the initial value in 1990 and on the MDG-compatible target value of each indicator. The country's performance for each target is then assessed based on the ratio of the difference between the actual value of the indicator in year y (the latest year for which it is available) and its value in 1990, and the difference between MDG-compatible value in the same year y and the value in 1990. The ratio is then converted to the following categories:

Achieved or on track: MDG-compatible target achieved at 90% or more. **Medium progress:** 50% to 89% of the MDG-compatible target achieved. **Low progress:** 6% to 49% of the MDG-compatible target achieved. **Stagnation/reversal:** less than 6% of the MDG-compatible target achieved.

Conversely, only one of the seven island LDCs (Timor-Leste) is on track on a majority of the targets. Of the 32 LDCs in the Africa and Haiti group, only four (Ethiopia, Malawi, Rwanda and Uganda) are on track for a majority of the goals, while five are off track on all the goals for which data are available (the Democratic Republic of the Congo, Haiti, Lesotho, Sierra Leone and Somalia). Asia's relative performance is strongest on poverty, maternal mortality and sanitation, and weakest on primary school enrolment, the one target on which another group (island LDCs) performs better.

The pattern among the LDCs grouped by major exports is much less clear.

The pattern among the LDCs grouped by major exports is much less clear. Exporters of manufactured goods perform best on poverty reduction, and are second only to exporters of agricultural produce on nutrition (although LDCs exporting agricultural produce show a particularly weak performance on poverty reduction). Across the other goals, services exporters perform the best overall, matched by mixed exporters, except with respect to under-five mortality; but both show weak performance for poverty reduction and nutrition. Overall, the performance of fuel exporters is somewhat below average at 2.5, but that of all other export groups is between 2.8 and 3.0.

The failure of most LDCs to attain most of the MDGs therefore raises questions about the adequacy of international support to development in these countries.

It is only among exporters of manufactured goods that a majority of countries have achieved more than half of the goals for which data are available, but within this group, there is a very strong divergence between Asian and non-Asian countries. The Asian exporters of manufactures (Bangladesh, Bhutan and Cambodia) average 3.6 across all the goals, second only to Asian mixed exporters (Lao People's Democratic Republic and Myanmar, at 3.9) among all region/export combinations. By contrast, the two non-Asian exporters of manufactures (Haiti and Lesotho) are not only among the five LDCs which are off track on all the goals, but also have the lowest average score among region/export combinations, at 2.1. Lesotho shows low progress or stagnation/reversal on six out of seven goals, as does Haiti on four out of six. Asian LDCs among mixed exporters also perform better than their non-Asian LDCs in the same category, but the one Asian fuel exporter (Yemen) performs no better overall than its counterparts, all of which are in the Africa group.⁵

Table 9. LDC average performance against selected MDG targets

	Poverty	Under-nutrition	Primary enrolment	Maternal mortality	Under-five mortality	Clean water	Sanitation	Overall
LDCs (total)	2.79	2.73	3.05	3.22	3.28	3.04	2.23	2.91
By geographic grouping:								
African LDCs and Haiti	2.66	2.66	2.93	3.06	3.23	2.84	2.03	2.77
Asian LDCs	3.67*	3.20**	3.20**	3.88	3.63	3.50	2.88	3.47
Island LDCs	2.33***	2.67	3.50	3.17	3.14	3.43	2.43	3.06
By export specialization:								
Food and agricultural exporters	2.00**	4.00*	3.33*	3.00	2.75	3.00	2.25	2.75
Fuel exporters	2.75*	2.75*	2.25*	3.50*	2.50*	1.40	2.40	1.90
Mineral exporters	2.83	2.67	2.86	3.14	3.43	3.00	1.86	2.83
Manufactures exporters	3.20	3.00*	3.00**	3.40	3.20	2.80	2.00	2.92
Services exporters	2.75*	2.31	3.08	3.36	3.60	3.60	2.33	3.05
Mixed exporters	2.78*	2.80	3.44*	3.00	3.27	3.18	2.36	2.92

Source: As for table 2.

Notes: The table 2 entries are translated into numerical scores on a scale of 1-4 (achieved or on track = 4; medium progress = 3; low progress = 2; stagnation/reversal = 1), and the mean for each country group and goal is reported in this table. Asterisks indicate limited data availability: * = data 75-85 per cent complete; ** = data 50-75 per cent complete; *** = data less than 50 per cent complete.

C. MDG 8: A global partnership for development?

As discussed in box 2, the nature of the MDGs makes them particularly difficult for LDCs to achieve. Thus LDCs' relative performance against MDG targets is as much a measure of the global community's commitment to and prioritization of LDCs' needs as it is of the performance of LDCs' individual governments. The failure of most LDCs to attain most of the MDGs therefore raises questions about the adequacy of international support to development in these countries.

The global community's commitments in this regard were encapsulated in a single goal — MDG 8 on the global partnership for development. However, whereas the outcome goals of MDGs 1-7 included multiple and detailed quantitative targets, MDG 8 contained no more than a few broad aspirations with no specific quantified targets. The commitment to LDCs embodied in Target 8B, for example, was to "Address the special needs of the least developed countries, including: tariff- and quota-free access for LDCs' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC), and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction". No reference was made either to the ODA target of 0.15-0.2 per cent of each donor's GNI for LDCs, as established in the Brussels Programme of Action and confirmed in the Istanbul Programme of Action, or to the commitment by developed countries to provide ODA equivalent to 0.7 per cent of their GNI, originally embodied in a United Nations General Assembly resolution in 1970 (with a target date of 1975)⁶ and repeated regularly in subsequent decades.

This section considers progress in international support for LDCs in the areas of aid, debt relief and trade.

1. OFFICIAL DEVELOPMENT ASSISTANCE

After declining through most of the 1990s, ODA to LDCs increased rapidly after 2000, playing an important countercyclical role during the financial crisis. However, having more than doubled in real terms between 2000 and 2010, it began to decline in 2011 (see section D.2 of chapter 1 of this Report). ODA disbursements to LDCs were reduced in nominal terms by 17 of the 24 members of the OECD Development Assistance Committee (DAC) between 2011 and 2012, while EU DAC countries reduced their disbursements by 20 per cent overall, largely as part of austerity measures. Consequently, real ODA from DAC countries to LDCs fell by 14 per cent between 2010 and 2012.

While there was a substantial rise in aid to LDCs as a percentage of donors' GNI from 2000 to 2010, reversing the rapid decline of the 1990s, it remained at just 0.09 per cent in 2012, far short of the target of 0.15 to 0.2 per cent set by the Brussels and Istanbul Programmes of Action (chart 16). As shown in table 10, only five DAC member countries allocated 0.20 per cent of their GNI as aid to LDCs in 2012 (Denmark, Ireland, Luxembourg, Norway and Sweden), and three between 0.15 and 0.20 per cent (Finland, Netherlands and the United Kingdom). Had all DAC donors met the 0.15–0.2 per cent target in 2012, annual ODA to LDCs would have been between \$26.6 billion and \$46.1 billion higher, an increase of 66–114 per cent of the amount actually provided.

Financial development assistance to LDCs from non-DAC members such as China and India tripled between 2000 and 2012, but it remains comparatively small at \$710 million, partly reflecting the smaller share of LDCs in these countries'

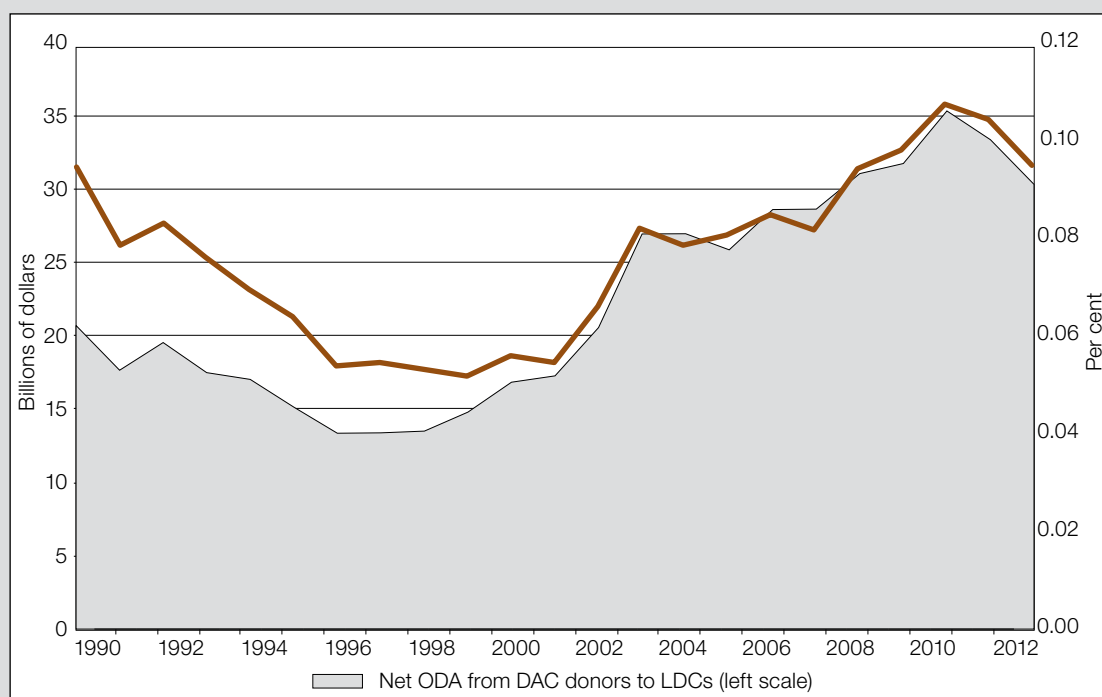
After declining through most of the 1990s, ODA to LDCs increased rapidly after 2000.

Real ODA from DAC countries to LDCs fell between 2010 and 2012.

Financial development assistance to LDCs from non-DAC members tripled between 2000 and 2012, but it remains comparatively small.

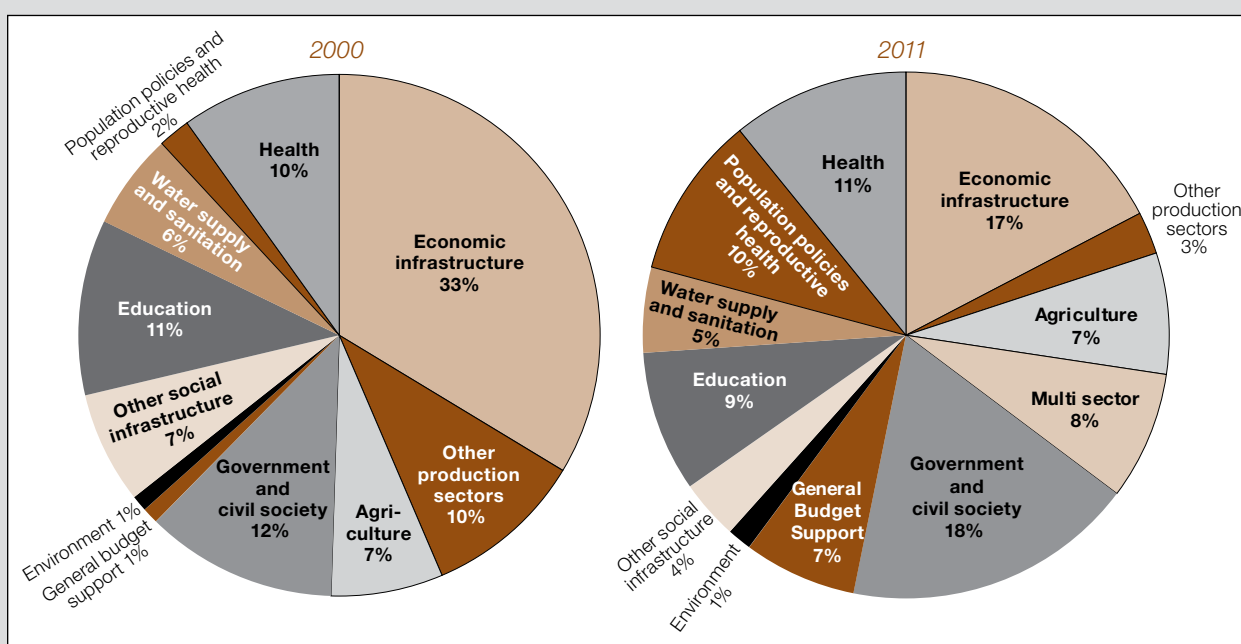
The sectoral composition of ODA changed markedly between 2000 and 2011.

Chart 16. Net ODA from DAC donors to LDCs, 1990–2012



Source: UNCTAD secretariat calculations, based on data from United Nations Statistics Division, UNdata database (accessed August 2014); OECD, DAC database (accessed August 2014).

Notes: Includes DAC members' imputed share of multilateral ODA (see <http://www.oecd.org/development/stats/oecdsmethodologyfor-calculatingsectoralimputedmultilateralaid.htm>).

Chart 17. Country programmable aid to LDCs by sector, 2000 and 2011
(Per cent)

Source: UNCTAD secretariat calculations, based on data from OECDstat database (accessed August 2014).

Notes: Country Programmable Aid (CPA) is defined as total ODA disbursements, except those which are intrinsically unpredictable (humanitarian aid and debt relief), which do not entail cross-border transactions (e.g. administrative costs and research in donor countries), or which do not form part of cooperation agreements between governments (e.g. food aid, decentralized cooperation or core funding of NGOs).

Table 10. Net ODA disbursements from DAC countries to LDCs 2001–2002 2011 and 2012

	2001–2002			2011			2012			2012 shortfall (\$million) from	
	\$ million	Per cent of donor's total	Per cent of donor's GNI	\$ million	Per cent of donor's total	Per cent of donor's GNI	\$ million	Per cent of donor's total	Per cent of donor's GNI	0.15 per cent of GNI	0.2 per cent of GNI
Australia	238	25.6	0.06	1 373	27.6	0.09	1 639	30.3	0.11	596	1 341
Austria	160	28.3	0.09	296	26.6	0.07	244	22.0	0.06	365	568
Belgium	349	36.1	0.15	1 064	37.9	0.20	704	30.4	0.14	50	302
Canada	359	20.3	0.05	1 943	35.6	0.11	1 945	34.4	0.11	707	1 591
Denmark	571	34.8	0.35	1 090	37.2	0.32	1 004	37.3	0.31	-	-
Finland	144	33.6	0.11	461	32.8	0.17	445	33.7	0.18	-	49
France	1 558	31.9	0.11	3 616	27.8	0.13	2 533	21.1	0.1	1 267	2 533
Germany	1 364	26.4	0.07	3 675	26.1	0.10	3 678	28.4	0.11	1 337	3 009
Greece	45	18.3	0.04	67	15.8	0.02	50	15.3	0.02	326	452
Iceland	5	41.6	0.06	12	45.4	0.10	12	45.1	0.1	6	12
Ireland	189	55.0	0.21	479	52.4	0.27	418	51.7	0.24	-	-
Italy	885	43.3	0.08	1 521	35.2	0.07	701	25.6	0.04	1 928	2 805
Japan	2 058	21.5	0.05	4 115	38.0	0.07	4 640	43.8	0.08	4 060	6 960
Korea Republic of ¹				474	35.8	0.04	579	36.2	0.05	1 158	1 736
Luxembourg	48	33.6	0.26	152	37.1	0.36	146	36.5	0.37	-	-
Netherlands	1 119	34.3	0.28	1 457	23.0	0.17	1 166	21.1	0.15	-	389
New Zealand	33	28.2	0.07	123	28.9	0.08	144	32.0	0.09	96	175
Norway	575	37.5	0.32	1 524	32.1	0.31	1 382	29.1	0.27	-	-
Portugal	174	59.0	0.16	345	48.7	0.15	177	30.4	0.09	118	216
Spain	300	17.4	0.05	1 075	25.8	0.07	483	23.7	0.04	1 328	1 931
Sweden	570	30.9	0.25	1 939	34.6	0.35	1 542	29.4	0.29	-	-
Switzerland	267	28.9	0.10	798	26.1	0.12	710	23.2	0.11	258	581
United Kingdom	1 534	32.5	0.11	5 195	37.6	0.21	4 615	33.2	0.19	-	243
United States	2 638	21.2	0.03	11 786	38.1	0.08	11 419	37.2	0.07	13 050	21 207
Total DAC	15 184	27.4	0.06	44 579	33.3	0.10	40 375	32.0	0.09	26 650	46 100
<i>of which: DAC EU</i>	9 010	32.2	0.11	22 431	31.1	0.14	17 907	28.0	0.12	6 720	12 497

Source: ODA data from OECD Query Wizard for International Development Statistics (QWIDS) database (<http://stats.oecd.org/qwids/>); GNI data from World Bank World Development Indicators database (accessed August 2014).

Notes: Includes imputed shares of multilateral ODA.

¹ The Republic of Korea joined the DAC only in 2010. Its ODA to LDCs in 2001–2002 was \$63 million representing 23 per cent of total ODA and 0.01 per cent of its GNI.

disbursements (14 per cent in 2012, compared with the DAC average of 32 per cent). During the period 2000–2012, African LDCs and Haiti accounted for 55 per cent of total non-DAC ODA flows to LDCs, Asian LDCs for 45 per cent and island LDCs for 1 per cent.⁷

As shown in chart 17, the sectoral composition of ODA changed markedly between 2000 and 2011. This appears to reflect an effort by donors to reconcile their reluctance to increase aid to the extent implied by the 0.15–0.2 per cent target with a desire to contribute to the achievement of (some of) the MDGs. The total share of ODA going to the health sector (including population policies and reproductive health) increased from 12 per cent to 21 per cent, while the combined share going to economic infrastructure and non-agricultural productive sectors – the areas contributing most directly to structural economic transformation – fell by more than half, from 43 per cent to 20 per cent. While the increase in the share of ODA allocated to health has undoubtedly contributed to progress towards achieving the health MDGs, and to improvements in health care more generally, it has also accentuated the shortfall in aid for the development of LDCs' productive capacities, to the detriment of long-term poverty reduction.

The geographical distribution of aid among LDCs has been skewed by geopolitical factors.

Domestic resources remain insufficient to meet their development needs, and neither remittances nor FDI inflows are an effective substitute.

Equally, the geographical distribution of aid among LDCs has been skewed by geopolitical factors. For example, Afghanistan's share in total DAC disbursements to LDCs increased from 1 per cent of the total in 2000 to around 20 per cent in 2012, while the Democratic Republic of the Congo saw a major spike in disbursements in 2011, coinciding with a presidential election considered by donors to be of particular importance to its political future and stability. Together, the Democratic Republic of the Congo and Afghanistan accounted for one third of DAC members' total ODA disbursements (and 27 per cent of ODA from all donors) to LDCs in 2011.⁸

ODA remains the primary source of external financial flows to LDCs.

Despite increasing inflows of remittances and FDI (see chapter 1, section D of this Report), and improved domestic resource mobilization, LDCs as a group remain heavily dependent on ODA. Domestic resources remain insufficient to meet their development needs, and neither remittances nor FDI inflows are an effective substitute. ODA remains the primary source of external financial flows to LDCs, representing 43 per cent of these countries' total external financial resources in 2012. While ODA to LDCs fell from an average of 12.6 per cent of their GNI in 1990 to 6.8 per cent in 2012, it remains significantly higher than for ODCs. In 2012, 24 LDCs received ODA in excess of 10 per cent of their GNI, including all island LDCs and 16 of the 33 LDCs in the Africa and Haiti group. However, all the Asian LDCs had shares below 10 per cent, except for Afghanistan where it was 32 per cent. By comparison, total public revenues excluding ODA in LDCs are typically 10–20 per cent of GDP. While ODA should not be seen as a panacea for the LDCs' investment gap and economic problems, it will, nevertheless, remain a key source of financing, particularly for public investment, in many of these countries.

LDCs urgently need to scale up investment in economic infrastructure and productive capacities if they are to achieve the structural transformation that will be needed to meet future SDGs.

LDCs urgently need to scale up investment in economic infrastructure and productive capacities if they are to achieve the structural transformation that will be needed to meet future SDGs. However, while they remain heavily dependent on ODA to accomplish this, the prospects for a substantial increase of ODA in the near future, let alone fulfilment of the 0.15–0.2 per cent commitment, appear limited so long as most of the traditional donors remain constrained by austerity policies. Increasing financial development assistance from non-traditional donors such as China and India may reduce the importance of traditional North-South ODA relationships, as China, for example, increasingly targets its concessional loans to the provision of infrastructure, in parallel with FDI for the exploitation of mineral resources in some African LDCs. However, ODA from non-DAC members is growing from a very low base, and will not contribute substantially to filling the gap. This is indicative of a bleak choice between continued underinvestment, which would jeopardize development, or increased non-concessional borrowing, which would threaten financial sustainability by increasing the risk of renewed debt problems.

Even with fiscal pressure on overall ODA budgets, donors could and should increase the share of LDCs in their total ODA.

Even with fiscal pressure on overall ODA budgets, donors could and should increase the share of LDCs in their total ODA. Ireland, for example, allocates more than 50 per cent of its total ODA to LDCs. For around half of DAC donors, this would be sufficient to reach the 0.15 per cent target, although the combined shortfall of the other donors would remain very substantial (\$16–\$31 billion). Together with the focus of attention on human development in the post-2015 agenda and the associated SDGs, a continued shortfall on this scale would likely shift the balance of ODA still further away from economic infrastructure and productive sectors, thereby intensifying the adverse effects on economic development.

Increasing investment in a context of inadequate ODA flows will require LDCs to improve their domestic resource mobilization and public investment in implementation and planning, and to align investment (public and private, domestic and external) with national development strategies. This will mean their

taking a proactive role in ensuring that ODA reflects their national development objectives and reasserting their priorities as outlined in the Istanbul Plan of Action for the Least Developed Countries for the Decade 2011-2020 (IPoA).

2. DEBT RELIEF

Debt relief is covered in MDG target 8D, to “deal comprehensively with the debt problems of developing countries through national and international measures, in order to make debt sustainable in the long term”, and target 8B, which refers specifically to cancellation of official bilateral debts of LDCs. Substantial further progress has been made on debt relief since 2000, both under the 1994 Heavily Indebted Poor Countries Initiative (through which limited debt cancellation had been delivered in the 1990s) and under the 2005 Multilateral Debt Relief Initiative.

However, these actions fall substantially short of a comprehensive solution to LDCs' debt problems: in August 2014, 10 of the 42 LDCs for which assessments had been undertaken were at high risk of debt distress (Afghanistan, Burundi, Central African Republic, Chad, Comoros, the Democratic Republic of the Congo, Djibouti, Haiti, Kiribati and Sao Tome and Principe) while one (Sudan) was already in debt distress (IMF, 2014).

3. TRADE REGIMES

Since export earnings are a critical engine of development for LDCs, participation in international trade on a fair and equitable basis is essential for their attainment of the MDGs. MDG 8 includes commitments to “develop further an open, rule-based, predictable, non-discriminatory trading and financial system”, and to provide “tariff- and quota-free access for LDCs' exports”. As shown in charts 13 and 14, duty-free market access of LDCs to developed-country markets has improved substantially since 2000 (partly reflecting improvements in European Union (EU) rules of origin which became operational in January 2011), while average tariffs have also been reduced.

However, the further opening up of the international trade system has resulted in substantially greater increases in duty-free access and reductions in tariffs for ODCs than for LDCs, implying that trade preferences towards LDCs relative to ODCs have been eroded. The difference between the proportion of LDC exports (excluding oil and arms) entering developed-country markets duty-free and the corresponding figure for ODCs has fallen from 20–25 percentage points in 1996–1998 to 2–3 percentage points since 2006. Similarly, the difference between average tariffs for LDC and ODC exports in developed-country markets has fallen across all product categories, with the greatest reductions for clothing (by two thirds) and textiles (by half), which are of particular importance to some LDCs. Preference erosion runs counter to what is explicitly stated in the World Trade Organization's (WTO) Uruguay Round Agreement on Measures in Favour of Least Developed Countries, that “continued preferential access [for LDCs] remains an essential means for improving their trading opportunities” (WTO, 1993).

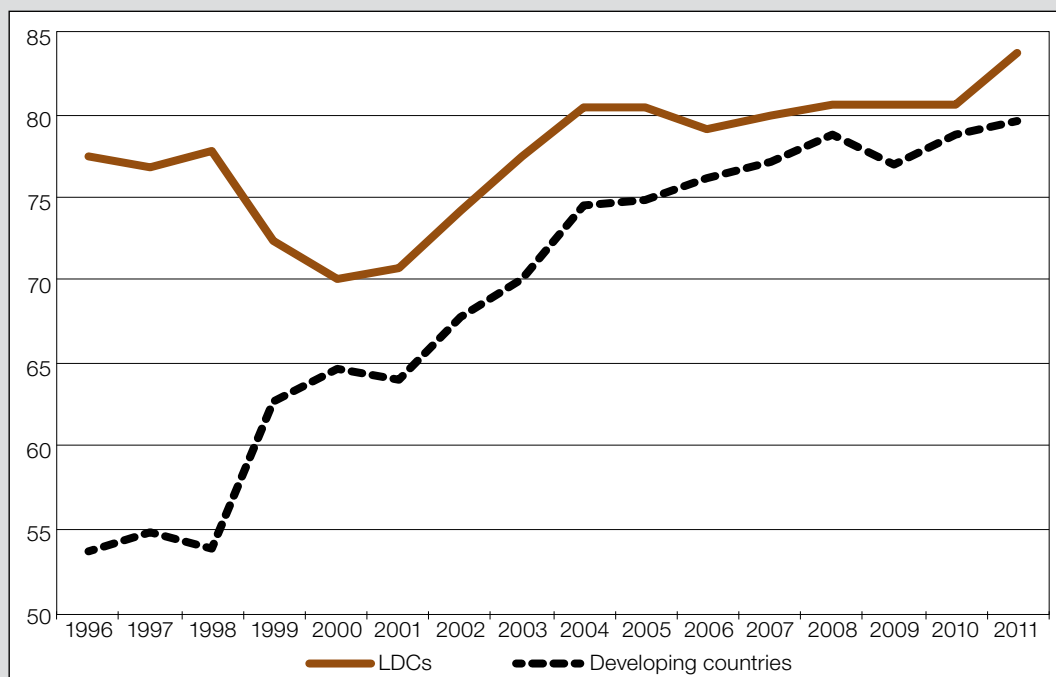
Preferential trade arrangements, including the Generalized System of Preferences (GSP), could enhance opportunities for expanding and diversifying LDC exports through more liberal, simple and transparent rules of origin and avoidance of restrictive conditionalities. However, market access alone is insufficient, particularly if preference erosion continues. For improved market access to be translated into the broadly based economic and social

Substantial further progress has been made on debt relief. However, these actions fall substantially short of a comprehensive solution to LDCs' debt problems.

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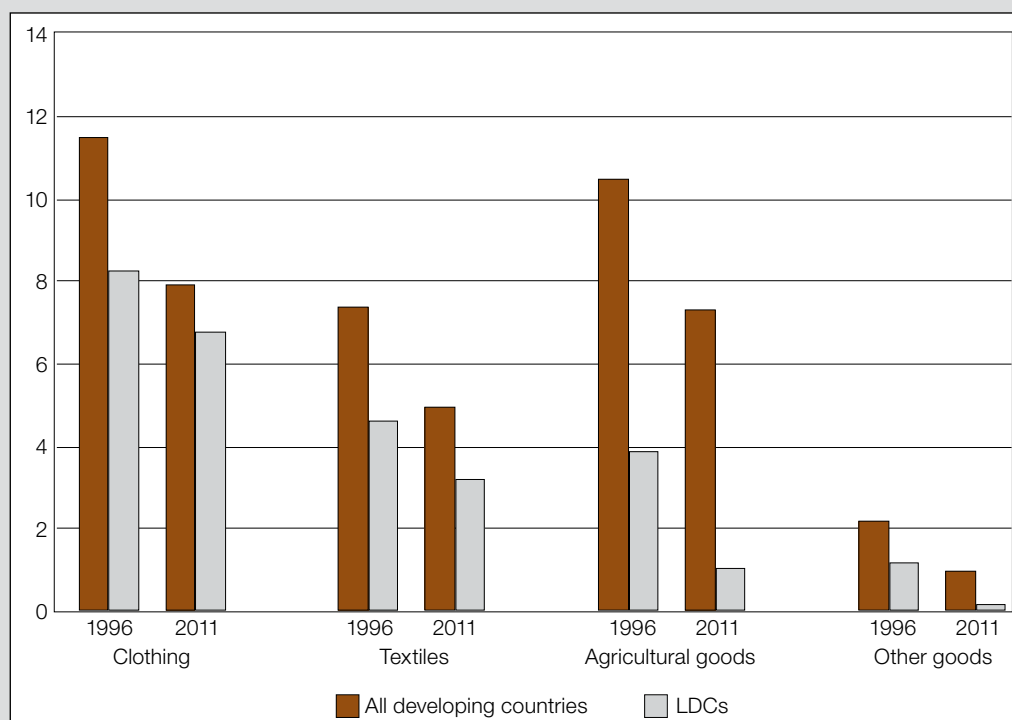
Market access alone is insufficient. Additional support in several areas will be essential if trade is to contribute substantially to LDCs' attaining the planned SDGs.

Chart 18. Proportion of developed country imports (excluding oil and arms) from developing countries and LDCs admitted duty-free, 1996–2011
(Per cent)



Source: UNDP (2013).

Chart 19. Average tariffs levied by developed countries on key products exported by all developing countries and by LDCs, 1996–2011, selected years
(Per cent ad valorem)



Source: UNDP (2013).

Note: Based on fixed 1999–2001 export structure.

improvements needed to meet the planned SDGs, greater efforts will be needed to help increase the capacity of LDCs to produce competitive exports and exploit the opportunities provided by the increased market access, while maximizing benefits in terms of employment, income generation and public revenues. This will be particularly challenging in countries with geographical disadvantages (i.e. the small island and landlocked economies, and those distant from large and growing markets). It will also be important to ensure that producers have sufficient capabilities to comply (and regulatory authorities sufficient capacity to police compliance) with product standards in major markets. Additional support in these areas will be essential if trade is to contribute substantially to LDCs' attaining the planned SDGs.

The progress of the LDCs since 1990 in the areas targeted by the MDGs have been quite remarkable. However, the great majority will fail to meet most of them.

D. Conclusions

By any historical standard, the progress of the LDCs since 1990 in the areas targeted by the MDGs have been quite remarkable. But only one LDC (the Lao People's Democratic Republic) is on track to meet all of the seven MDGs assessed in this chapter, while the great majority will fail to meet most of them. Only among Asian LDCs are a majority on track to meet most of the goals.

Major donors have fallen short of their commitments on ODA, both to LDCs and to developing countries as whole.

This is partly a reflection of limited progress on MDG 8, which aspired to create a "global partnership for development". Major donors have fallen short of their commitments on ODA, both to LDCs and to developing countries as whole; LDC debt problems have not been dealt with comprehensively, leaving one in debt distress and several more at high risk; LDCs' trade preferences relative to ODCs, recognized in WTO Agreements as essential to improving their trading opportunities, have been seriously eroded; and the global economic and financial architecture has proved unable to prevent major global financial, food and fuel crises over the past decade.

Despite the improvements they have achieved, and their rapid economic growth, the LDCs still face formidable challenges to economic and human development.

Some LDCs — mostly in Asia — are nonetheless on track to achieve most of the MDGs, and this is greatly to their credit. Elsewhere, however, rapid growth and strongly increasing ODA have not been translated into fulfilment of the MDGs. As well as shortcomings in the international system, this partly reflects a failure of the economic model of development pursued in most LDCs. As discussed in subsequent chapters of this Report, economic growth is not the same as development, as evidenced by the failure of recent strong growth in most LDCs to bring about economic transformation and hence complete the virtuous circle essential for achieving human development goals sustainably, as discussed in chapter 3.

Despite the dramatic improvements they have achieved, and their recent rapid economic growth, the LDCs still face formidable challenges to economic and human development. Nearly half the population in LDCs continues to live in extreme poverty, nearly 30 per cent of people are undernourished, and the great majority are in vulnerable employment. On average, nearly a third of their people have no access to a clean water source, and nearly two thirds have no access to sanitation facilities. One in twelve children die before their fifth birthdays, and one in four of those who survive do not attend primary school.

The goals envisaged for 2015–2030 are extraordinarily ambitious. Achieving these goals will require profound economic transformation across all LDCs.

From this base, the goals envisaged for 2015–2030 are extraordinarily ambitious: eradicating poverty and undernutrition, decent work for all, universal primary and secondary education, universal access to water and sanitation, and elimination of preventable child deaths, all to be achieved simultaneously in all LDCs (and ODCs) in just 15 years. Achieving these goals, and sustaining

their achievement beyond 2030, will require profound economic transformation across all LDCs. This in turn will require a marked shift in emphasis in the SDGs, from a fixation on goals focused exclusively on human development outcomes to a much broader and more holistic approach, encompassing the essential means of attaining these goals sustainably. If the planned SDGs are to be achieved sustainably, they must aim at a form of development that can be sustained, not only environmentally, but also economically, financially, socially and politically.

In addition, the international community should give much greater priority than it has in its approach to the MDGs to establishing more effective partnerships with LDCs, based on mutual accountability and firmly guided by the national development plans, priorities and ambitions of LDC governments themselves.

Notes

- 1 These data are derived from PovcalNet, the online tool for poverty measurement developed by the Development Research Group of the World Bank. The current \$1.25-a-day poverty line (at 2005 purchasing power parity (PPP)) corresponds with the earlier “\$1-a-day” poverty line referred to in MDG1 (actually \$1.08 per day at 1993 PPP, this having succeeded the original poverty line of \$1.00 per day at 1985 PPP).
- 2 Data from *World Development Indicators (WDI)* database (accessed September 2014)
- 3 The prevalence of undernourishment indicator, developed by the Food and Agriculture Organization of the United Nations (FAO), estimates the proportion of the population with a calorie intake below the minimum necessary for an active and healthy life.
- 4 As noted in Section C.3 of this chapter, LDCs exporting agricultural products and food are the best performing group on this indicator.
- 5 There are no Asian countries among the mineral or agricultural produce and food exporters.
- 6 Resolution adopted by the General Assembly 2626 (XXV): International Development Strategy for the Second United Nations Development Decade (No. A/RES/25/2626). Paragraph 93 states: “Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 per cent of its gross national product at market prices by the middle of the Decade”.
- 7 OECD, *Query Wizard for International Development Statistics (QWIDS)*, available at: <http://stats.oecd.org/qwids/>.
- 8 Data from OECD, *Query Wizard for International Development Statistics (QWIDS)* (*ibid.*).

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