UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

10 REDUCED INEQUALITIES

8 DECENT WORK AND ECONOMIC GROWTH

1 NO POVERTY

17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

5 GENDER EQUALITY

Selected sustainable development trends in the least developed countries – 2019

Geneva, 2019

Note

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

Comprehensive and updated economic and social statistical data on the least developed countries can be accessed in the following UNCTAD publication: *Statistical Tables on the Least Developed Countries – 2018,* available at: https://unctad.org/en/PublicationsLibrary/ldcr2018stats_en.pdf

This publication has not been formally edited.

UNCTAD/ALDC/2019/1

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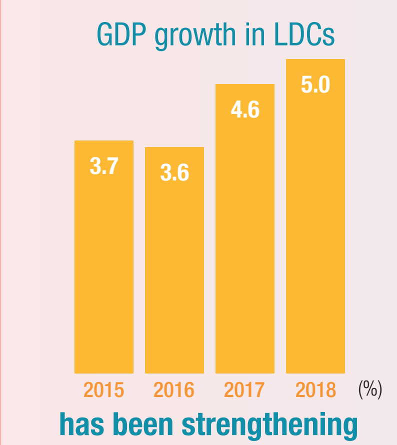
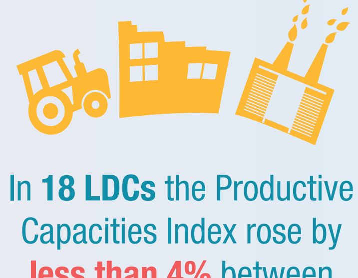
Economic growth in LDCs has improved recently, but productive capacities are developing only slowly

GDP growth in LDCs



has been strengthening

Exports have been **leading growth**



In **18 LDCs** the Productive Capacities Index rose by **less than 4%** between **2000 and 2016**

The economic outlook is darkening in LDCs and globally...

The current account deficit of LDCs

3.2

51.5

2004–2008 2013–2017

$ billion (annual average)

shot up 16-fold after the global crisis

The **LDC debt burden has risen**

103 142 163 166

2014 2015 2016 2017

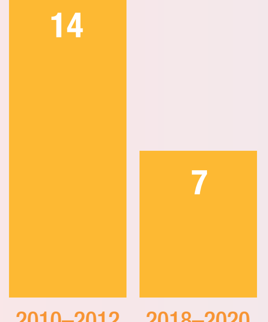
Debt / Export ratio

due to **falling commodity prices and FDI inflows**

The global economic outlook **has deteriorated** since **2018**

...which will further slow down LDCs' progress towards the SDGs

Despite it's recent pick up, growth **does not match the performance** of the **early 2010s**



Number of LDCs meeting growth target

SDG target 8.1

Annual LDC GDP to grow at least 7% per annum

In **60% of the LDCs** the manufacturing share of employment **stagnated or declined between 2000 and 2017**

SDG target 9.2

Double the share of industry in total employment

The **share of LDCs** in world trade has **broadly stagnated** since the **beginning of the global crisis**

2011 2012 2013 2014 2015 2016 2017 (%)

SDG target 17.11

Double the share of **LDCs in world trade**

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Abbreviations

DAC	Development Assistance Committee
FDI	foreign direct investment
GDP	gross domestic product
GNI	gross national income
ICT	information and communication technology
IMF	International Monetary Fund
LDC	least developed country
ODA	official development assistance
ODC	other developing country
PCI	Productive Capacities Index
SDG	Sustainable Development Goal
UN/DESA	United Nations Department of Economic and Social Affairs

Foreword

This publication is a contribution to the United Nations system's efforts to follow up and monitor the implementation of Agenda 2030 for Sustainable Development, since it reviews recent progress against selected targets and indicators related explicitly to the 47 least developed countries (LDCs). It was prepared by UNCTAD's Division for Africa, Least Developed Countries and Special Programmes. Its conceptual starting point can be traced to UNCTAD's The Least Developed Countries Report series' vision of LDC development through the accumulation and upgrading of productive capacities leading to structural economic transformation. It is reflected in paragraph 27 of Agenda 2030, which states a commitment to "build strong economic foundations for all our countries (… and) strengthen the productive capacities of least developed countries in all sectors, including through structural transformation".

The publication presents a brief assessment of recent economic trends and progress towards selected targets of the Sustainable Development Goals and indicators in the LDCs. It highlights some of LDCs' key development challenges, which stem from the structural characteristics of their economies, but also from their specific terms of insertion into the global economy. Far from providing a full-fledged country-specific assessment, this document emphasises the international dimension, consistently with the view, expressed in paragraph 3 of the Nairobi Maafikiano, that "while each country has primary responsibility for its own economic and social development, the support of an enabling international environment is integral to the success of national efforts" (UNCTAD, 2016c).

The structure of the document is as follows. Section A discusses the performance of LDCs in terms of broad macroeconomic trends and inclusive growth, while section B delves into their implications for economic diversification and structural transformation, and presents UNCTAD's new Productive Capacities Index (PCI). Section C tackles key trade-related issues and balance of payment vulnerabilities, while section D is devoted to fixed investment and the mobilization of development finance. Section E concludes by summarizing LDCs' outlook for the medium-term future, while section D is devoted to the mobilization of development finance, through different sources. Finally, section E summarizes LDCs' outlook for the near-term future.

Overview

The pace of economic growth of the least developed countries (LDCs) has been accelerating in recent years, influenced by a relatively benign international trade context. However, this has generally not been enough for most of them to meet target 8.2 of the Sustainable Development Goals: “an economic growth rate of at least 7 per cent”. In fact, only seven LDCs were able to reach it in 2018. Despite the positive growth and export performance, most LDCs have only been achieving a slow development of their productive capacities and advancing sluggishly towards the structural transformation of their economy. This has prevented LDCs from progressing more decisively towards internationally agreed development goals.

Inflows of external resources have not been very supportive of development in LDCs in recent years. Despite expanding exports, their current account balance has been widening and they continue to face a large shortfall between donors’ pledges and actual aid disbursement. Moreover, foreign direct investment has declined in recent years. This situation has led to an uptick in the external debt stocks of LDCs and more than one third of them are either in debt distress or at high risk thereof. Consequently, these countries face growing challenges in financing their development and they experience heightened external vulnerability. Failure to better address the resources gap, either through external support, or domestic means, will impact the capacity of the LDCs to boost the investment needed for structural transformation and, ultimately, to reach the Sustainable Development Goals.

The outlook for economic growth of LDCs in the medium term is still positive, but it is clouded by recent downward revisions to the global outlook due to economic deceleration in major economies, trade tensions and rising geopolitical uncertainty. If negative expectations on the world economy materialize, they could wipe out the recent gains in LDC economic growth and exports. These countries’ vulnerability to external shocks, coupled with natural disasters and climate-change-related risks will continue to undermine economic gains unless LDCs accelerate the pace of diversification and structural transformation of their economies. Failing this, their challenges in reaching internationally agreed development goals will persist.

Selected Sustainable Development Trends in the Least Developed Countries 2019

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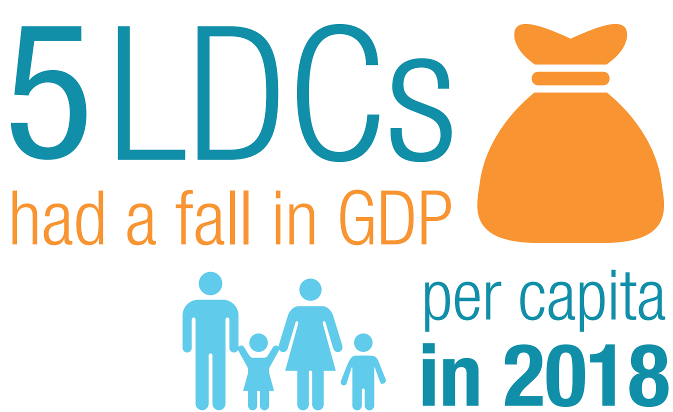
A. Economic growth

"Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries"
(SDG target 8.1)

Only
7 LDCs reached the
7% growth target in **2018**



Least developed countries (LDCs) as a group recorded increasing economic growth rates in recent years, rising from 3.6 per cent in 2016 to 4.6 per cent in 2017 and reaching 5.0 per cent in 2018 (Figure 1 and Figure 2). Growth is highest in Asian LDCs, followed by Africa and Haiti, but is lowest in island LDCs (Figure 3). These aggregate figures for LDCs, however, hide a strong divergence in the performance of individual economies. Seven LDCs – Bangladesh, Burkina Faso, Cambodia, Ethiopia, Rwanda, Senegal and South Sudan – recorded growth rates of above 7 per cent in 2018, and therefore reached target 8.1 of the Sustainable Development Goals: "Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries".

While the number of LDCs reaching the growth target increased in 2018, it is less than half the figure reached in 2010 and 2012 (Figure 4). Positive growth performance was also recorded by Chad, Djibouti, Sierra Leone and South Sudan, which achieved a growth rate of gross domestic product (GDP) in 2018 over 2 percentage points higher than in the previous year.

The recovery of commodity prices (with the exception of cocoa, coffee and tea), has been a major driver of increased LDC growth rates since 2016. This is part of a more supportive international environment. Globally, economic growth strengthened in both 2017 and 2018 in more than 50 percent of all economies and stood at 3.1 per cent at the world level in 2018. This may, however, have been the peak of the latest global economic cycle. If confirmed, it would cloud the future economic outlook for LDCs (section E).

Figure 1

Real gross domestic product growth by country groups, 2010–2020

(Per cent)

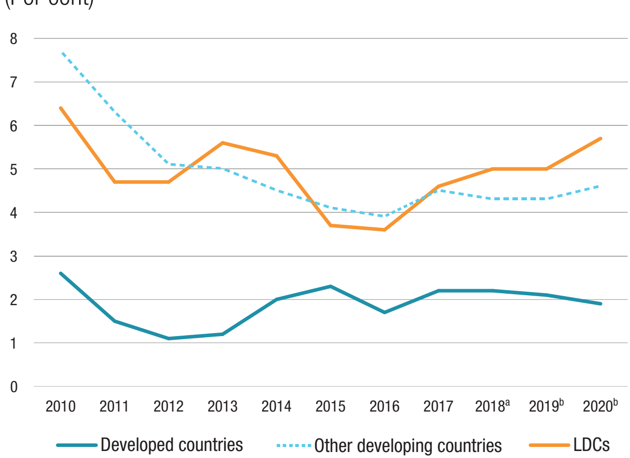


Figure 3

Annual percentage growth of real gross domestic product by LDC groups

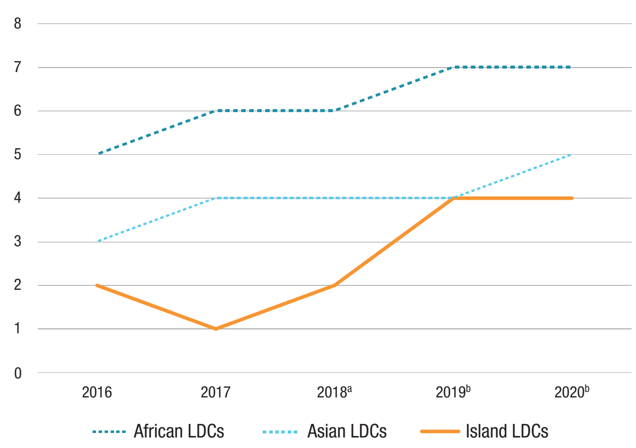
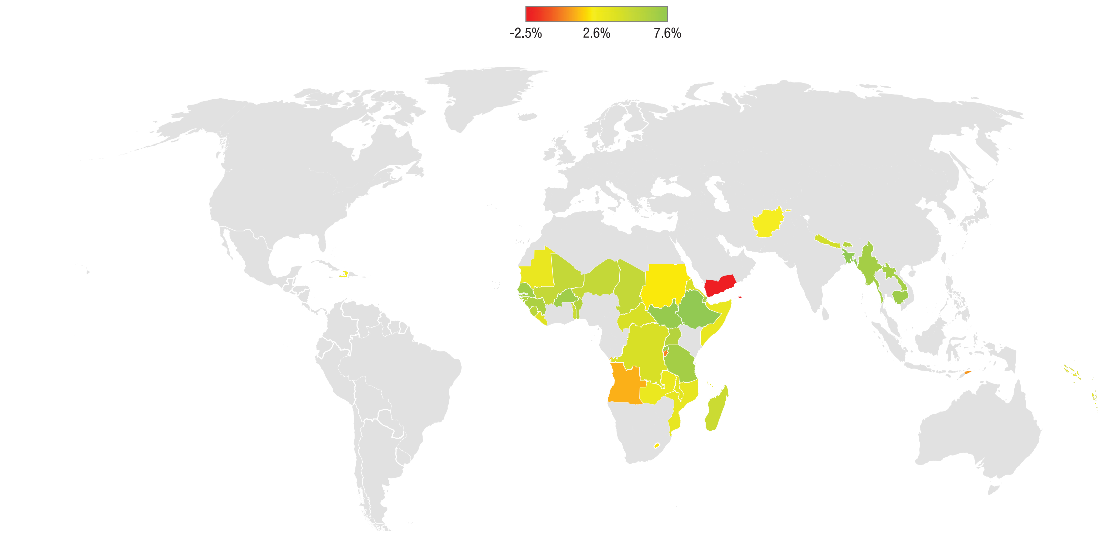


Figure 2

Real growth of gross domestic product in LDCs, 2018



Source: UNCTAD secretariat calculations, based on United Nations (2019).

Note: a - Partly estimated. b - Baseline scenario forecasts, based in part on Project LINK and UN/DESA World Economic Forecasting Model. LDC aggregates do not include Tuvalu due to insufficient data.

Figure 4

Number of LDCs meeting the 7 per cent GDP growth target, 2010–2020

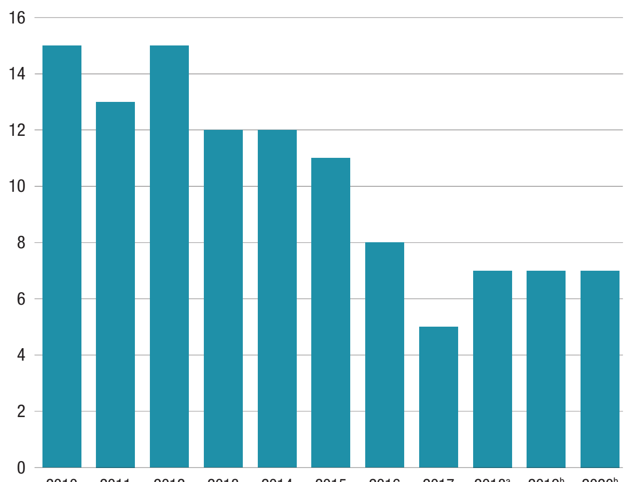
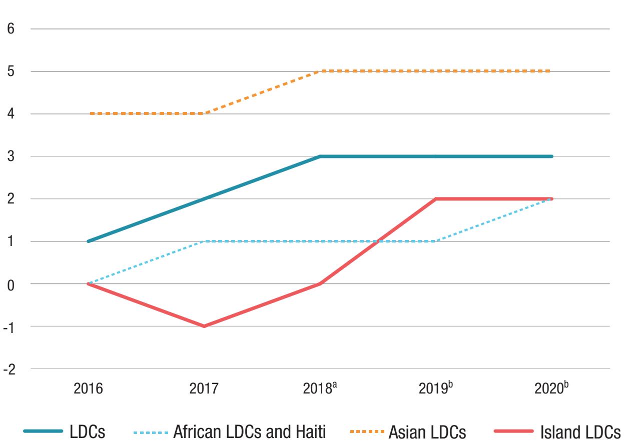


Figure 5

Annual growth of gross domestic product per capita, 2016–2020



Source: UNCTAD secretariat calculations, based on United Nations (2019).
Note: a - Partly estimated. b - Baseline scenario forecasts, based in part on Project LINK and UN/DESA World Economic Forecasting Model. LDC aggregates do not include Tuvalu due to insufficient data.

Overreliance on commodities continues to be a major risk, exposing LDCs to price volatilities, which directly affect GDP growth, and fiscal and export revenues. Despite the general positive performance of LDCs as a group, more than 40 per cent of these countries registered lower growth rates in 2018 than during the previous year. Eight LDCs grew by less than 2.5 per cent. Particularly small island developing States and LDCs with ongoing conflicts are growing at very low levels or are in a recession (Yemen) (Figure 3).

This further drives LDCs away from reaching Sustainable Development Goal 8: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

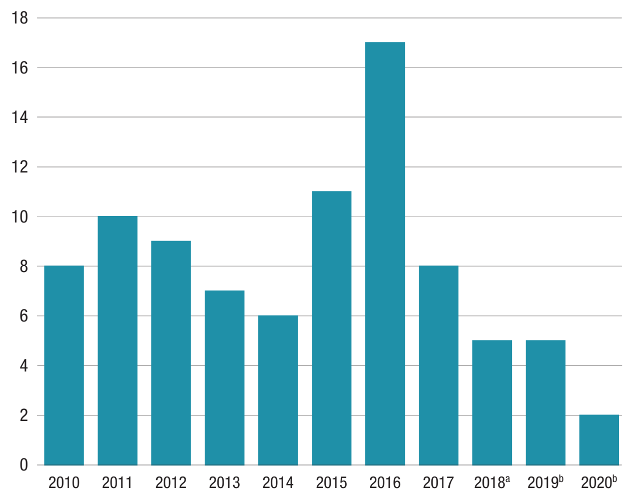
Another major challenge of LDCs is that their high population growth requires even higher growth rates of GDP to make progress in poverty reduction and more generally to achieve the Sustainable Development Goals. In order to substantially reduce poverty in LDCs and to reach target 1.1 of the Sustainable Development Goals – "By 2030, eradicate extreme poverty for all people everywhere" – much more progress is needed. Only significantly faster per capita GDP growth of 10 per cent, or a halving of inequality can lead to levels of extreme poverty below 10 per cent by 2030 (United Nations, 2019).

Currently, LDCs are far from the values required to eradicate poverty, although per capita growth rose from 1.2 per cent in 2016 to 2.6 per cent in 2018 in LDCs. Currently available forecasts point to a rise of 3.3 per cent in 2020 (Figure 5). Higher population growth in Africa, Haiti and Island LDCs makes the gap vis-à-vis Asian LDCs even wider than the difference for total GDP growth rates (Figure 3). Moreover, per capita growth fell, stagnated or grew at a very low rate (below one per cent) in 14 LDCs in 2018. However ,the situation has become less dire. Seventeen LDCs experienced negative per capita GDP growth in 2017, which declined to five in 2018. The figure is forecast to fall to two in 2020 (Figure 6), but this forecast is subject to downside risks, similar to the ones mentioned above, which will be further discussed in section E.

Inflationary pressure in LDCs was high in 2016 and 2017, when it reached rates of 15.2 per cent and 14.8 per cent respectively, driven in many cases by rising food prices. It is, however, receding and fell to 13.8 per cent in 2018. This trend is expected to continue, and inflation is forecast to further fall to 8.6 percent in 2019 and 7.2 per cent in 2020 (United Nations, 2019).

Figure 6

Number of LDCs with declining GDP per capita, 2010–2020



Source: UNCTAD secretariat calculations, based on United Nations (2019).
Note: a - Partly estimated. b - Baseline scenario forecasts, based in part on Project LINK and UN/DESA World Economic Forecasting Model. LDC aggregates do not include Tuvalu due to insufficient data.

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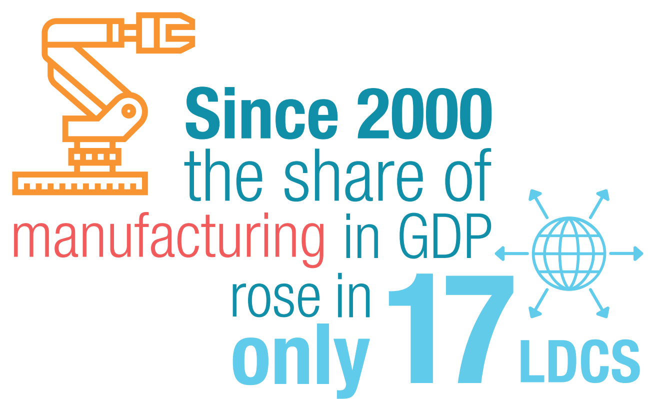
B. Structural transformation

"Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries"
(SDG target 9.2)

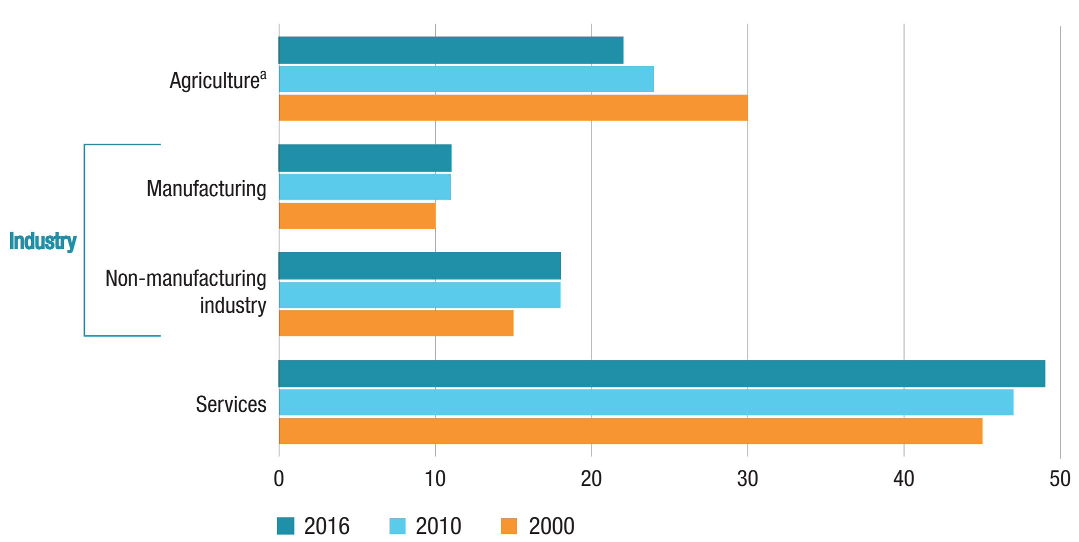


Agriculture and the extraction of raw materials are still mainstays of LDC economies, which makes them vulnerable to exogeneous shocks, such as price volatility and weather-related losses. Hence, the importance for these countries of undergoing a structural transformation of their economies, not only to attenuate these vulnerabilities, but particularly because this is the only viable process by which t these countries will have the means to reach the Sustainable Development Goals (UNCTAD, 2014). Since 2000 the major contribution to the economy shifted from the primary sector (agriculture, hunting, forestry and fishing) towards the services sector and, to a minor extent, non-manufacturing industry (which includes mining) and manufacturing (Figure 7).

There is substantial heterogeneity among LDCs in the process of structural transformation. In six African LDCs, the primary sector generated more than 40 per cent of GDP in 2016, while in another 14 LDCs, this sector contributed less than 20 per cent. Manufacturing can have a particular role in transformation, as was seen historically in the industrialization process undergone by present-day developed economies and a small number of developing countries, which have been successful in their process of structural transformation. The importance of manufacturing in the development process of the LDCs is also recognized by target 9.2 of the Sustainable Development Goals: "Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries". However, most LDCs are not advancing towards reaching this target. Since 2000, the share of the manufacturing sector in GDP has expanded in only 17 LDCs (Figure 8). A higher number of LDCs experienced an expansion in the manufacturing share of total employment (29), but progress was very uneven. The share rose by more than 3 percentage points in only ten countries (equally divided between Africa and Asia), while in 60 per cent of LDCs it stagnated or declined (Figure 9). The pace of expansion of the manufacturing share should, therefore, be much stronger and widespread for LDCs as a group to reach target 9.2.

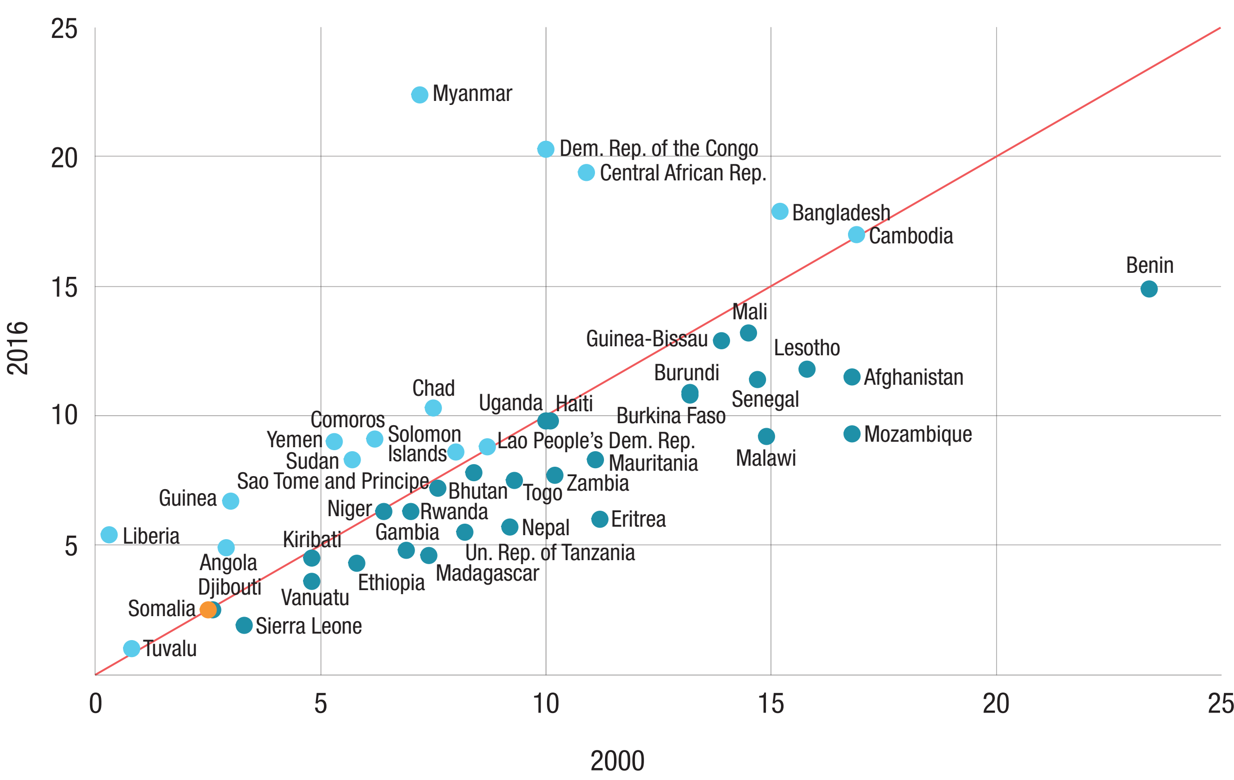
Figure 7

Share in LDC total value added of the main economic sectors, 2000-2016, selected years



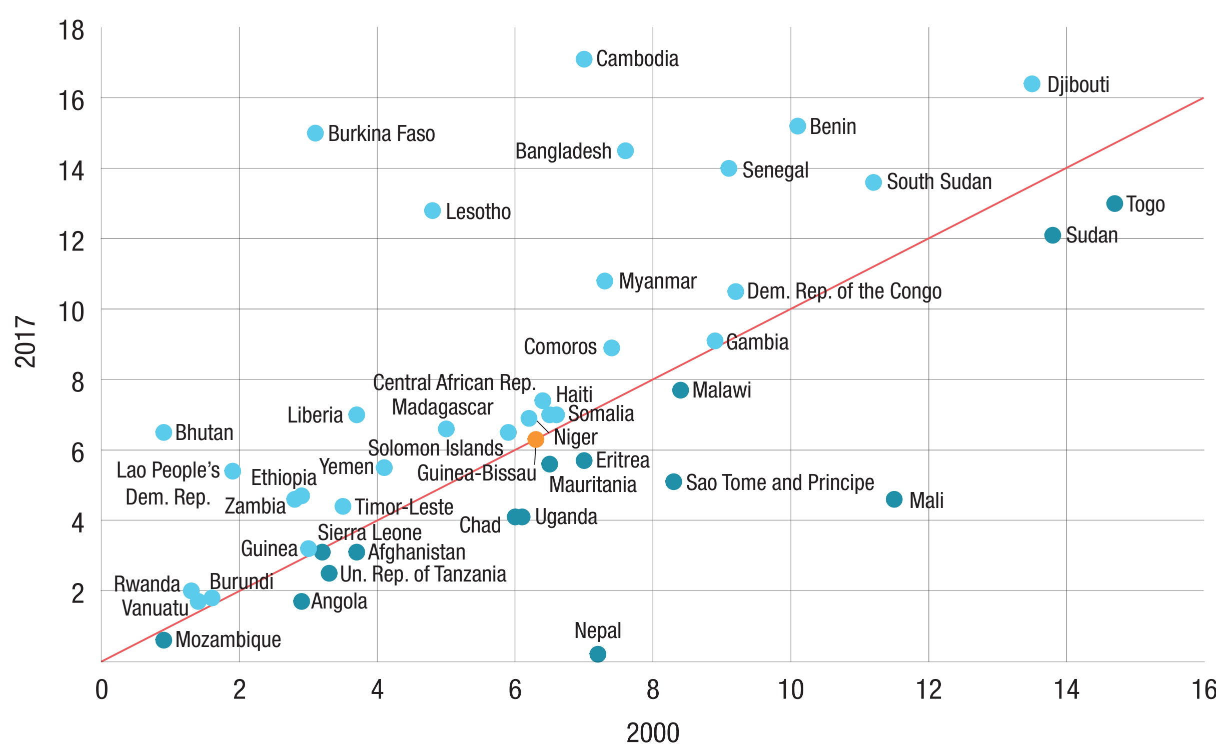
Source: UNCTAD, UNCTADstat database (accessed November 2018).
Note: [a] Also includes hunting, forestry and fishing.

Figure 8
Share of manufacturing in total value added in LDCs, 2000 and 2016
(Per cent)



Source: UNCTAD, UNCTADstat database (accessed November 2018).
Note: Sudan includes South Sudan in 2000.

Figure 9
Share of manufacturing in total employment in LDCs, 2000 and 2017
(Per cent)



Source: ILOstat - Trends Econometric Models, ILO estimates and projections (accessed November 2018).
Note: Excluding Kiribati and Tuvalu for which data are unavailable. Sudan includes South Sudan in 2000.

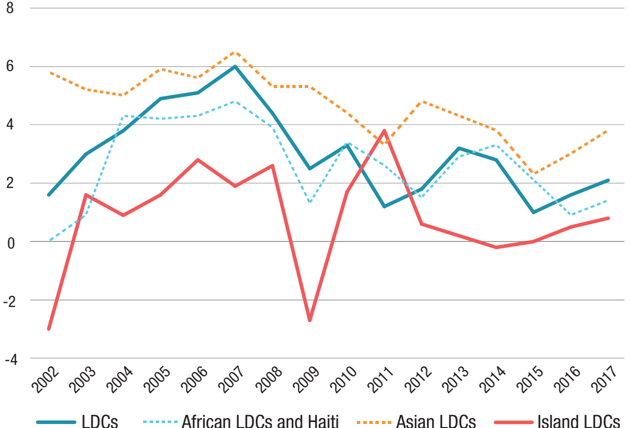
These different developments in the share of manufacturing in total GDP and in employment raise the question of the evolution of labour productivity. Its rise is an essential feature of the process of structural transformation. It reflects efficiency gains in the economy and allows workers' earnings to rise and thereby, progress towards the achievement of several of the Sustainable Development Goals. For these reasons, productivity growth is pursued by target 8.2 of the Goals: "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors". For this publication, labour productivity growth has been measured by the annual growth rate of real GDP per employed person.

Since the beginning of the century, the pace of labour productivity in LDCs accelerated, but this process was briskly interrupted by the outbreak of the economic and financial crisis of 2008. Since then, productivity growth has been subdued, in spite of a minor uptick in 2015 and 2016 (Figure 10). Throughout this period, the pace of labour productivity expansion has been higher in Asian LDCs than in African LDCs, which is likely associated with the stronger pace of industrialization in the former countries. By contrast, productivity growth has been much slower in island LDCs, which have experienced a decline threetimes since 2000.

Given the critical importance of developing productive capacities for LDCs to achieve structural transformation and thereby reach their development goals, member States have requested UNCTAD to develop a

Figure 10

Growth of gross domestic product per person employed in LDCs and country groups, 2002-2017



Source: UNCTAD Secretariat calculations, based on data from World Bank, World Development Indicators database (accessed January 2019).
Note: Excluding Kiribati, Timor-Leste and Tuvalu for which data are unavailable.

measurement tool for the state of development of productive capacities in individual countries.

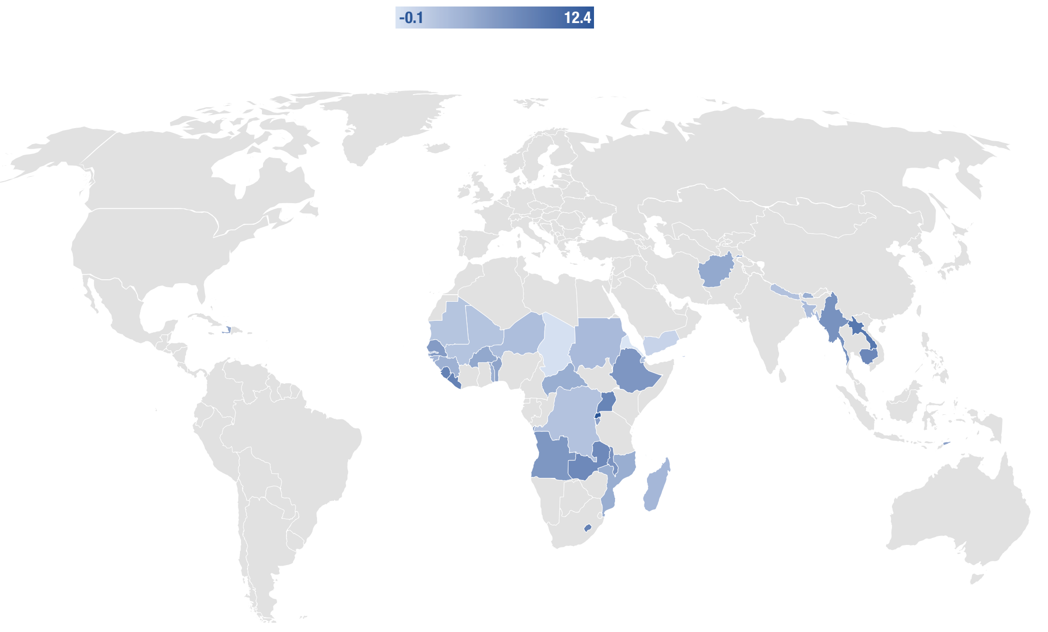
In response, UNCTAD has developed the Productive Capacities Index (PCI), which measures the level of development of productive capacities by country. It is a composite index based on the following components: 1. natural capital, 2. information and communication technology (ICT), 3. structural change, 4. institutions, 5. energy, 6. private sector, 7. transport, and 8. human capital. The Index has a potential range from 1 to 100. It is intended to serve policymakers as a tool for measuring the extent of progress in the development of productive capacities, as well as an indicative diagnostic of which factors are driving forward – or, alternatively, holding back – the development of productive capacities in each country.

The PCI indicates that virtually all LDCs for which data are available (44) have been developing their productive capacities since the beginning of the century, but progress has been very uneven, both among countries (Figure 11) and within them. For 40 per cent of these LDCs, the PCI rose by less than 4 per cent between 2000 and 2016.

Ten LDCs, by contrast, have achieved an increase in their PCI of 7 per cent or more over the same period: Cambodia, Lao People's Democratic Republic, Lesotho, Liberia, Myanmar, Rwanda, Sierra Leone, Uganda, United Republic of Tanzania and Zambia. The analysis of developments in these countries' PCI reveals that progress has typically been drivenby just three or four components, with the remainder lagging behind the overall Index. More specifically, in seven of these ten LDCs, the strongest contribution to the rise came from the human capital component, i.e. mainly improvements in education and health indicators. In two other cases, this component provided the second or third largest contribution. The strong impact of the human capital component largely reflects LDCs' and donor countries' prioritization of social development during the period of pursuit of the Millennium Development Goals (2000–2015) (UNCTAD, 2014). The second most important contributor to the rise of the PCI in these ten countries was ICT. As it is a general purpose technology, ICT can potentially make a direct contribution to the development of countries' productive capacities in all sectors of economic activity. In some post-conflict LDCs, institutions also provided a boost to the growth of the PCI between 2000 and 2016.

The analysis of the PCI of LDCs highlights, once again, the need for these countries to adopt effective development strategies centred on the accumulation and upgrading of productive capacities, which aim at

Figure 11
Growth in the Productive Capacities Index of LDCs, 2000-2016



Source: UNCTAD, Productive Capacities Index database (accessed January 2019).

the structural transformation of their economies. This has been the case in only a limited number of countries, which is reflected in the very slow level of development of productive capacities among LDCs. Moreover, where there has been progress, it has generally not been balanced, but rather concentrated in a few areas. These features of most LDCs' current development strategies can strongly stymie progress towards their broader development goals.

In order to allow a more detailed evaluation of the progress of individual LDCs in developing their productive capacities, the Annex reports the level of the PCI of LDCs in selected years since 2000.

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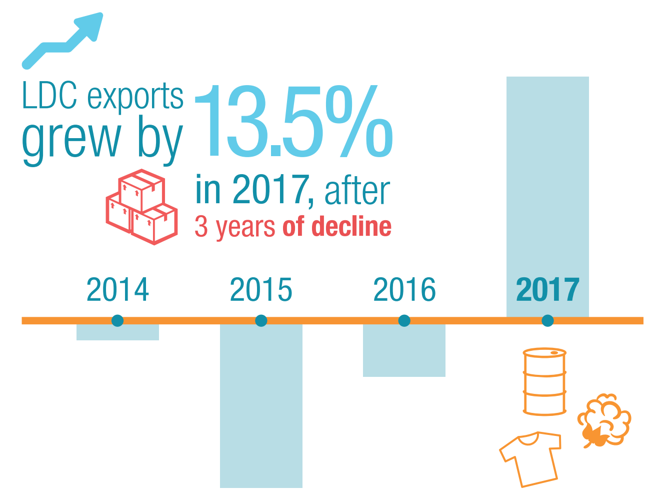
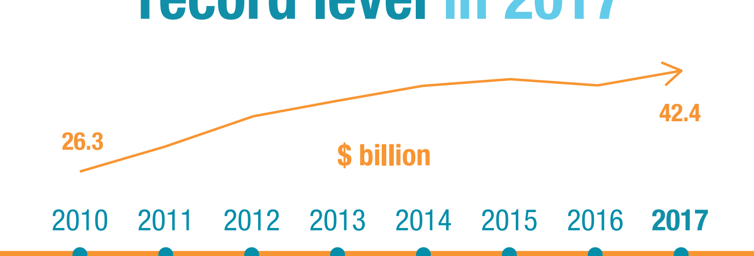
C. International trade and current account

"Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020"
(SDG target 17.11)





LDC exports have been expanding in recent years, spurred by rising commodity prices and higher volumes. This trend has, however, been overwhelmed by even faster import growth and unstable movements with respect to theterms of trade. The consequence of these developments has been the widening of LDCs' trade and current account deficits.

1. Trade in goods and services

LDC exports of goods and services recovered in 2017 after three consecutive years of decline. They reached $209 billion, representing a 13.5 per-cent growth from 2016. However, exports remained 12 per cent below the record $237 billion achieved 4 years earlier (Table 1).

Table 1
LDC exports and imports of goods and services, 2005–2017, selected years
(Million current dollars)

		2005	2010	2015	2016	2017	% change 2017–2017
				Total trade in goods and services			
Exports	LDCs	88 601	176 483	189 993	184 046	208 846	13.5
	African LDCs and Haiti	59 629	124 330	117 825	110 612	129 229	16.8
	Asian LDCs	28 549	51 276	71 012	72 184	78 308	8.5
	Island LDCs	424	878	1 156	1 250	1 309	4.7
Imports	LDCs	106 208	211 505	293 804	273 529	299 213	9.4
	African LDCs and Haiti	70 841	141 673	186 078	164 151	174 410	6.2
	Asian LDCs	34 476	67 006	104 638	106 449	121 855	14.5
	Island LDCs	892	2 826	3 088	2 929	2 948	0.7
Trade balance	LDCs	-17 607	-35 022	-103 811	-89 483	-90 367	1.0
	African LDCs and Haiti	-11 212	-17 344	-68 254	-53 539	-45 181	-15.6
	Asian LDCs	-5 927	-15 731	-33 626	-34 265	-43 547	27.1
	Island LDCs	-468	-1 948	-1 932	-1 679	-1 640	-2.4
				Total trade in goods			
Exports	LDCs	76 636	152 201	152 497	147 611	169 763	15.0
	African LDCs and Haiti	51 851	110 385	95 862	89 444	106 800	19.4
	Asian LDCs	24 607	41 469	56 113	57 614	62 399	8.3
	Island LDCs	178	347	522	554	564	1.8
Imports	LDCs	78 778	152 867	220 802	207 260	227 232	9.6
	African LDCs and Haiti	49 021	95 406	131 233	116 091	123 020	6.0
	Asian LDCs	29 108	56 187	87 750	89 444	102 300	14.4
	Island LDCs	649	1 274	1 819	1 725	1 912	10.9
Trade balance	LDCs	-2 142	-666	-68 306	-59 649	-57 469	-3.7
	African LDCs and Haiti	2 830	14 979	-35 371	-26 648	-16 219	-39.1
	Asian LDCs	-4 501	-14 718	-31 637	-31 830	-39 901	25.4
	Island LDCs	-471	-927	-1 298	-1 171	-1 348	15.2
				Total trade in services			
Exports	LDCs	11 960	24 280	37 500	36 430	39 080	7.3
	African LDCs and Haiti	7 780	13 940	21 960	21 170	22 430	6.0
	Asian LDCs	3 940	9 810	14 900	14 570	15 910	9.2
	Island LDCs	250	530	630	700	740	5.7
Imports	LDCs	27 430	58 640	73 000	66 270	71 980	8.6
	African LDCs and Haiti	21 820	46 270	54 850	48 060	51 390	6.9
	Asian LDCs	5 370	10 820	16 890	17 000	19 560	15.1
	Island LDCs	240	1 550	1 270	1 200	1 040	-13.3
Trade balance	LDCs	-15 470	-34 360	-35 500	-29 840	-32 900	10.3
	African LDCs and Haiti	-14 040	-32 330	-32 890	-26 890	-28 960	7.7
	Asian LDCs	-1 430	-1 010	-1 990	-2 430	-3 650	50.2
	Island LDCs	10	-1 020	-640	-500	-300	-40.0

Source: UNCTAD secretariat calculations, based on data from the UNCTADstat database (accessed January 2019).

The 2017 rebound in LDC exports took place in the context of the broader recovery of world trade following two years of contraction. Therefore, it did not have any impact on the global trade share of LDCs. LDCs' share in world exports remained at the low level of 0.9 per cent in 2017. It has stagnated at that level since the outbreak of the world economic and financial crisis in 2008 (Table 2). This leaves LDCs even further awayfrom achieving target 17.11 of the Sustainable Development Goals: "significantly increase the exports of developing countries, with a view to doubling the least developed countries' share of global exports by 2020".

The difficulty for LDCs in realizing target 17.11 stems from a variety of systemic and short-term issues, including their low level of productive capacities, their traditional export patterns, as well as geopolitical dynamics that entrenchthe lopsided structure of trade.

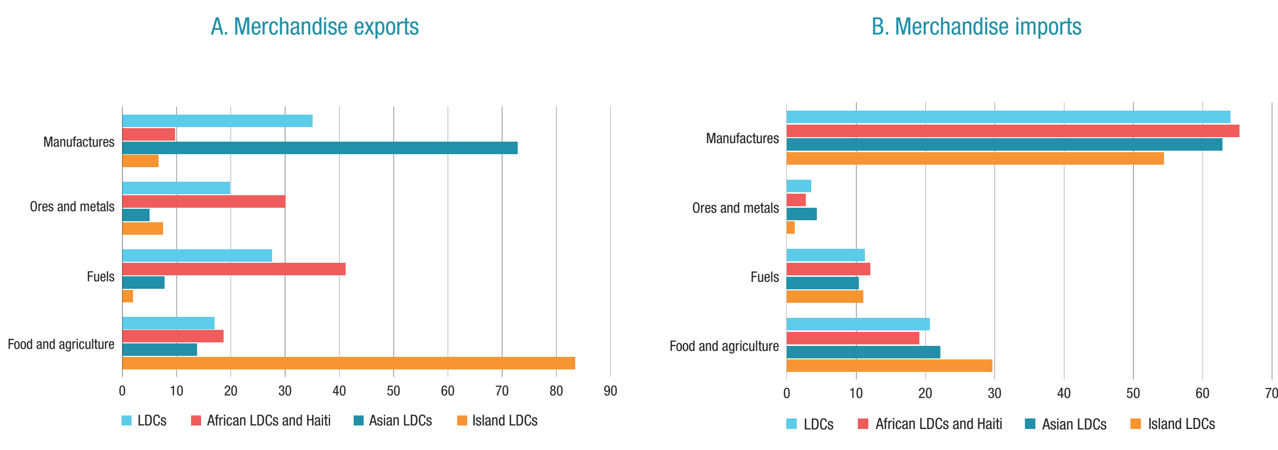
The export composition of LDCs continues to be heavily skewed towards primary commodities, consisting mainly of raw materials with little or no value addition (Figure 12). These products account for two thirds of the group's exports. Commodities exports originate mainly in African LDCs, which account for 87 per cent of total LDC fuels exports90 percent of those of ores and metals, and 65 per cent of external sales of food and agricultural products.

Table 2
Share of global exports of goods and services, 2005–2017, selected years
(Per cent)

	2010	2011	2012	2013	2014	2015	2016	2017
Developed countries	56.9	55.4	53.7	53.9	54.6	55.5	56.7	55.9
Transition economies	3.7	4.1	4.1	4	3.7	3	2.6	2.9
Developing countries	39.4	40.5	42.2	42.1	41.7	41.5	40.6	41.2
of which: Asian developing countries	30.6	31.7	33.2	33.6	33.6	34	33.2	33.6
Least developed countries (LDCs)	0.9	1	1	1	1	0.9	0.9	0.9
African LDCs and Haiti	0.7	0.7	0.7	0.7	0.7	0.6	0.5	0.6
Asian LDCs	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Island LDCs	0	0	0	0	0	0	0	0

Source: UNCTAD secretariat calculations, based on data from the UNCTADstat database (accessed January 2019).

Figure 12
Composition of LDCs' merchandise exports and imports, 2017



Source: UNCTAD secretariat calculations, based on data from UNCTADstat database (accessed January 2019).

Given the level of dependence of many LDCs' exports on commodities, the recovery in commodities prices in 2017 strongly contributed to the expansion of the group's exports during that year. While non-fuel commodity prices rose by 6.2 per cent, those of fuels increased by the much higher rate of 26.2 per cent. This largely explains the almost 20 percent rise in merchandise exports of African LDCs and Haiti (Table 1).

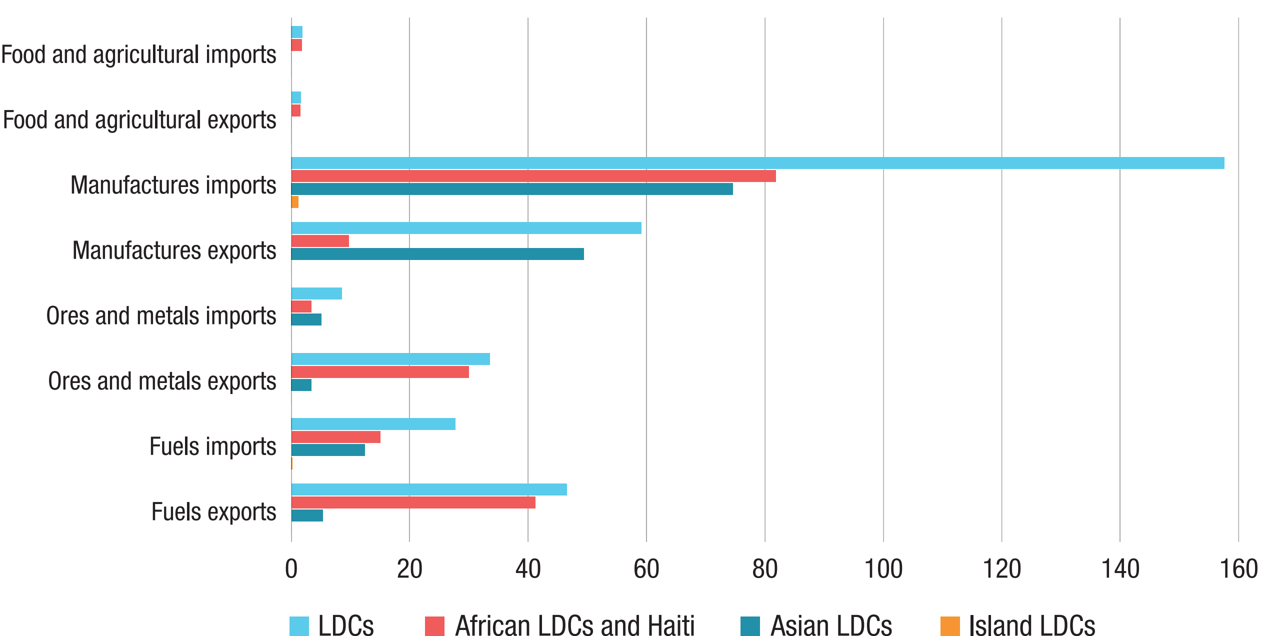
In contrast with commodities exports, LDC exports of manufactures originate mainly from Asian LDCs. The group's share in manufactures exports jumped from 79.8 per cent in 2013 to 83.5 percent in 2017. Correspondingly, the LDC share of manufactured exports coming from African LDCs has declined from 18.8 per cent to 15.1 percent during the same period (Figure 12).

LDCs import mostly manufactured goods (65 per cent of merchandise imports) and food and agricultural products (about 20 per cent) from the rest of the world (Figure 12). The value of these imports in 2017 ($158 billion) was almost triple that of LDC manufactures exports ($59 billion). The deficit on manufactured goods alone is more than the combined export values of fuels; ores and metals; and food and agricultural commodities (Figure 13).

The combination of the structure of LDC exports with that of the group's imports largely explains the current trend in the LDC trade deficit. It has experienced a sharp widening over the medium term, in spite of the strong rise in exports over the same period (Table 1). LDCs' total imports rose five-fold from $53.3 billion in 2000 to $299.2 billion in 2017. The group's total trade deficit grew by almost nine-fold between 2000 and 2014, and has never fallen below $90 billion since then. This was driven by the fact that import values and volumes increased at a faster pace than exports during that period. Since 2014, all LDC country groups experienced trade deficits for both goods and services.

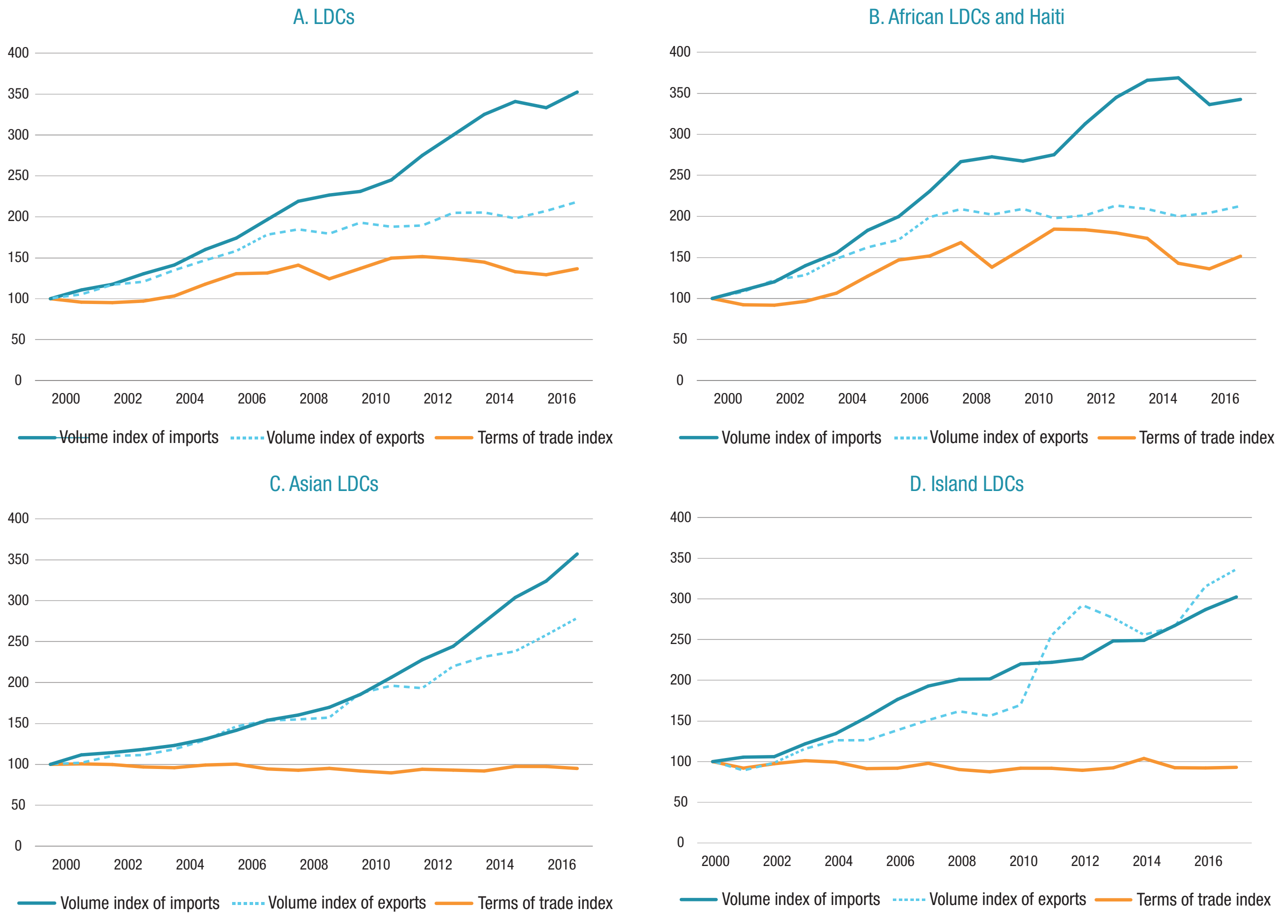
Trade trends have diverged among the major regional groups of LDCs, largely due to their contrasting export specializations. Between 2000 and 2017, the volume of merchandise exports of African LDCs and Haiti doubled. This was overwhelmed by the more than tripling of their import volumes. However, the impact of these trends on the group's total trade deficit was partly compensated by favourable developments in its terms of trade during that period. Despite the fall in commodity prices since their peak in 2011, UNCTAD's Free Market Commodity Price Index in 2017 was still 89 per cent higher than in 2000. This strongly contributed to medium-term gains in the terms of trade of African LDCs and Haiti. In 2017 they were 50 per cent more favourable than in 2000 (Figure 14).

Figure 13
Composition of the merchandise trade of the LDCs, 2017
(Billion dollars)



Source: UNCTAD secretariat calculations, based on data from UNCTADstat database (accessed January 2019).

Figure 14
Export and import volume indices, and terms of trade index for LDCs and country groups, 2000–2017
(2000 = 100)



Source: UNCTAD secretariat calculations, based on data from UNCTADstat database (accessed January 2019).

Asian LDCs had an even stronger export performance since the beginning of the century than African LDCs and Haiti. In 2017, the former's export volumes stood at 178 per cent of their 2000 levels. Import volumes rose much faster, by 257 per cent. Asian LDCs' terms of trade remained largely flat throughout the period (Figure 14).[1] This is partly due to the difficulties faced by Asian-LDC-garment exporters (their main manufactured export category) in upgrading within the global value chains in which they are integrated (UNCTAD, 2018a).

As a result of these volume and terms of trade developments, Asian LDCs experienced a sharper increase in their total trade deficit than African LDCs and Haiti. While the deficit in trade in goods and services of the latter rose six-fold between 2000 and 2017 to reach $45.2 billion, that of Asian LDCs increased twelve-fold, and reached a similar level of $43.5 billion in 2017. Collectively, the trade deficit of the LDCs was stable at $90 billion in 2017.

The large trade deficit of LDCs as a group is an indication of structural constraints, export specialization, international prices movements and some market-specific issues. It also highlights the deficiency of the LDCs' response to global economic signals. In this context, trade does not provide a strong contribution to LDCs' structural transformation. Therefore, LDCs struggle to use trade as a means of implementation of the Sustainable Development Goals, as foreseen in Agenda 2030. The rise in the trade deficit has adverse knock-on impacts on LDCs' current account balance, foreign financing requirements and foreign debt, as analysed in the next sections.

In 2018 world merchandise exports are projected to have reached a record high of $19.6 trillion. It is likely that LDC exports continued to grow in that year, given the positive performance of the prices of some key commodities. International energy prices rose by 27.5 per cent in 2018, although prices of non-fuel commodities experienced a fall of 1.5 per cent.

[1] Similar to Asian LDCs, the terms of trade of island LDCs have remained broadly stagnant since the beginning of the century (Figure 14).

Moreover, LDC exports also likely benefitted from the healthy pace of global economic growth during that year. Still, it is unlikely that LDCs have come closer to reaching target 17.11 of the Sustainable Development Goals, based on their 2018 performance

LDC difficulties in reaching target 17.11 of the Sustainable Development Goals are reinforced by a lack of progress with respect to other trade-related targets. There has been little evolution regarding target 17.10: "Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda". The trade negotiations round is stalled, and the Doha mandates were not reaffirmed at the World Trade Organization Ministerial Conference (MC10) in 2015, while the proliferation of bilateral, plurilateral and regional trade initiatives continues (United Nations, 2019; UNCTAD, 2018c). Together with the lingering trade war between major trade partners, these processes amount to a situation of crisis in trade multilateralism, which can potentially hurt LDCs' future trade prospects. This context has also stymied progress towards target 17.12 of the Sustainable Development Goals: "Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access". Most developed countries offer full or nearly full duty-free, quota-free market access for products imported from LDCs, but not all products and LDC beneficiaries are able to fully capture preferential market access conditions (WTO et al., 2018). Trade barriers remain to LDC exports, although most of these countries benefit from preferential tariff schemes in developed and developing country markets, and are part of reciprocal regional and bilateral trade arrangements.

2. Personal remittances

Higher trade deficits of LDCs have evolved in parallel with increased flows of personal remittances received from the LDCs' growing diaspora. These personal transfers can have two major economic impacts on LDC economies. First, from the short-term, macroeconomic point of view, they help alleviate the balance of payments constraints of LDCs, although they compensate only part of LDCs' trade deficits. Second, from the longer-term developmental point of view, the contribution of personal remittances to structural transformation will largely depend on their final split between private consumption and productive uses (especially fixed investment), as well as the volume of the resources received (UNCTAD, 2012).

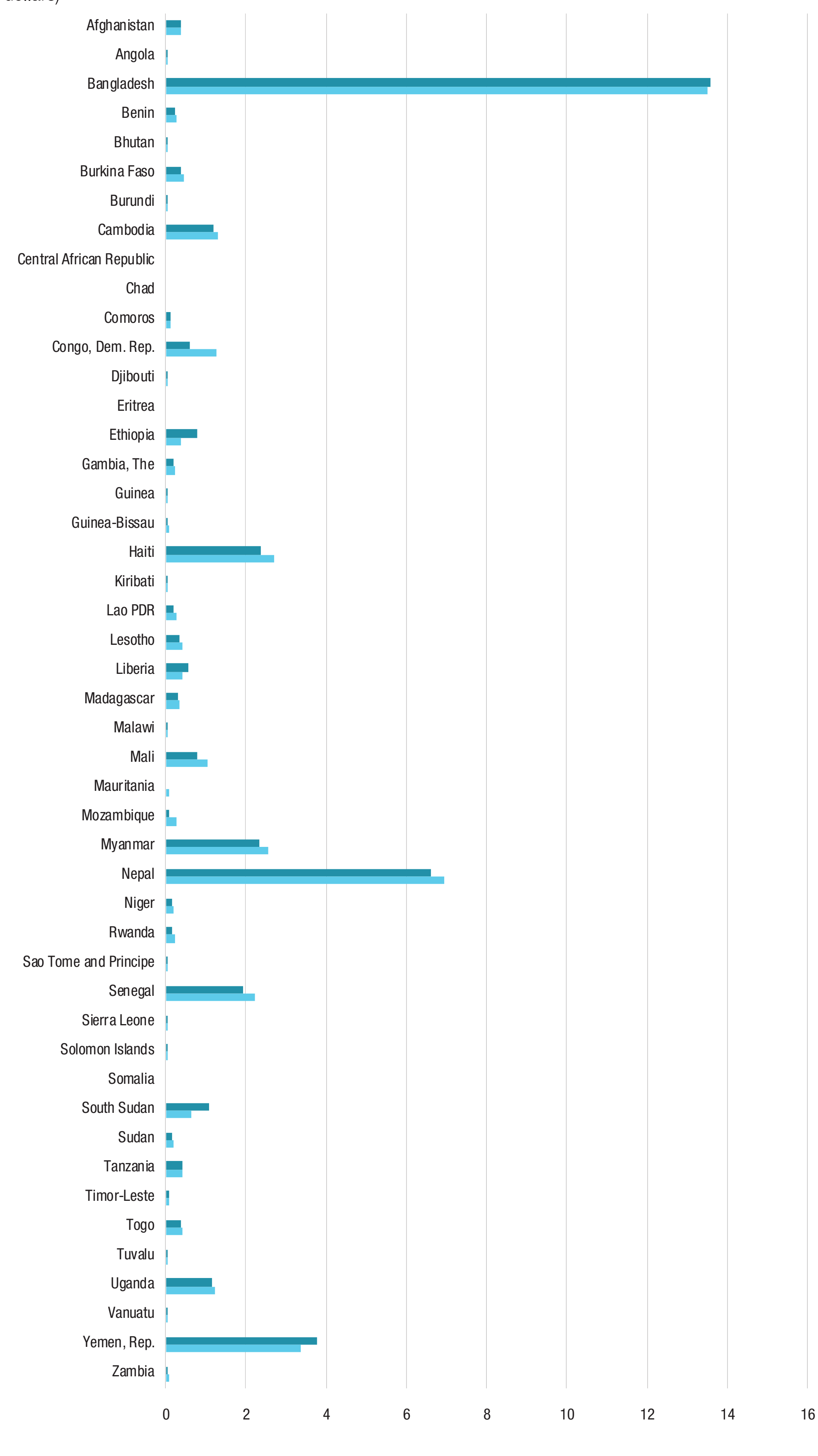
LDCs' remittances receipts rose to a record $42.4 billion in 2017, up from $26.2 billion in 2010. However, the landscape is mixed across the LDCs, as these flows are concentrated in very few countries (Figure 15).

Even though as an aggregate they represent a relatively small share of the global total, the value of remittances relative to GDP has historically been much higher in the LDCs than in either developed or other developing countries (UNCTAD, 2012). LDCs with significant remittance receipts in 2017 include Bangladesh ($135 billion), Nepal ($69 billion), Yemen ($34 billion), Haiti ($27 billion), Myanmar ($26 billion), Senegal ($22 billion), Cambodia ($13 billion), Uganda ($12 billion) and Mali ($10 billion). Relative to their GDP, only Haiti (32 per cent), Nepal (28 per cent), and Senegal (11 per cent) remain among the world's top ten remittance-receiving countries. Lesotho (16 per cent), the Gambia (15 per cent), Comoros (13 per cent), Liberia (12 per cent), Tuvalu (11 per cent), Kiribati (10 per cent) and Togo (8 per cent) are the other LDCs with significant remittance inflows relative to their economies. The size of the diaspora population is a crucial determinant of the volume of personal remittances, but in a few countries domestic policies play a role in attracting and influencing diaspora remittances, as is the case of Ethiopia.[2]

There is potential for remittances to LDCs to significantly increase and contribute to the easing of balance of payments pressures. However, external factors including costs, limited migration opportunities, and conditions in host countries dampen the volumes received and perpetuate the cost disadvantage of remittances to small LDCs. Developed country leaders pledged at the L'Aquila G8 Summit in 2009 to reduce the cost of remittances by half (from 10 to 5 per cent) in five years (Martinez Peria, 2010). Nevertheless, LDCs still face a high costs in receiving money, averaging 10 per cent between 2015 and 2017 (Table 3). This limits the contribution of personal remittances to financing LDCs' policies towards achieving the Sustainable Development Goals.

[2] Ethiopia has adopted the Ethiopian Diaspora Policy (Ministry of Foreign Affairs, 2013) and has established the Ethiopian Diaspora Trust Fund (https://www.ethiopiatrustfund.org).

Figure 15
Remittances received by LDCs, 2016–2017
(Billion current dollars)



Source: UNCTAD secretariat calculations, based on data from World Bank, World Development Indicators database (accessed January 2019).

Table 3

Average transaction cost of sending remittances to selected LDCs, 2015–2017

(Per cent)

Country	2015	2016	2017	Average 2015–2017
Afghanistan	..	9	10	9
Angola	17	16	19	17
Bangladesh	4	4	4	4
Benin	..	10	18	14
Cambodia	..	14	15	14
Comoros	..	6	5	5
Democratic Republic of the Congo	6	8	9	8
Eritrea	9	8	11	9
Ethiopia	8	7	6	7
Gambia	10	12	10	11
Haiti	9	8	8	9
Lao People's Democratic Republic	..	14	16	15
Lesotho	14	16	16	15
Liberia	5	6	6	5
Malawi	9	17	17	14
Mali	5	5	5	5
Madagascar	..	9	8	9
Mozambique	18	16	15	16
Myanmar	..	7	12	10
Nepal	4	4	5	4
Rwanda	14	13	12	13
Senegal	6	5	5	5
Sierra Leone	5	7	8	7
Somalia	7	8	8	8
South Sudan	..	10	10	10
Sudan	..	4	5	4
United Republic of Tanzania	10	12	11	11
Togo	9	7	7	8
Tonga	8	10	10	9
Uganda	13	12	11	12
Vanuatu	16	15	17	16
Zambia	16	16	15	16

Source: UNCTAD secretariat calculations, based on data from World Bank, World Development Indicators database (accessed January 2019).

3. Current account balances

Net exports (the difference between exports and imports of goods and services) are the main driver of the current account balance of a country. As stated above, they are only partly compensated by the personal remittance receipts of LDCs. Therefore, the sharp rise in the trade deficit of the LDCs has been a major cause of the widening of the group's current account deficit since the beginning of the century (Figure 16). The current account also includes net income received from investments abroad, remittances and transfers including foreign aid.

As a group, LDCs registered a current account deficit of $53 billion in 2017, and this position is projected to deteriorate further to $60 billion in 2018 and $67 billion in 2019,[3] entrenching these countries into continuous balance of payments weakness, raising their foreign debt and exposing them to external vulnerabilities. This deterioration was particularly strong after the outbreak of the global crisis in 2008. The group's current account deficit grew rapidly from an annual average of $3.2 billion in 2004–2008 to $51.5 billion in 2013–2017 (Figure 16).

All LDC groups have experienced current account deficits since 2015. In the case of African LDCs and Haiti, the deficit has shrunk from $54 billion in 2015 to $32 billion in 2017, as commodity prices recovered, thus reducingthe merchandise trade gap. By contrast, Asian LDCs experienced a doubling of their current account deficit from $10 billion in 2015 to $20 billion in 2017, with projections showing a slight, further deterioration to $23 billion in both 2018 and 2019. Island LDCs stabilized their current account deficit at around $100 million between 2016 and 2018, although this is projected grow to $190 million in 2019 .

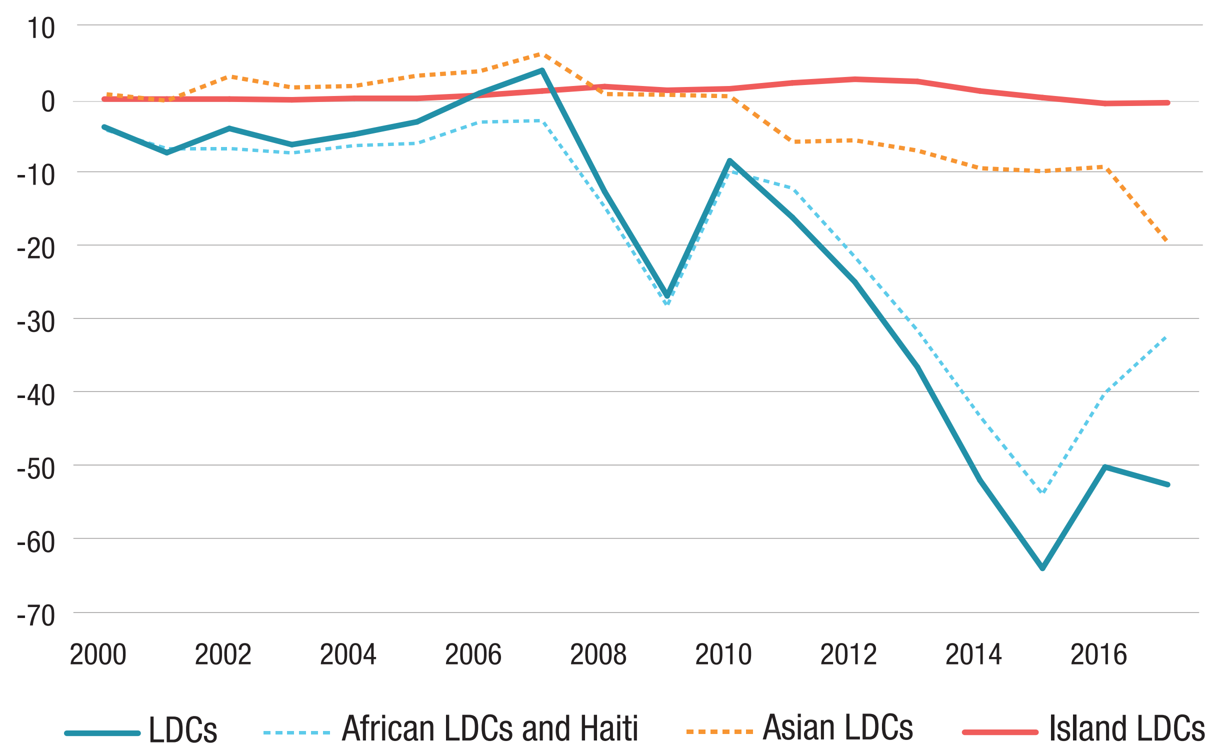
Individual LDCs' current account positions are generally consistent with the aggregate trend. According to IMF projections, only Afghanistan, Kiribati and Tuvalu recorded current account surpluses in 2018. In 2019, South Sudan is expected to replace the latter, with the current account surpluses of Afghanistan and Kiribati diminishing considerably.

The current account deficits in 2018 ranged from 0.01 per cent of GDP in the Democratic Republic of the Congo to 22.8 per cent of GDP in Bhutan. Thirty LDCs had deficits of less than 10 per cent of GDP in 2018 (28 in 2019), and 12 countries posted deficits of between 10 and 20 per cent of GDP (14 in 2019), but three had deficits above 20 per cent, which is projected to fall to two in 2019 (Figure 17).

Figure 16

Current account balance of LDCs and country groups, 2000–2017

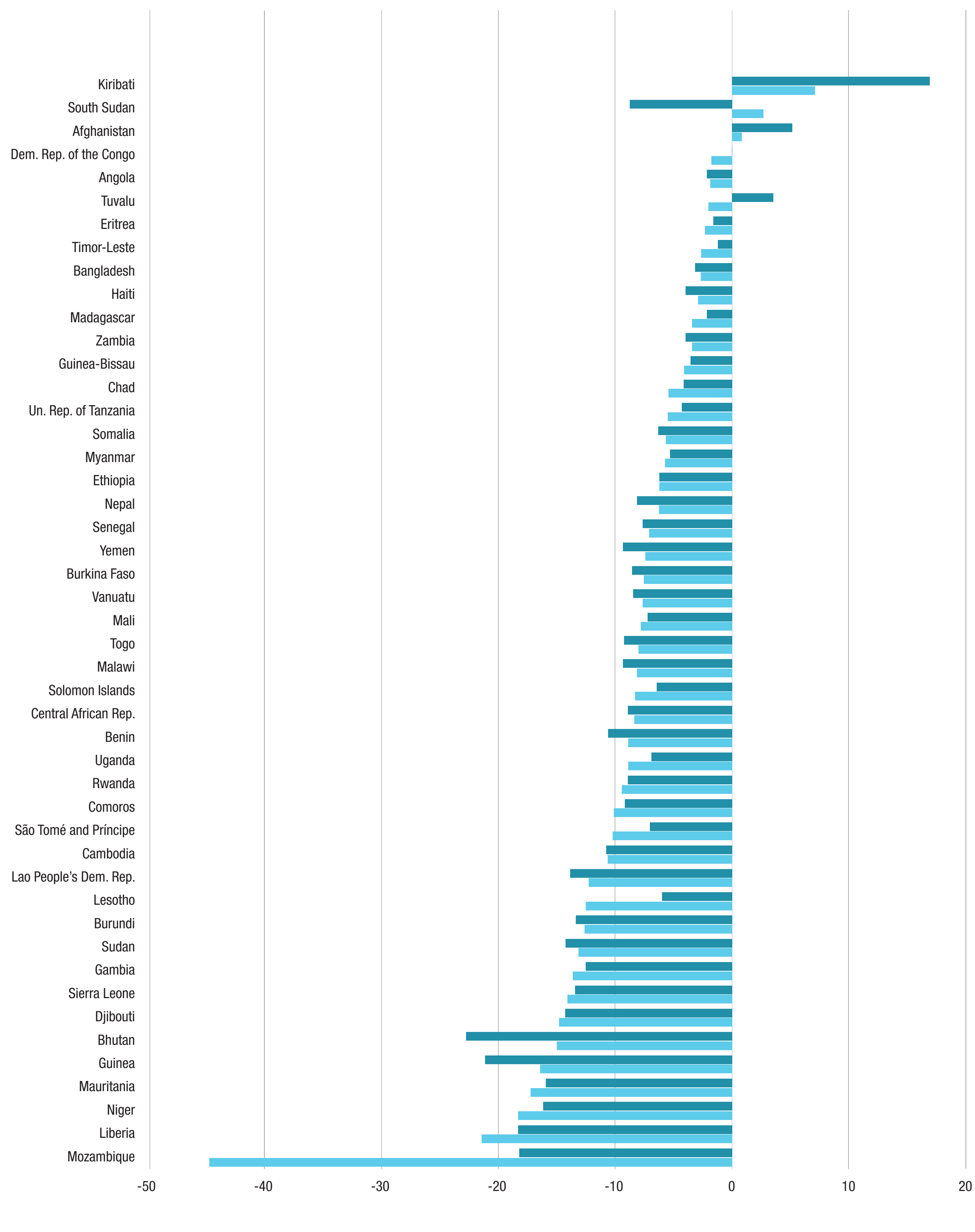
(Billion dollars)



Source: UNCTAD secretariat calculations, based on data from UNCTADstat database (accessed January 2019).

[3] Projections based on IMF (2018).

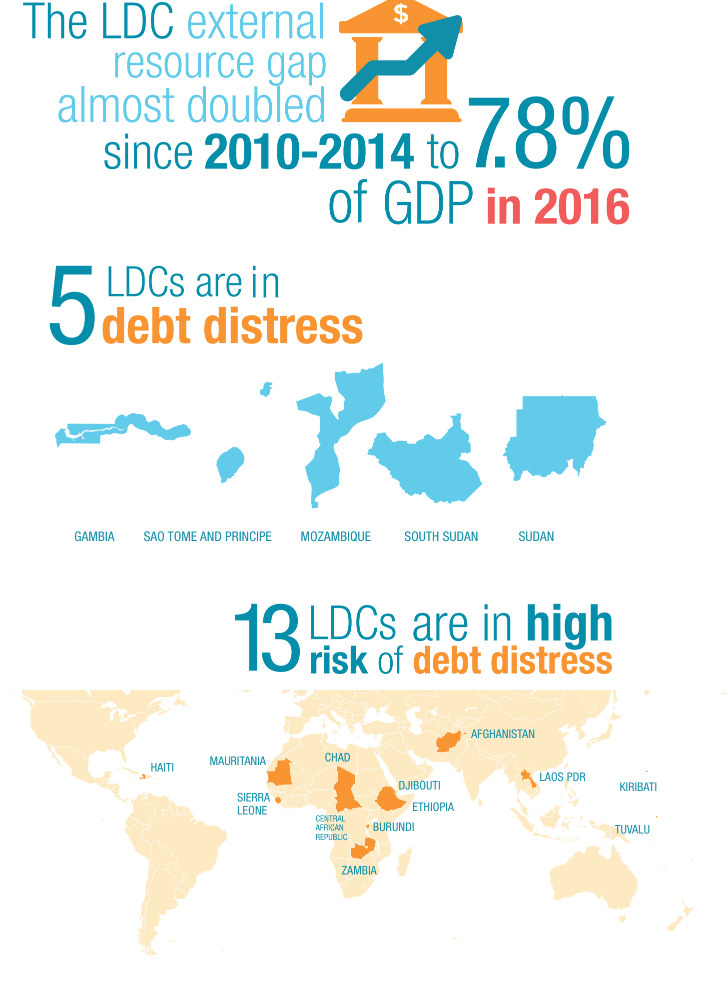
Figure 17
Current account balance of LDCs, 2018–2019
(Per cent of GDP)



Source: UNCTAD secretariat calculations, based on data from UNCTADstat database (accessed January 2019).

D. Resource mobilization

"Ensure significant mobilization of resources from a variety of sources (…) in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions"
(SDG target 1a)



The high levels of current account deficits of the LDCs examined in section C are the external face of the gap between savings and fixed investment, given that the latter exceeds the former. This imbalance is to be expected in developing countries generally and even more so in LDCs. The investment rate of these countries has increased slowly, while their savings have remained constant. This is partly due to their difficulties in advancing domestic resource mobilization strategies.

The higher levels of current account deficits incurred by LDCs since the last global economic and financial crisis need to be financed by corresponding capital inflows. While official aid inflows grew in 2017, in recent years, LDCs have increasingly accessed external finance in ordert to coverexport shortfalls, due to the decline in commodity prices since their peak in 2011. LDCs have been able to raised external, private finance thanks to easy international financial flows that followed the outbreak of the global crisis. However, the other type of private financial flows – foreign direct investment – has declined for LDCs as a group. The result of these contrasting developments in different types of external financial flows is that LDCs have accumulated rising levels of external debt, thereby heightening their external financial vulnerability.

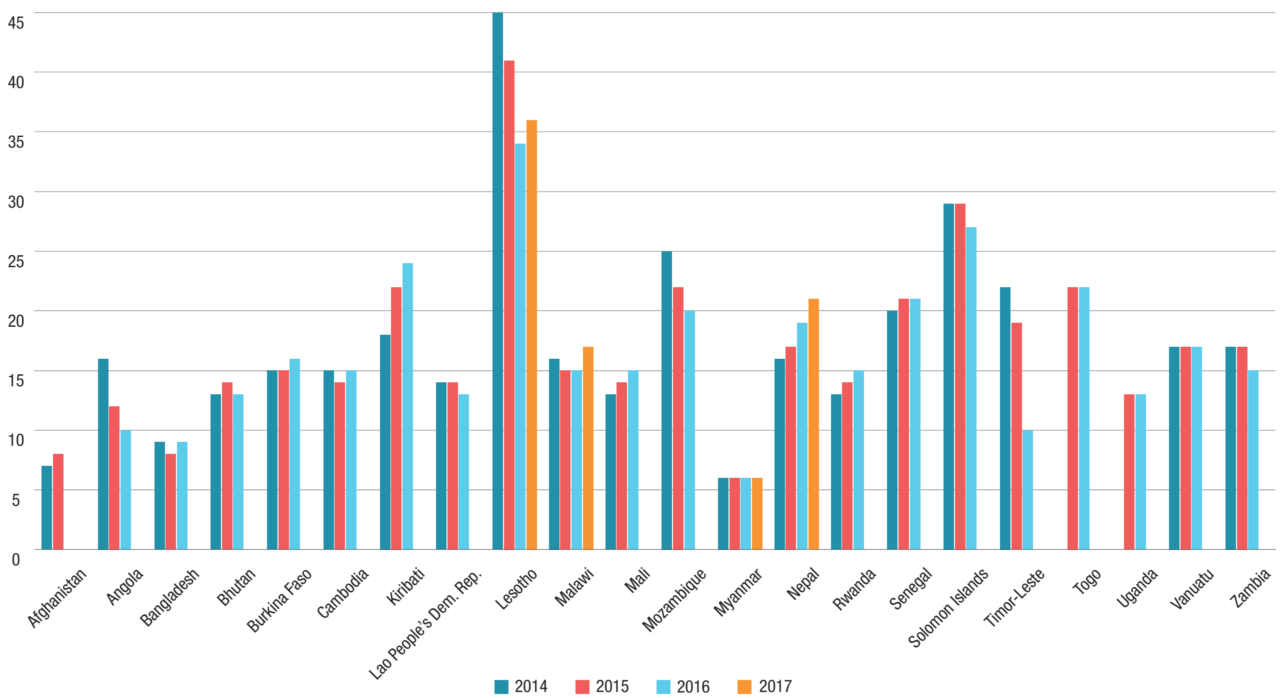
1. Domestic resource mobilization and the external resource gap

In the 2030 Agenda for Sustainable Development, member States stressed that “the mobilization and effective use of domestic resources, underscored by the principle of national ownership” are central for achieving the Sustainable Development Goals (paragraph 66 of United Nations (2015b)). The Addis Ababa Action Agenda – an established and holistic framework for financing the Goals – also recognised that the strategy for financing development had to revolve around domestic resource mobilization, augmented through increased economic growth for broader and progressive taxation, international cooperation on investment, combating illicit financial flows and other avenues to leverage finance (United Nations, 2015a). Resource mobilization would ensure that programmes are well funded, and governments are able to support essential services and make the social investments needed to end poverty. It would also warrant that adequate investments are being made to protect the environment and ecological resources from which people, prosperity and the planet mutually benefit.

Integrated national financing frameworks are critical means through which governments implement their sovereign responsibilities for their own economic and social development. Although LDCs face critical financing gaps generally, appropriately formulated policies to improve domestic resource mobilization can have positive benefits if the funds are invested in improving productive capacities. Tax revenue averaged less than 20 per cent of GDP among the LDCs based onrecent data collected between 2014 and 2017. Only Kiribati, Lesotho, Mozambique, Nepal, Senegal,

Figure 18

Tax revenue as percentage of GDP, selected LDCs, 2014–2017



Source: World Bank, World Development Indicators database (accessed January 2019).

[4] In the European Union, tax revenues averaged 20.2 per cent of GDP. Including social contributions, (which tend to be very low in LDCs) the tax burden in the European Union more than doubles to 42.4 per cent of GDP.

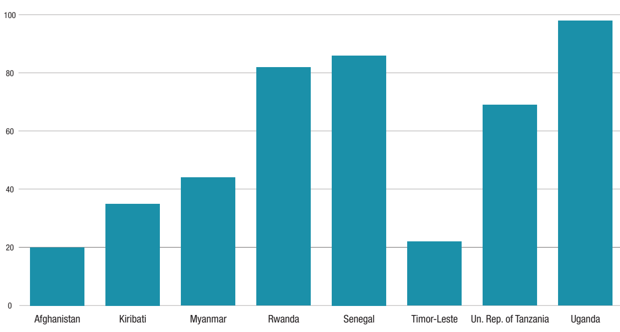
Solomon Islands, and Togo recorded significantly higher tax revenue as a share of GDP over the same period (Figure 18). This contrasts with the situation in developed countries, where average tax revenue as a percentage of GDP is considerably higher.[4]

More robust economic growth; increasing the size of the economy; closing tax loopholes and leakages; greater integration of informal activities into the economy; and improvement of tax administration systems would allow LDCs to significantly increase their domestic tax collection. These measures would allow LDCs to advance towards target 17.1 of the Sustainable Development Goals: “Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection”.

The low level of taxes as a share of GDP in most LDCs highlights the limited capacity of these countries to support recurrent and capital outlays from taxes.

Figure 19

Share of central government expenditure funded by taxes, selected LDCs, latest available data (2014–2017)



Source: IMF, Government Finance Statistics database (accessed January 2019).

While in the few LDCs with recent data (2014-2017), the depth of such capacity ranged from 20 per cent to 98 per cent, the majority of the countries fall below 70 per cent (Figure 19).

A stronger domestic resource mobilization capacity would allow LDC states to have a more decisive role in expanding the long-term spending required for the development of productive capacities. This refers especially to investment in infrastructure and spending on strengthening countries’ knowledge and technological bases. The Brussels Programme of Action agreed in 2001 adopted a goal of an investment-to-GDP ratio of 25 per cent, judged necessary to sustain the goal of a 7-per-cent annual economic growth rate (taken over as target 8.1 of the Sustainable Development Goals, as mentioned in section A above) (United Nations, 2006). The two largest groups of LDCs (African LDCs and Haiti, and Asian LDCs) have, in recent years, recorded gross fixed capital formation rates of above 25 per cent of GDP. Island LDCs, by contrast, have reached the level of 20 percent of GDP, higher than in the 2010–2014 period, but still short of the target (Table 4). The growth in the investment rate of LDCs is encouraging, but it has not yet been sufficient to provide a significant boost to the structural transformation of most LDCs (section B). This likely means that still higher rates of investment will be required in the future, to spur the structural transformation, without which, the LDCs will not be able to reach the Sustainable Development Goals.

The moderate rise in fixed investment in LDCs has taken place in a context of stagnating or falling domestic savings (of which the domestic resource mobilization by the public sector mentioned above is a part). These contrasting trends have led to a widening of the external resource gap. At 8.4 per cent of GDP for LDCs as a whole in 2017, it was lower than in the previous year, but almost double the average level of 2010–2014 (Table 4). This has deepened LDCs’ reliance on external sources to finance investments and capital accumulation.

An external resource gap would be of concern for LDCs, if over time it continues to grow due to the failure of countries to boost the domestic capital accumulation needed to achieve structural transformation. In this regard, a higher allocation of credit to the private sector may indicate a healthy domestic financial environment

Table 4

Gross fixed capital formation, gross domestic savings and external resource gap in LDCs

(Percentage of GDP)

	Gross fixed capital formation			Gross domestic savings			External resource gap		
	2010–2014	*2015*	*2016*	*2010–2014*	*2015*	*2016*	*2010–2014*	*2015*	*2016*
LDCs (total)	**26.4**	**27.9**	**27.1**	**21.8**	**18.3**	**19.3**	**-4.2**	**-9.5**	**-7.8**
African LDCs and Haiti	26.6	27.8	26.4	22.5	18.4	19.1	-3.9	-9.4	-7.3
Asian LDCs	26.3	28.1	28.1	19.9	18.2	19.6	-5.6	-9.8	-8.5
Island LDCs	17.1	20.3	20.1	40.7	20.7	15.8	24.8	0.4	-4.3

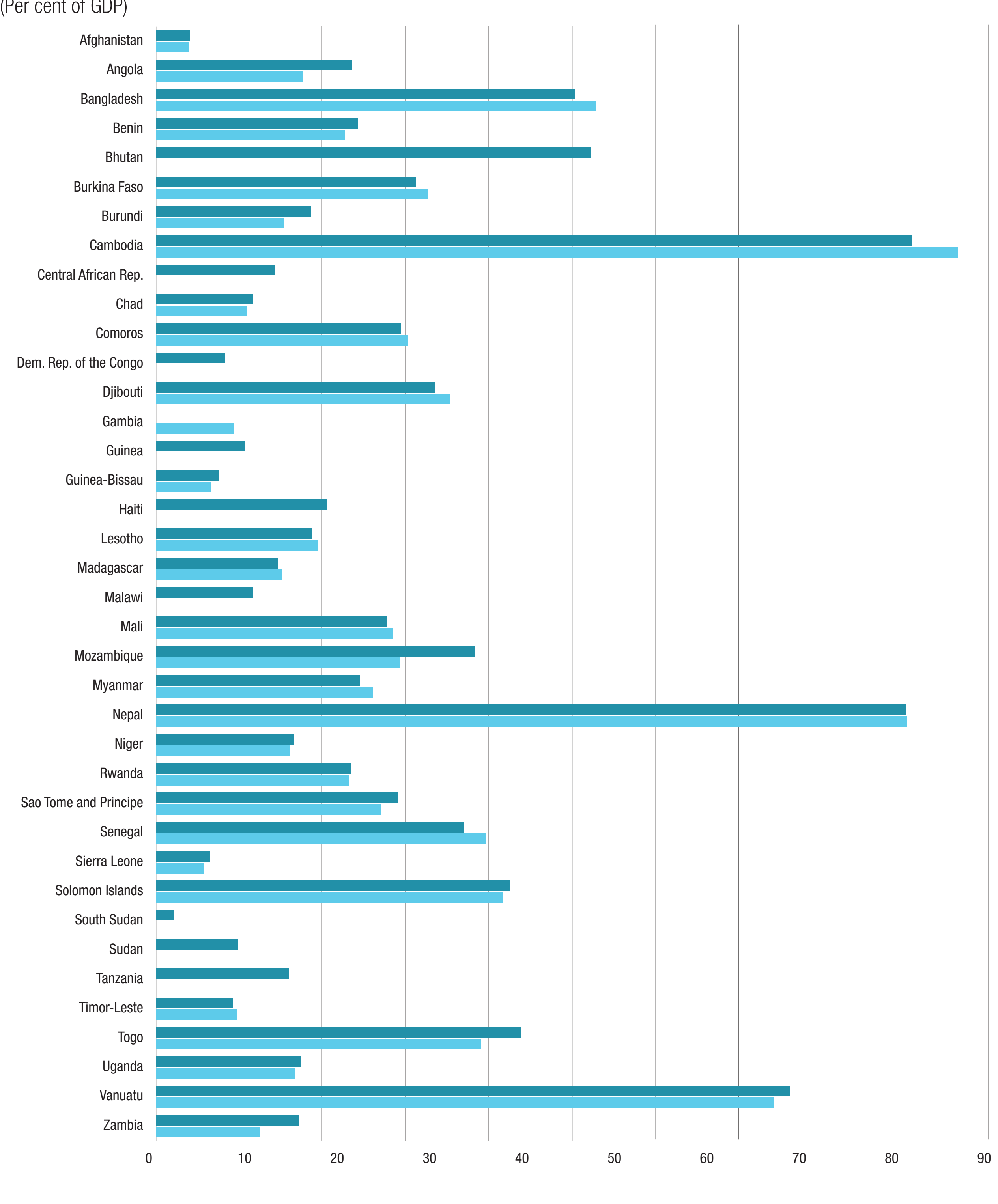
Source: UNCTAD secretariat calculations, based on data from the UNCTADstat database (accessed January 2019).

supportive of productive investments. Domestic credit to the private sector in the LDCs has remained very low, averaging 24-26 per cent of GDP between 2016 and 2017 (Figure 20). A few countries recorded slightly better ratios of above 30 per cent of GDP, including Bangladesh, Bhutan, Cambodia, Nepal, Senegal, Solomon Islands, Togo and Vanuatu. However, these figures are very low compared with credit allocations in 2017 to the private sector in middle-income countries (106 per cent) or the European Union (95 percent). Thus, further development of the financial sector of LDCs is required in order to finance the development of their productive capacities, including through the expansion of transformational entrepreneurship (UNCTAD, 2018a).

Figure 20

Domestic credit to the private sector in LDCs, 2016–2017

(Per cent of GDP)



Source: UNCTAD secretariat calculations, based on data from World Bank, World Development Indicators database (accessed January 2019).

2. Foreign direct investment

The value of foreign direct investment (FDI) inflows into LDCs declined to an estimated $25.5 billion in 2017, almost one third down from $36.7 billion in 2015 (Figure 21). The decline was equivalent to 1.2 per cent of the group's GDP in 2016. African LDCs and Haiti have traditionally accounted for the lion's share of FDI flows to LDCs. The contraction in the last two years is more a result of a sharp decline in FDI flows into African LDCs. There inflows have generally tracked the performance of extractive sectors. They have been negatively affected by the fluctuations of the investment cycle in the oil industry, so that Angola experience a net divestment in eight of the 13 years during the period 2005–2017. Democratic Republic of the Congo, Guinea, Mozambique, Sudan, United Republic of Tanzania and Zambia were the main destinations of FDI inflows in 2017.

FDI inflows into Asia LDCs, by contrast, more than doubled over five years to reach $10 billion in 2017. The main destinations during that year were Bangladesh, Cambodia and Myanmar, with receipts in manufacturing, infrastructure, tourism and financial services contributing to the rise.[5]

In relative terms, FDI inflows in 2017 were most important to the following LDCs: Sierra Leone (15 per cent of GDP), Liberia and Mauritania (12 per cent), and Djibouti, the Gambia and Sao Tome and Principe (9 per cent).

It is unlikely that the downward trends in FDI inflows into LDCs was reversed in 2018. Comprehensive data for that year were not available at the time of the writing of this publication, but preliminary estimates point to a contraction of inflows into African LDCs, including a record $5 billion net divestment in Angola. This may, however, have been (partly) compensated by the continued growth of FDI inflows into South-East and South Asia during that year, including a record $3-billion inflow into Bangladesh (UNCTAD, 2019).

LDCs are advised to pursue a more balanced distribution of FDI inflows. Especially favourable to structural transformation are those inflows that favour greater value addition, promote job creation, and enhance economic linkages among sectors in LDCs, as well as with the world economy. Attracting FDI to sectors with transformational potential is even more important in the present context of a decline in worldwide FDI flows.

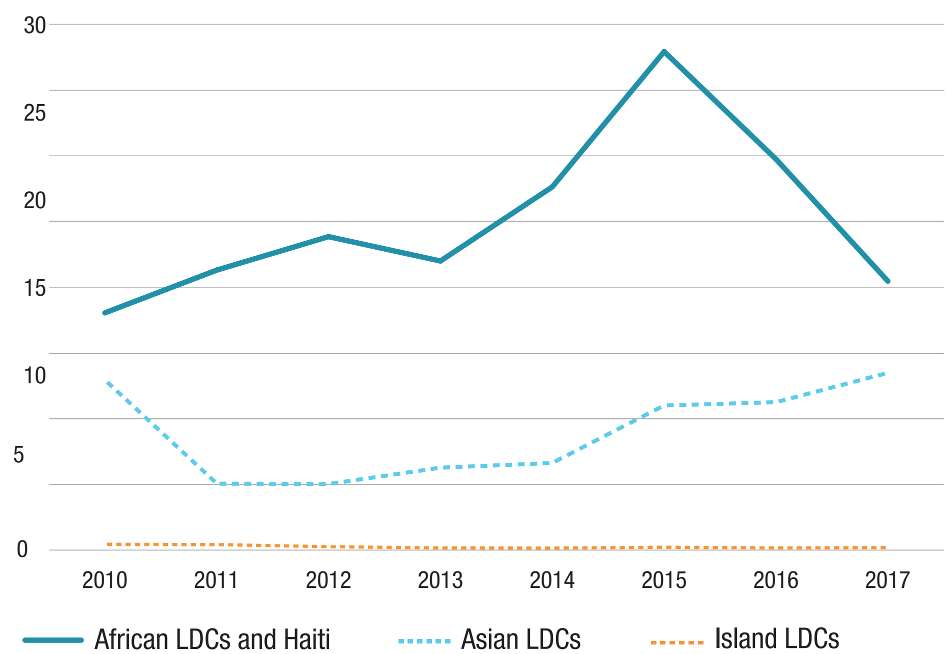
3. Official capital flows

The international community has on several occasions reaffirmed calls for substantial increases in official development assistance (ODA) to enable the LDCs to end poverty and achieve other internationally agreed development goals. Echoing the Istanbul Programme of Action and the Addis Abba Action Agenda, target

Figure 21

Inflows of foreign direct investment to LDCs by country groups, 2010–2017

(Billion current dollars)



Source: UNCTAD secretariat calculations, based on data from UNCTADstat database (accessed January 2019).

[5] According to UNESCAP (2018), the textile and apparel sector remains the biggest attraction for FDI in Bangladesh. In Myanmar, over 80 per cent of the FDI inflows were targeting the energy infrastructure sectors (Khu Mue et al., 2015). In Cambodia, agriculture, tourism and services have attracted significant FDI in the recent past, and there are also large investments in banking and telecommunication, and in non-textile manufacturing (beverages and cement) (http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-enviroment/fdi-trend.html and https://en.portal.santandertrade.com/establish-overseas/cambodia/investing-3).

17.2 of the Sustainable Development Goals states: “Developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance (ODA/GNI) to developing countries and 0.15 to 0.20 per cent of ODA/GNI to least developed countries; ODA providers are encouraged to consider setting a target to provide at least 0.20 per cent of ODA/GNI to least developed countries”.

LDC receipts of ODA from Development Assistance Committee (DAC) donors increased to $48.7 billion in 2017 from $43 billion in both 2016 and 2015. This is not a record level, but represents about 30 per cent of ODA to developing countries, a 3-percentage-point hike with respect to 2016. Only a few donor countries are meeting the volume commitments mentioned above. Denmark, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland contributed ODA of at least 0.7 of their GNI in 2017 (Table 5). Furthermore, the same countries met the 0.15 of GNI aid to LDCs threshold, as did Ireland and the Netherlands (Table 6). The cumulative shortfall in ODA disbursements to LDCs vis-à-vis commitments is within the range of $30-$60 billion per year. This amountsto a major constraint on these countries’ ability to finance the investments required to advance towards their development goals.

Table 5

DAC members’ net official development assistance, 2016–2017

	2017		2016		Percentage change
Country	Million crrent dollar	ODA/GNI %	Million crrent dollar	ODA/GNI %	2016 to 2017 in real terms
Australia	3 036	0.23	3 278	0.27	-13.5
Austria	1 251	0.3	1 635	0.42	-26.1
Belgium	2 196	0.45	2 300	0.5	-8.5
Canada	4 305	0.26	3 930	0.26	4.7
Czechia	304	0.15	260	0.14	10.7
Denmark	2 448	0.74	2 369	0.75	-0.4
Finland	1 084	0.42	1 060	0.44	-0.6
France	11 331	0.43	9 622	0.38	14.6
Germany	25 005	0.67	24 736	0.7	-2.3
Greece	314	0.16	369	0.19	-16.6
Hungary	149	0.11	199	0.17	-29.7
Iceland	68	0.28	59	0.28	4
Ireland	838	0.32	803	0.32	1.3
Italy	5 858	0.3	5 087	0.27	12.6
Japan	11 463	0.23	10 417	0.2	13.8
Korea	2 201	0.14	2 246	0.16	-6.7
Luxembourg	424	1	391	1	4.3
Netherlands	4 958	0.6	4 966	0.65	-2.8
New Zealand	450	0.23	447	0.25	-3.7
Norway	4 125	0.99	4 380	1.12	-9.9
Poland	679	0.13	663	0.15	-3.2
Portugal	381	0.18	343	0.17	7.6
Slovak Republic	119	0.13	106	0.12	9.3
Slovenia	76	0.16	81	0.19	-10.7
Spain	2 560	0.19	4 224	0.34	-41
Sweden	5 563	1.02	4 894	0.94	11
Switzerland	3 138	0.46	3 582	0.53	-12.8
United Kingdom	18 103	0.7	18 053	0.7	3
United States	34 732	0.18	34 421	0.19	-0.9
TOTAL DAC	**147 160**	**0.31**	**144 921**	**0.32**	**-0.1**

Source: OECD, International Development Statistics database (accessed January 2019).

Table 6

Net ODA disbursement to LDCs, 2017

(Per cent of GNI)

Country	Aid to LDCs	Grant equivalent of total ODA
Australia	0.07	0.25
Austria	0.07	0.36
Belgium	0.13	0.48
Canada	0.09	0.25
Czechia	0.03	0.15
Denmark	0.21	0.78
Finland	0.13	0.43
France	0.09	0.40
Germany	0.11	0.67
Greece	0.03	0.17
Hungary	0.03	0.14
Iceland	0.08	0.28
Ireland	0.14	0.32
Italy	0.06	0.29
Japan	0.09	0.30
Korea	0.05	0.15
Luxembourg	0.42	1.00
Netherlands	0.14	0.64
New Zealand	0.06	0.24
Norway	0.27	1.06
Poland	0.03	0.14
Portugal	0.05	0.19
Slovak Republic	0.02	0.13
Slovenia	0.03	0.17
Spain	0.04	0.29
Sweden	0.29	1.00
Switzerland	0.13	0.50
United Kingdom	0.23	0.70
United States	0.06	0.19
TOTAL DAC	**0.09**	**0.33**

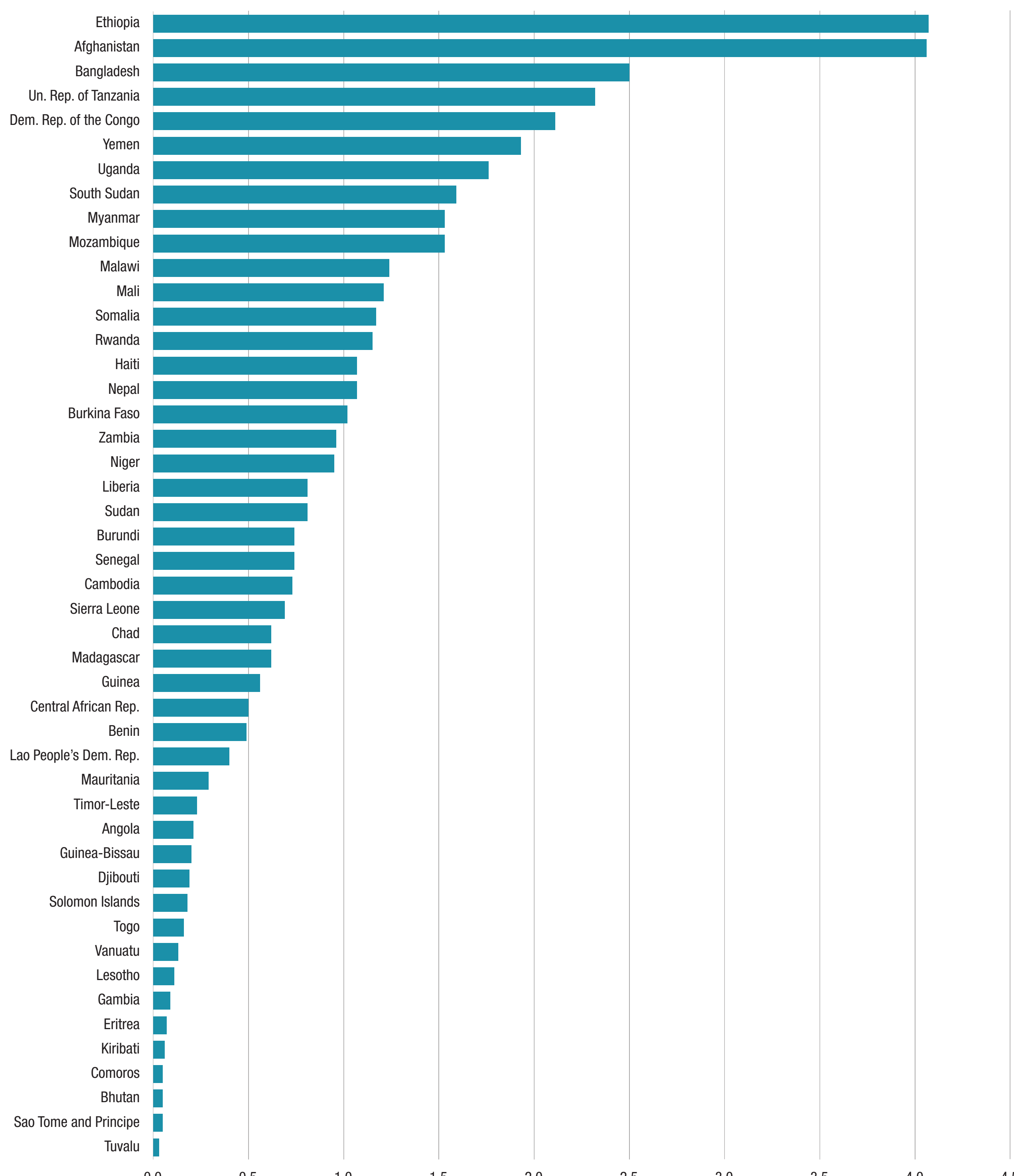
Source: OECD, International Development Statistics database (accessed January 2019).

ODA to LDCs continues to be very unevenly distributed among countries. In 2016 the two largest recipients (Ethiopia and Afghanistan) accounted for 19 per cent of total aid to LDCs, while the five largest recipients (which also include Bangladesh, United Republic of Tanzania and Democratic Republic of the Congo) absorbed over one third of the total (Figure 22).

As compared to the size of their economies, aid in 2016 was especially high in Burundi, Central African Republic, Liberia, South Sudan and Tuvalu, where it amounted to at least 25 per cent of GNI (Figure 23). Several of these countries faced natural and humanitarian disasters at that time.

Further analysis of ODA receipts indicates that aid to LDCs is not primarily aimed at assisting the countries in developing their productive capacities. Rather, it is largely directed towards countries affected by humanitarian emergencies, conflicts and natural disasters. In 2016 for instance, Ethiopia, Afghanistan, Bangladesh, Tanzania, Democratic Republic of the Congo, Yemen, Uganda and South Sudan accounted for about 48 per cent of the aid to LDCs (Figure 22). In the long term, aid to LDCs would be more effective if the components of the development of productive capacities were to increase by the relative size of the economies. This would stand in contrast to the focus on aid to support short-term emergencies, which often has limited impact on post-event progress in the economic development of recipients (UNCTAD, 2010).

Figure 22
LDC receipts of net official development assistance, 2016
(Billion current dollars)

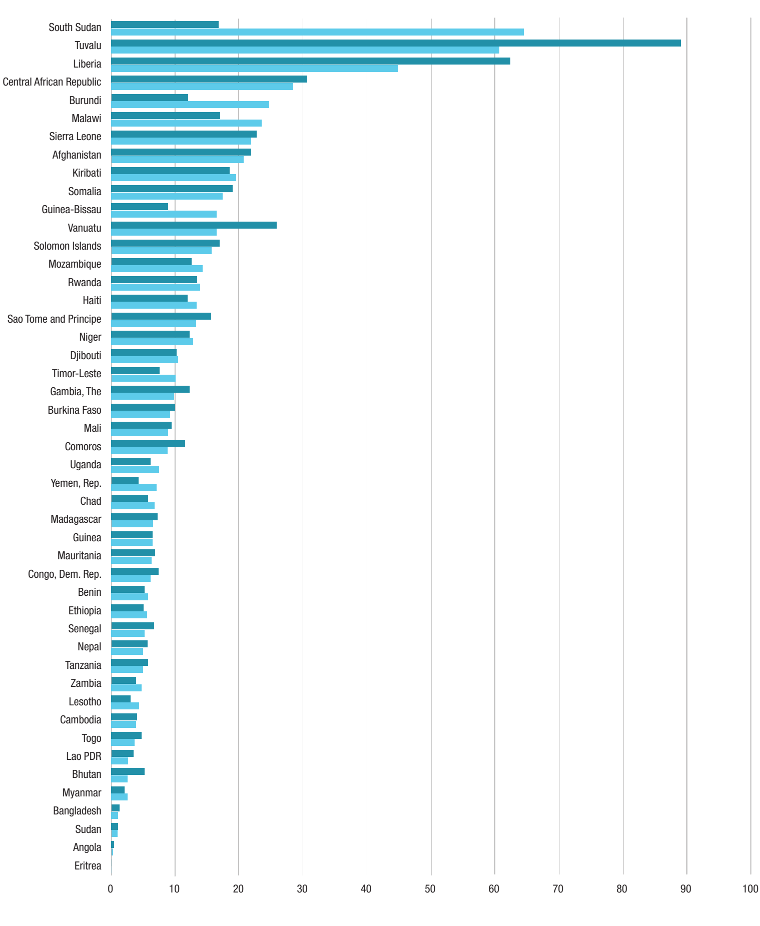


Source: OECD, International Development Statistics database (accessed January 2019).

Figure 23

LDC receipts of net official development assistance, 2016

(Per cent of GNI)



Source: OECD, International Development Statistics database (accessed January 2019).

4. External debt

While LDCs must mobilize investments from different sources for infrastructure and upgrading productive capacities at a scale that would enable them to attain the Sustainable Development Goals, it is important for these countries to balance the requirements for debt finance to avoid falling into unsustainablefinancial situations. There are concerns over rising levels of external indebtedness among developing countries, with debt stocks growing faster than GNI per capita in some LDCs (UNCTAD, 2016a, 2018b). Between 2015 and 2017, the median external debt stock among LDCs rose from 29 per cent to 33 per cent of GNI, and correspondingly, the debt-to-exports ratio jumped from 142 per cent to 173 per cent(Figure 24). Among countries with data for the last three years, interest payments on external debt were above 1 per cent of exports in 31 LDCs, among which 11 countries faced interest repayments of above 3 per cent of exports (Figure 25).

Among the LDCs most affected by external debt problems, five were considered in debt distress in January 2019 (Gambia, Mozambique, Sao Tome and Principe, South Sudan and Sudan). These LDCs represent the majority of the seven countries worldwide classified as being in debt distress at that moment. At the same time, another 13 LDCs were classified as being in high risk of debt distress. Again, these LDCs form the majority of the 22 low-income countries in this situation (IMF, 2019a). This means that LDCs are the most directly concerned by target 17.4 of the Sustainable Development Goal: “Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress”.

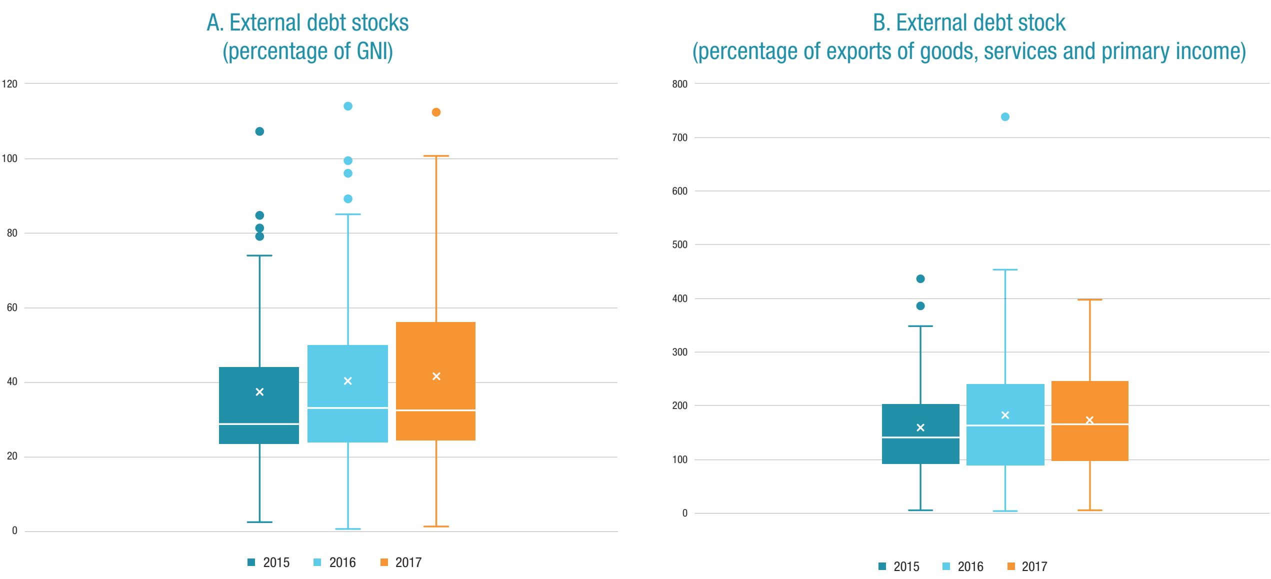
Debt risk among LDCs is especially palpable among commodity-dependent countries which have seen debt stocks riseto cushion the shock from falling commodity prices since their peak in 2011. In other LDCs, natural disasters have contributed to economic distress. In Angola, for instance, the foreign debt stock relative to GNI was 20.4 per cent in 2011 compared with total natural resource rents of 45 per cent of GDP,

but this had been reversed by 2016, with resource rents falling to 13 per cent of GDP and debt stock climbing to 39 per cent. Zambia has also experienced a similar divergence, with debt stock rising sharply from around 23 per cent of GNI in 2011 to 75 per cent in 2015, while resource rents fell from 23 to 15 per cent of GDP over the same period.

Preventing a further worsening of the debt situation in the LDCs requires action both by the international community and by LDCs themselves. The former can address systemic issues by considering a development-friendly international monetary system, reforms of the issuance and allocation of special drawing rights, a sovereign debt restructuring mechanism, or renewed debt relief initiatives. At the same time, LDC policymakers can adopt proactive debt management policies, adopt clear rules for blended finance or issuing state-contingent debt instruments (UNCTAD, 2018d).

Figure 24

External debt stock of LDCs, 2015–2017

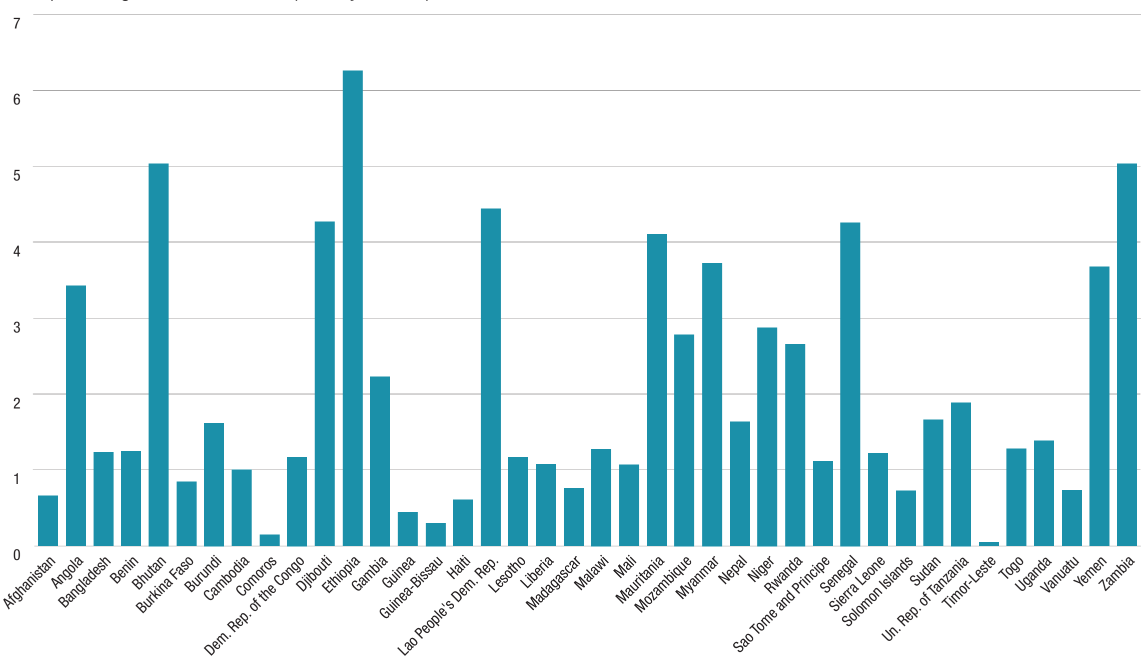


Source: UNCTAD secretariat calculations, based on data from UNCTADstat database (accessed January 2019).
Note: Boxplots are visual representation of distribution of data over their quartile, highlighting the mean (cross), median (horizontal line), first/third quartile (box), upper/lower extremes (whiskers), and outliers (dots).

Figure 25

Interest payments on external debt, 2015–2017

(Per cent of exports of goods, services and primary income)



Source: UNCTAD secretariat calculations, based on data from World Bank, World Development Indicators database (accessed January 2019).

E. The economic outlook for least developed countries

The latest available forecasts present a still positive outlook for the economic growth of LDCs until 2020. Growth is forecast at 5.0 per cent in 2019 (the same rate as in the previous year) and is expected to rise further to 5.7 percent in 2020 (Figure 1). This would still leave the group below their growth target (as discussed in section A). Moreover, this relatively positive outlook is clouded by serious downward risks, namely that the slowdown recently foreseen for the world economy negatively affects LDCs, especially through slackening international trade, falling commodity prices and shrinking international capital flows.

Driven by a recovery of commodity prices since 2016, lower inflation expectations, higher export earnings and some improvements in domestic resource mobilization, LDCs are currently projected to grow at almost 6 per cent in 2020. Still, those LDCs whose economic growth is mainly pushed by commodities will be challenged to achieve inclusivity, stable and sustained economic growth, manageable external accounts and, ultimately, structural transformation (UNCTAD, 2016b). They will therefore confront huge difficulties in eradicating poverty and reaching other Sustainable Development Goals. Hence, the importance of LDCs' focusing their development path on the strengthening of the domestic economy, bridging rura-urban divides and building productive capacities.

Moreover, even in this positive scenario, LDCs need to face their population growth, which is especially high in African LDCs. This means that for LDC as a whole, per capita growth would be only 3 per cent in 2020. This is far below what is needed to substantially reduce poverty, invest in infrastructure, develop productive capacities, improve health and social safety nets, education, reduce gender inequality and, again, progress towards the Goals by 2030.

The path towards the Goals will be even more challenging, however, if the downside risks currently weighing on the world economy materialize. The global economic scenario is presently beset by a combination of factors that can bring about an economic slowdown. These include rising tensions in international trade (including the lingering trade war and a steep rise in dispute settlement cases at the World Trade Organization), the current backlash against trade multilateralism, Brexit, geopolitical instability, and large macroeconomic imbalances (International Monetary Fund, 2018). Moreover, the stagnation of global industrial production, growth deceleration in major developed and developing economies, the slowdown of global trade growth and reduced capital flows to emerging markets indicate that global economic growth may have peaked in 2018 (United Nations, 2019).

This darkening scenario is a threat, particularly for the most vulnerable economies. They would especially be negatively affected by the deceleration of world trade, falling international capital flows and falling commodity prices. At present, crude oil prices are already projected to decline by some 14 per cent in 2019 (IMF, 2019b), which is likely to bring about a correspondent fall in LDC oil-export revenues. These may stagnate in 2020, when oil prices are forecast to remain virtually stagnant. In the case of an effective deceleration in world economic activity, the situation could be considerably more adverse for LDCs. Their economic growth would slow down, which would hold back their capacity to advance towards their development goals.

For long-term growth, climate risks especially threaten agriculture in LDCs, a prominent sector of their economy.

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Annex:

Productive Capacities Index for LDCs, 2000–2016, selected years

Country	Year	Productive Capacities Index score	Categories							
			Natural capital	Information and communication technology	Structural change	Institutions	Energy	Private sector	Transport	Human capital
Afghanistan	2000	41.40	51.15	38.62	42.51	30.35	39.54	43.55	47.55	37.95
	2010	43.47	48.63	40.34	44.58	32.83	44.22	45.16	47.92	44.07
	2016	43.48	48.09	42.13	43.99	34.47	46.45	39.97	47.79	44.95
Angola	2000	40.67	54.74	38.67	44.99	33.56	43.68	30.69	47.60	31.39
	2010	42.62	52.07	40.85	47.65	39.69	44.02	29.96	47.66	39.10
	2016	43.32	50.09	42.16	46.84	39.82	43.81	34.07	47.63	42.12
Bangladesh	2000	44.86	53.68	38.66	43.63	42.81	41.96	44.83	47.80	45.52
	2010	46.08	52.82	40.79	45.38	41.79	44.27	46.88	47.84	48.85
	2016	46.35	52.51	44.13	45.99	42.68	44.69	42.62	47.95	50.23
Benin	2000	43.73	51.13	38.73	44.34	50.32	34.69	44.96	47.51	38.16
	2010	44.86	51.75	41.91	44.44	47.12	37.15	45.87	47.49	43.15
	2016	46.08	52.04	43.03	44.88	47.18	41.05	48.72	47.49	44.28
Bhutan	2000	46.01	51.48	38.89	44.26	52.59	41.98	52.52	47.50	38.83
	2010	47.99	49.82	42.59	45.20	51.93	45.45	55.57	47.53	45.86
	2016	48.15	49.86	47.04	44.48	54.57	45.91	47.38	47.57	48.39
Burkina Faso	2000	42.31	51.27	38.67	41.36	47.65	38.67	41.22	47.52	32.13
	2010	43.81	53.92	40.33	40.44	47.65	38.86	43.35	47.52	38.40
	2016	44.45	53.94	43.11	39.83	46.48	39.83	44.10	47.52	40.78
Burundi	2000	41.29	58.90	38.65	37.94	36.75	40.17	38.80	47.53	31.55
	2010	43.20	57.19	39.42	39.55	38.38	40.46	41.12	47.59	41.87
	2016	43.59	57.49	40.93	39.23	36.47	40.53	42.41	47.60	44.10
Cambodia	2000	43.33	52.09	38.67	41.62	42.60	42.04	43.12	47.52	39.00
	2010	45.51	53.55	41.17	43.65	41.38	40.98	50.47	47.52	45.39
	2016	46.77	50.46	46.00	46.19	42.41	43.51	50.35	47.56	47.64
Central African Republic	2000	39.10	52.52	38.64	37.77	39.31	39.91	38.41	47.54	18.73
	2010	40.32	51.89	39.64	39.48	37.22	41.48	37.71	47.49	27.63
	2016	40.93	54.32	39.95	40.22	34.65	41.70	37.90	47.54	31.20
Chad	2000	40.38	51.48	38.62	38.95	40.71	39.43	35.64	47.54	30.65
	2010	40.02	50.43	39.73	37.10	36.28	40.96	35.21	47.49	32.97
	2016	40.50	49.33	40.78	37.04	36.50	41.03	35.52	47.49	36.29
Comoros	2000	43.88	51.31	38.76	41.40	40.01	42.34	48.98	47.60	40.62
	2010	44.85	51.24	40.32	42.46	39.78	43.93	48.66	47.64	44.78
	2016	45.38	51.17	41.77	41.87	42.07	44.62	48.30	47.65	45.60
Democractic Republic of the Congo	2000	40.49	57.63	38.61	40.57	39.47	42.64	27.33	47.53	30.15
	2010	41.97	59.72	39.40	43.48	39.63	42.79	26.69	47.50	36.59
	2016	41.59	56.60	40.68	42.97	38.30	40.77	26.34	47.56	39.53
Djibouti	2000	43.86	47.49	38.76	49.39	42.22	43.62	48.32	47.81	33.25
	2010	44.77	47.06	40.41	47.45	43.88	43.08	50.30	48.01	38.00
	2016	45.19	46.95	42.20	47.17	41.54	42.69	51.09	48.22	41.65
Eritrea	2000	42.31	54.25	38.70	45.94	44.00	41.66	32.63	47.87	33.40
	2010	42.16	52.15	38.88	45.97	35.82	42.98	35.05	47.87	38.55
	2016	42.28	55.59	39.10	42.55	34.05	43.17	34.64	47.97	41.19
Ethiopia	2000	42.50	57.15	38.64	40.40	41.33	42.14	42.38	47.78	30.16
	2010	44.45	55.64	39.08	40.76	41.11	42.33	45.87	48.19	42.62
	2016	45.31	54.46	42.18	41.42	41.51	42.29	45.65	48.64	46.30

Source: UNCTAD, Productive Capacities Index database (accessed January 2019).

Annex:

Productive Capacities Index for LDCs, 2000–2016, selected years

Country	Year	Productive Capacities Index score	Categories							
			Natural capital	Information and communication technology	Structural change	Institutions	Energy	Private sector	Transport	Human capital
Gambia	2000	44.69	52.04	38.98	44.30	47.21	40.81	49.00	47.52	37.69
	2010	46.16	54.68	43.09	44.60	44.87	41.32	53.21	47.49	40.00
	2016	46.27	53.11	45.84	44.94	42.52	41.26	53.48	47.49	41.53
Guinea	2000	43.94	64.37	38.66	40.68	39.24	40.44	48.72	47.53	31.91
	2010	44.81	64.65	40.10	42.28	37.73	40.82	47.51	47.50	37.85
	2016	45.86	64.47	42.74	41.92	41.19	40.28	48.34	47.50	40.43
Guinea-Bissau	2000	41.08	54.71	38.71	40.20	40.51	39.34	35.33	47.52	32.32
	2010	41.51	54.61	40.46	38.60	39.66	39.60	35.45	47.50	36.19
	2016	42.72	55.05	41.62	38.82	37.73	39.90	41.99	47.49	39.15
Haiti	2000	41.31	50.59	38.73	45.09	39.26	38.67	33.36	47.88	36.91
	2010	42.88	51.76	40.96	44.56	38.42	37.49	43.49	47.70	38.66
	2016	43.58	51.38	42.05	44.72	38.01	37.39	46.06	47.72	41.28
Kiribati	2000	46.06	46.72	39.20	43.28	52.36	45.83	48.29	47.60	45.21
	2010	46.75	47.67	40.93	43.22	49.40	45.37	52.28	47.59	47.56
	2016	46.81	47.85	41.99	42.07	51.80	44.53	51.92	47.60	46.73
Lao People's Democratic Republic	2000	43.62	51.59	38.70	40.01	40.20	44.50	47.09	47.56	39.32
	2010	46.27	56.05	41.80	42.33	40.11	46.47	50.60	47.62	45.17
	2016	47.67	55.26	44.58	44.55	43.42	47.03	52.26	47.62	46.68
Lesotho	2000	42.35	49.98	38.79	44.55	49.54	40.29	43.84	47.90	23.93
	2010	44.71	58.56	41.02	48.12	49.13	43.65	43.76	48.12	25.35
	2016	45.96	60.44	45.41	47.61	47.67	45.20	45.45	48.09	27.80
Liberia	2000	41.31	57.34	38.63	38.32	33.23	38.49	45.87	47.51	31.08
	2010	43.28	52.41	40.34	41.27	42.37	39.04	46.03	47.51	37.25
	2016	44.79	57.63	42.49	42.76	42.27	40.08	47.00	47.52	38.58
Madagascar	2000	43.67	53.40	38.67	42.85	47.77	41.30	38.97	47.66	38.74
	2010	45.22	53.49	40.22	44.42	42.64	41.19	48.13	47.59	44.10
	2016	45.31	53.50	40.70	43.22	43.08	41.47	48.60	47.55	44.35
Malawi	2000	42.10	54.11	38.67	39.83	47.46	41.10	42.48	47.52	25.65
	2010	44.15	54.96	39.70	41.59	47.39	40.92	44.44	47.52	36.65
	2016	44.99	55.88	41.05	42.00	45.52	41.29	44.89	47.51	41.78
Mali	2000	42.74	52.62	38.66	42.66	46.90	39.92	41.32	47.51	32.30
	2010	43.99	53.02	40.90	41.39	45.90	40.78	44.70	47.52	37.74
	2016	43.85	52.25	44.32	39.20	42.50	41.30	45.10	47.49	38.65
Mauritania	2000	44.49	58.35	38.71	42.04	47.25	40.85	42.32	47.53	38.90
	2010	45.11	58.09	42.12	44.27	41.36	41.78	43.76	47.53	42.00
	2016	45.62	55.81	43.74	43.87	42.50	42.32	45.43	47.51	43.74
Mozambique	2000	42.31	52.02	38.67	44.13	46.73	41.86	41.88	47.54	25.64
	2010	43.76	51.53	40.19	41.93	47.35	41.98	47.15	47.58	32.38
	2016	44.28	52.38	42.81	43.02	42.08	42.40	47.86	47.59	36.13
Myanmar	2000	43.68	59.05	38.66	40.69	33.90	41.36	46.05	47.55	42.16
	2010	44.13	52.58	38.77	45.90	32.53	43.47	47.89	47.62	44.26
	2016	46.73	51.46	44.42	47.61	41.88	43.47	51.46	47.88	45.68
Nepal	2000	45.07	50.63	38.74	43.48	45.07	42.02	50.32	47.68	42.59
	2010	46.41	50.79	41.00	44.00	41.61	44.40	52.15	48.04	49.26
	2016	46.33	51.00	45.14	43.98	43.18	45.29	43.46	47.80	50.79

Source: UNCTAD, Productive Capacities Index database (accessed January 2019).

Annex:

Productive Capacities Index for LDCs, 2000–2016, selected years

Country	Year	Productive Capacities Index score	Categories							
			Natural capital	Information and communication technology	Structural change	Institutions	Energy	Private sector	Transport	Human capital
Niger	2000	43.12	59.71	38.63	40.87	44.51	40.46	40.51	47.51	32.76
	2010	44.12	59.84	39.61	42.37	43.66	39.28	42.05	47.49	38.70
	2016	44.47	58.37	40.92	41.76	43.81	39.85	42.32	47.49	41.26
Rwanda	2000	41.38	55.07	38.65	40.00	39.38	40.81	36.54	47.53	33.03
	2010	45.24	54.84	40.63	40.88	47.75	40.84	42.65	47.54	46.77
	2016	46.51	55.10	43.17	41.58	50.49	41.16	43.98	47.53	49.06
Sao Tome and Principe	2000	45.53	49.57	39.37	46.03	50.94	40.68	45.46	47.50	44.70
	2010	46.03	49.07	43.08	48.04	46.11	42.07	45.41	47.50	46.94
	2016	47.01	49.15	44.89	46.84	47.33	42.79	49.95	47.55	47.58
Senegal	2000	44.65	51.45	38.95	45.40	49.59	39.68	46.27	47.52	38.35
	2010	46.19	51.63	42.18	45.38	46.05	43.69	49.51	47.49	43.61
	2016	47.39	51.32	45.06	45.38	49.20	44.55	50.36	47.49	45.77
Sierra Leone	2000	41.09	53.38	38.67	40.66	36.65	39.12	47.86	47.50	24.88
	2010	43.38	55.19	40.00	40.75	43.13	38.90	47.72	47.49	33.85
	2016	44.54	59.46	43.42	38.18	43.17	39.29	48.67	47.50	36.66
Solomon Islands	2000	45.06	50.39	38.85	41.65	43.76	42.07	50.09	47.58	46.08
	2010	46.04	50.01	40.17	41.01	45.26	43.18	51.90	47.55	49.21
	2016	47.09	51.25	42.48	41.99	47.10	43.77	53.39	47.59	49.18
Sudan	2000	40.59	51.34	38.72	41.57	35.42	42.84	29.81	47.59	37.46
	2010	42.29	49.47	41.86	43.14	34.65	42.65	36.92	47.58	42.08
	2016	41.98	48.64	43.86	40.71	33.88	43.68	33.86	47.53	43.69
Timor-Leste	2000	44.53	47.98	38.71	43.41	52.28	42.29	41.87	48.99	40.74
	2010	45.88	47.46	40.58	43.42	49.59	43.19	47.48	49.80	45.48
	2016	47.01	47.24	45.74	42.99	50.43	44.02	50.13	49.98	45.51
Togo	2000	43.88	57.54	38.81	42.48	42.46	37.60	46.91	47.51	37.73
	2010	44.92	57.86	40.64	43.76	41.12	38.91	48.44	47.61	41.03
	2016	45.81	59.91	42.69	42.70	43.48	36.36	50.36	47.57	43.41
Uganda	2000	41.49	55.48	38.66	41.69	43.58	40.67	38.66	47.53	25.62
	2010	44.25	53.79	41.30	43.83	44.67	41.21	42.51	47.56	39.13
	2016	44.86	53.69	42.88	43.96	44.63	41.78	42.44	47.53	41.94
United Republic of Tanzania	2000	42.58	52.22	38.68	42.08	45.52	40.61	46.43	47.53	27.57
	2010	44.84	51.78	40.68	43.35	46.56	41.36	47.83	47.63	39.52
	2016	45.72	51.82	42.71	42.50	46.22	41.81	49.99	47.66	43.07
Vanuatu	2000	45.55	46.94	39.19	41.54	51.66	42.67	44.10	47.50	50.80
	2010	46.82	47.01	42.91	42.03	52.22	43.42	47.43	47.65	51.91
	2016	47.05	46.89	44.20	41.34	50.57	43.78	49.42	47.57	52.58
Yemen	2000	43.39	48.75	38.82	42.52	40.34	41.98	46.78	47.62	40.28
	2010	44.62	46.92	42.13	45.78	37.94	43.65	49.51	47.62	43.44
	2016	43.99	46.22	44.26	46.60	32.01	43.72	47.14	47.52	44.45
Zambia	2000	41.92	56.28	38.74	42.81	45.61	43.95	40.15	47.52	20.29
	2010	44.02	60.06	41.20	43.34	46.51	42.98	36.90	47.55	33.61
	2016	45.16	58.24	43.93	44.33	46.93	43.48	37.79	47.58	39.00

Source: UNCTAD, Productive Capacities Index database (accessed January 2019).