Executive Summary

Since 1971, the UN has recognised the Least Developed Countries (LDCs) as a group of economies with inherent characteristics that create particular economic vulnerabilities and disadvantages. This has led to the international community's articulating specific support measures to ameliorate the situation in the world's poorest countries. Despite these efforts, the number of LDCs has increased from the original list of 24 to 48 currently.

Only a handful of countries have managed to graduate from the group: Botswana (1994), Cape Verde (2007), Maldives (2011) and Samoa (2014). In view of the widespread failure of the LDCs to advance economically and socially so as to achieve the necessary UN graduation criteria, the adoption of the Istanbul Programme of Action (IPoA) for the decade of 2011–2020 spelt out a set of actions for the concerned countries and development partners to implement.

The IPoA follows on from the not-so-well-implemented Brussels Programme of Action (BPoA) for the period 2001–2010. Although this was rightly ambitious in scope, at that time there was a failure to install an effective monitoring framework for effective implementation of the agreed work programme. Subsequently, further to adoption of the IPoA, the *LDC IV Monitor*–a partnership of eight partner organisations across the globe–was created to provide an independent and objective assessment of its implementation on an ongoing basis.

As the midterm review of the IPoA approaches, this publication by the *LDC IV Monitor* makes a contribution to assessing the performance of LDCs vis-à-vis the aspirations and targets initially set out. The analysis contained here is by no means meant to be exhaustive. Instead, it is intended to provide a constructive review of progress made to date, so as to identify areas where the international development community can better adapt to the stark realities of the LDCs.

Key messages

Adapting to the emerging global trading landscape and achieving structural economic transformation: the challenge for LDCs

- The LDCs face a set of unique interrelated global challenges that must be addressed if the objectives of the IPoA are to be met. Since the global financial crisis, a structural break in the trade–growth nexus has become apparent.
- The growth target included in the IPoA (7 per cent per annum) was not achieved over the first half of the IPoA period (2011–2015). Since the crisis of 2008–09, real gross domestic product (GDP) growth in the LDCs has slowed to around 4

per cent–half of the rate prior to 2008. Subsequently, GDP per capita growth has slowed to below 2 per cent on average among the LDCs in recent years.

- According to the analysis presented in Chapter 1, the IPoA target to double exports by 2020 seems likely in value terms, including both goods and services. However, the proportion of global trade the LDCs account for is unlikely to increase substantially by 2020. Therefore, it is unlikely that the LDCs will double their share of world trade, based on current trends.
- Worryingly, the export baskets of the LDCs have become less diversified over time. This increased export concentration is taking place against a backdrop of dramatic preference erosion for the LDCs.
- In relation to the achievement of structural economic transformation, policy-makers must confront the challenge of the declining share of manufacturing value added in LDCs. Overall, results suggest an inability to achieve the desired objectives of the IPoA in the absence of more concerted efforts to enhance global economic governance and cooperation.

Prospects of graduation for LDCs

- The objective of IPoA to enable the number of LDCs to be halved by 2020 is extremely unlikely to be achieved. Rather, it is more likely that the number of LDCs will be reduced by only a fifth.
- Ten LDCs (Tuvalu, Angola, Kiribati, Bhutan, Nepal, São Tomé and Príncipe, Solomon Islands, Timor-Leste, Equatorial Guinea and Vanuatu) are likely to meet the graduation threshold by 2020, which combines an income criterion, a human assets index and an economic vulnerability index, according to the analysis presented in Chapter 2.
- However, out of these possible 10 countries meeting the graduation criteria by 2020, only three (Equatorial Guinea, Vanuatu and Tuvalu) may actually graduate by 2020.
- Reforms to the graduation process should include indicators related to the structural handicaps that constrain the graduation process and therefore the achievement of structural economic transformation.

Implications of the 2030 Agenda for the IPoA

- The 2030 Agenda, captured in the 17 goals and 169 targets of the SDGs, provides an important opportunity to realise the work plan set out in the IPoA, by way of drawing synergies and establishing coherence between their implementation.
- This year, 2016, marks the beginning of implementation of the SDGs as well as the midpoint of the period of implementation of IPoA. Lack of progress in terms of implementing the IPoA will also mean weak progress in attaining the SDGs. On the other hand, progress in IPoA implementation will contribute to advancement of the SDGs.

- The SDGs include related targets in the following areas: poverty, hunger, employment, health, water and sanitation, education, gender, inequalities, climate issues (including disaster risks), governance and global partnerships. All of these are closely interlinked with the IPoA priority areas.
- Only two goal areas (SDG 14 and SDG 15) are new areas, beyond the IPoA priorities.

Emerging global challenges and obstacles to achieving the SDGs

- The LDCs face a set of interconnected global challenges–economic, technological, demographic, environmental, security and governance-wise–with the potential to seriously undermine their prospects of achieving the SDGs, as well as the IPoA goals.
- In terms of official development assistance (ODA), while the absolute volume of flows to LDCs has increased, the share of the LDCs as a group of total ODA has declined.
- Aid for Trade (AfT) resources remain inadequate and fall short of commitments. This is a longstanding problem. Between 2002 and 2010, an average of 70 per cent of AfT commitments were disbursed; this is the same over the IPoA implementation period (2011–2014).
- While the 2030 Agenda calls for a 'data revolution' worldwide for monitoring global development goals and targets, the availability of data in LDCs remains inadequate. Monitoring progress against all of the targets set out in the SDGs, as with the IPoA, is therefore likely to be a challenge. In this regard, some of the lessons learnt since the BPoA and implementation of the IPoA must be heeded.