

Chapter 1

The Challenges of Structural Transformation and Progress towards the MDGs in LDCs

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1.1 Introduction

The Fourth United Nations Conference on the Least Developed Countries (UN LDC IV) took place against a backdrop of lacklustre performance of this group of countries over the last four decades (Bhattacharya and Hossain 2011a). Prior to the conference, concerns were raised with regard to the concrete deliverables to be agreed upon at the UN LDC IV (Bhattacharya 2010). In this context, the Istanbul Programme of Action (IPoA), adopted at UN LDC IV, spelt out a set of strategies and measures for addressing the special needs of the LDCs in the next decade (2011–20) (Bhattacharya and Hossain 2011b). IPoA put forward eight priority areas under five objectives covering 47 goals and targets (UN 2011a).

It is maintained that weak monitoring of the implementation of the Brussels Programme of Action (BPoA) had been one of its critical fault-lines. IPoA stressed the need to strengthen its implementation monitoring mechanism and tried to broaden the scope of involvement of the stakeholders in the process. LDC IV Monitor – a partnership of think tanks – was thus created to provide an independent assessment of the state of delivery of the IPoA commitment on an ongoing basis.

Graduating out of the LDC group has been set as the prime objective for the LDCs in IPoA. The present chapter maintains that an accelerated move towards graduation for an LDC will entail, among other things, irreversible progress on two counts. First, a positive structural change of the least developed economies in favour of the sectors with higher productivity; and second, strong improvement of human development indicators, particularly those related to health and education.

In view of the above, the chapter has reviewed the most up-to-date data and information to identify the early signals emanating from the implementation experience of the first two years (2011–13) of IPoA.² During this period one does not observe any discernible positive movement regarding structural change in the LDCs' economies. Rather, the LDCs are yet to reclaim the level of economic performance that they attained before the global economic and financial crisis, that is before 2008. Indeed, the heterogeneity within the LDC group has become further aggravated during the period under review; this has also impacted on their socio-economic performance. The chapter has explored the state of achievement of the Millennium Development Goals (MDGs) in the LDCs, using the latest available data. It has established that achievement regarding those MDGs which have been mentioned in the IPoA remains quite average and often off-track. One wonders, in this regard, how the concerns and

interests of the LDCs will be addressed in the post-2015 international development framework and targets. In short, progress towards smooth and sustainable graduation from the LDC status has become more challenging.

International support measures have been not only of limited effectiveness, but also quite often inadequate. Flow of foreign aid has fallen in real terms and its distribution has become more skewed. While export concentration of the LDCs has accentuated, duty-free and quota-free (DFQF) provision for the LDCs has not expanded in the recent past. Indeed, one observes marginalisation of LDCs' interests and concerns in the relevant international platforms. The present review also highlights the fundamental importance of domestic reforms for attaining the IPoA goals and targets.

In line with its adopted analytical approach the chapter has been organised as follows. After the present introduction, Section 1.2 seeks to define the challenges of graduating from the LDC group. Sections 1.3 and 1.4 sequentially discuss the progress (or lack of) attained by the LDCs in precipitating a structural change of their economies and achieving the MDGs that have been mentioned in the IPoA. The concluding section (Section 1.5) summarises the findings of the review and highlights some policy perspectives in this regard.

1.2 Graduation challenge of the LDCs

Graduating from the LDC group is at the heart of the LDCs' development agenda, but the progress thus far is not very encouraging. Rather, the number of members in the group increased from 25 in 1971 to 49 in 2013.³ To date only four countries (Botswana, Cape Verde, Maldives and Samoa) have graduated from the group.⁴ Samoa graduated in January 2014. Graduation of Equatorial Guinea from the LDC group was endorsed by the Committee for Development Policy (CDP) in 2009, but is yet to be taken note of by the General Assembly. Tuvalu and Vanuatu were twice marked as eligible for graduation from the LDC list by CDP – in 2006 and 2009. However, in 2009 these two countries were not recommended. The Committee was at that point unsure about the sustainability of development progress in these countries, and decided to review their status in 2012. The latest review report from CDP in 2012 found Tuvalu and Vanuatu eligible for the third consecutive round and have been recommended for graduation from the LDC list. CDP also found that Angola and Kiribati met the eligibility criteria for graduation for the first time in 2012. Kiribati fulfilled the gross national income (GNI) per capita and human asset index (HAI), while Angola met the income-only criterion (Table 1.1). CDP suggested that these two countries will also be considered for graduation in the coming triennial review in 2015. One needs to remain mindful of the fact that these six countries, which are being considered for graduation, differ substantially in terms of socio-economic progress. Indeed, three of these countries have the possibility to graduate from the LDC status during the IPoA period (Guillaumont and Drabo 2013).⁵ See Chapter 3.

The most recent CDP review (2012) seems to project a more optimistic scenario with regard to graduation of the LDCs. However, it may be only a partial picture.

Table 1.1 Graduation status of LDCs as per CDP 2012 review^a

Countries which have graduated	Countries which have fulfilled two criteria	Countries which have fulfilled income-only criterion	Countries which have fulfilled one criterion
Botswana (GNI per capita, HAI, EVI)	Samoa (GNI per capita, HAI)	Equatorial Guinea (GNI per capita)	Guinea (EVI)
Cape Verde (GNI per capita, HAI, EVI)	Tuvalu (GNI per capita, HAI)	Angola (GNI per capita)	Nepal (EVI)
Maldives (GNI per capita, HAI)	Vanuatu (GNI per capita, HAI) Kiribati (GNI per capita, HAI)		United Rep. of Tanzania (EVI) Sudan (GNI per capita) Djibouti (GNI per capita) Bhutan (GNI per capita) Timor-Leste (GNI per capita) Myanmar (HAI) São Tomé and Príncipe (HAI)

^a The thresholds for graduation from LDC category are: GNI per capita of USD 1,190 or more, HAI of 66 or more and EVI of 32 and less. To graduate, two of the three criteria must be met by the country. A country also qualifies for graduation if its GNI per capita is USD 2,380 or more, independent of its HAI and EVI status. This is known as the income-only criterion.

Note: Criteria shown in parentheses indicate those that have been fulfilled by the respective country.

Source: Authors' elaboration from Committee for Development Policy (2012)

Botswana graduated in 1994 and its development progress has remained stable. Cape Verde graduated from the LDC group in 2007 by fulfilling GNI per capita and HAI criteria; the country has now fulfilled all three criteria for graduation from LDC status. In contrast, although Maldives achieved the GNI per capita and HAI criteria, it appears that the country will continue to remain one of the most vulnerable countries in terms of economic vulnerability index (EVI).⁶ Maldives may remain in such a state as the adverse impact of climate change on the country becomes more visible. Similarly, Samoa, which is next in the pipeline, also has a very high EVI figure (51.1). Tuvalu, Vanuatu and Kiribati have fulfilled both GNI per capita and HAI criteria. However, these countries, particularly Kiribati and Tuvalu, are listed as vulnerable in terms of EVI. The CDP report also suggested that five countries (Senegal, Myanmar, Madagascar, Ethiopia and Bangladesh), which fulfilled EVI criteria during the previous review in 2009, are now back in the vulnerable zone in 2012.⁷

Equatorial Guinea has a very high GNI per capita⁸ and meets the income-only criterion for graduation by a comfortable margin, but has so far missed the other

two criteria by some distance. The same is true for Angola. Indeed, these countries are highly dependent on their export revenue from extractive industries, but the spillovers of high per capita income are not reflected in the human development indicator (HDI).

Arguably, the graduation process of many LDCs can be underpinned by their earnings from natural resources and may not be accompanied by broad-based economic development. A boost in exploitation of natural resources or high prices of these commodities may help generate a large amount of income in LDCs, but, being very capital intensive in nature, these activities can offer only a small measure of employment to the economy.

While analysing the pitfalls of the graduation prospects of LDCs it is also important to recognise the heterogeneity which characterises the LDCs as a group. The LDCs are increasingly exhibiting diverse and heterogeneous developmental needs resulting from their varying resource endowments and structural vulnerabilities. The heterogeneity among the LDCs can be flagged in terms of their size, demography and economic attributes. Indeed, the revealed heterogeneity within the LDC group has increased over the last five years or so in terms of the select set of indicators presented in Table 1.2.

The heterogeneity among LDCs can be further demonstrated using their various characterisations that arise from their geographical locations and socio-political situations, such as ‘disaster-prone’, ‘sea- and land-locked’, ‘fragile and conflict-prone’ countries (see Annex 1.1).⁹ When it comes to exposure to external shocks in the forms of global financial and economic crisis, global commodity price hike and climate change, the level of impact also varies from LDC to LDC.¹⁰ It is commendable that IPoA has recognised the issue of heterogeneity among the LDCs (UN 2011a). But, regrettably, no guidance can be found in the IPoA with regard to addressing this aspect. The present circumstance thus calls for the support measures to be more menu-driven to accommodate the heterogeneity of the group (Bhattacharya and Hossain 2011a). Thankfully, as the development community is becoming more concerned about the need for sustainable development of the LDCs in the context of their prevailing structural constraints, the issues relating to smooth transition and sustainable graduation from LDC status have gained prominence.

Table 1.2 reveals that differences among the LDCs in terms of population, gross domestic product (GDP), per capita income, share of manufacturing in the GDP and HDI score have increased between 2005 and 2011. One may observe a convergence in the area of per capita foreign direct investment (FDI) flow and trade–GDP ratio – both of which are external sector-related indicators.

The foregoing analysis does not inspire us to believe that IPoA had an energetic start in the early years of its implementation so as to reach the central target of half of the LDCs reaching the graduation point by the terminal year of the programme (2021).

One may ask, in this regard, what would alleviate the circumstances of the LDCs in their accelerated and smooth move to graduation. Recognising economic growth

Table 1.2 Heterogeneity with LDC group

Indicator (year)	Min/ max	Country (2005)	Value (2005)	Ratio 2005	Country (2011)	Value (2011)	Ratio 2011	Increase/ decrease in ratio
Area (sq km)	Min	Tuvalu	26	90,208	Tuvalu	26	NA	NA
	Max	Democratic Republic of the Congo	2,345,410		Democratic Republic of the Congo	2,345,410		
Population (thousand)	Min	Tuvalu	9.7	14,494	Tuvalu	10	15,049	Increase
	Max	Bangladesh	140,587.9		Bangladesh	150,494		
GDP (USD million)	Min	Tuvalu	22	2,619	Tuvalu	37	2,905	Increase
	Max	Bangladesh	57,628		Bangladesh	106,200		
Per capita income (USD)	Min	Democratic Republic of the Congo	119	30	Somalia	107	52	Increase
	Max	Tuvalu	3,613		Tuvalu	5,537		
Share of manufacturing sector in GDP (%)	Min	Timor-Leste	0.7	27	Timor-Leste	0.6	32	Increase
	Max	Lesotho	19.2		Myanmar	18.1		
Trade-GDP ratio (%)	Min	Central/African Republic	34	5	Burundi	39	4	Decrease
	Max	Lesotho	170		Lesotho	159		
Per capita FDI (USD)	Min	Burundi	0.1	3,313	Burundi	0.4	682	Decrease
	Max	Mauritania	267.2		Solomon Islands	267.8		
HDI score	Max	Afghanistan	2.893	2	Afghanistan	6,426.4	2	Increase
	Min	Sierra Leone	0.336		Democratic Republic of the Congo	0.286		
	Max	Samoa	0.785		Kiribati	0.688		

Note: Equatorial Guinea has not been included in the comparison, being considered an 'outlier' (if included, a number of indicators could show higher heterogeneity). Moreover, the country will possibly graduate soon.

Source: Estimated from UNCTADSTAT, World Bank data and www.worldatlas.com

as a precondition for socio-economic development, Rodrik (2013) has emphasised two key dynamics behind economic growth, viz. (i) the birth and expansion of sectors with higher productivity and the movement of labour from low-productivity traditional sectors to higher productivity sectors and (ii) the development of fundamental capabilities in the form of human capital. Hence, it is maintained that implementation of IPoA will substantially depend on the progress that the LDCs make towards positive structural transformation and achievement of MDGs. Thus, the following two sections of this chapter seek to review the performance of LDCs in these two areas.

1.3 Structural transformation

Trends in structural transformation of the LDCs have been considered in this section in terms of (i) economic growth, (ii) changes in sectoral composition of the economies and (iii) development of productive capacities.

1.3.1 Economic growth

IPoA identified significant and steady growth of GDP as one of the major requirements for achieving the overarching development objective of LDCs. Indeed, four of the eight priority areas of intervention are related to the objective of sustaining economic growth (Cortez 2011).¹¹ As Table 1.3 depicts, during the decade 2001–10 LDCs as a group have been relatively successful in attaining the 7.0 per cent GDP growth target set by the Brussels Programme of Action (BPoA). The period 2004–08 witnessed remarkable growth performance in which the LDCs as a group attained an average growth of 8.0 per cent. Nevertheless, it needs to be acknowledged that the distribution of this economic growth was more skewed among the LDCs. The impressive averages were often driven by the oil-exporting African LDCs.¹² However, strengthened macroeconomic fundamentals and market-oriented policy reforms undertaken by the LDCs have been considered as the determining factor of this relative success. However, many had been sceptical about the pattern of economic development achieved during this period of relatively high growth. More importantly, it was reckoned that the economic growth did not adequately translate into structural change in the LDC economies and substantial improvement in the wellbeing of their general population (UNCTAD 2010a).

Table 1.3 further shows that average GDP growth rate for the LDC group started to decelerate after attaining the peak figure of 8.7 per cent in 2007, that is after the global financial and economic crisis set in. Although almost all LDCs were able to avoid falling into the recession, most of them experienced erosion of economic growth. Audiguier (2012) showed that, for many individual LDCs, 2009 was not an extraordinarily bad year. Indeed, the impact of the crisis was less than expected, and the LDCs were less affected than other developing countries. Nevertheless, economic growth of LDCs as a group declined to 4.9 per cent in 2009 from 7.6 per cent in 2008. The African LDCs, which include most of the oil- and mineral-exporting LDCs, witnessed a major fall in their economic growth rate. Growth of African LDCs declined from 8.4 per cent in 2008 to 4.6 per cent in 2009. Bhattacharya and Dasgupta

Table 1.3 GDP growth (%)

Group	Average 2001–10	Average 2004–08	Average 2011–12	2007	2008	2009	2010	2011	2012
LDCs	7.0	8.0	4.3	8.7	7.1	5.2	6.1	3.8	4.8
LDCs: Africa and Haiti ^a	7.1	8.5	4.1	9.7	7.5	4.8	6.0	3.7	4.5
LDCs: Asia ^b	6.6	6.8	4.5	7.3	6.1	6.4	6.7	3.7	5.3
LDCs: islands ^c	13.1	20.6	7.8	1.3	8.4	-4.3	0.4	8.1	7.5
LDCs: islands ^d (excluding Timor- Leste)	2.9	4.3	4.3	4.4	3.2	-0.1	3.2	4.8	3.9

^a African LDCs comprise the following countries: Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania and Zambia. For the analysis in this chapter Haiti is included in the African LDCs group.

^b Asian LDCs comprise the following countries: Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal and Yemen.

^c Island LDCs comprise Comoros, Kiribati, Samoa, São Tomé and Príncipe, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu.

^d Performance of island LDCs as a group was highly influenced by Timor-Leste since its emergence in 2003. The country's share in total GDP of all island LDCs is about 60 per cent. Hence, for a better understanding, the performance of island LDCs excluding Timor-Leste has also been reported here.

Source: Authors' calculation, based on UNCTADSTAT data

(2012) found that LDCs faced substantial and persistent output and growth loss due to the fall in global demand. The slowdown in economic growth had its spillover effects on the overall development process in LDCs.¹³

The beginning of the decade 2011–20 has not been uplifting for the LDCs as the average economic growth rate remained low in 2011. According to UNCTADSTAT data, the economic growth rate in the LDCs was only 3.8 per cent in 2011.¹⁴ On a positive note, the early estimates showed that LDCs as a group recorded 4.8 per cent GDP growth in 2012 – although the recorded growth was much lower than the pre-crisis benchmark. Bhattacharya and Dasgupta (2012) forecast that it may require around seven years for the LDCs to return to the pre-global economic crisis trend if external demand continued to remain low in 2011. If the recovery process does not accelerate, it may take additional years to return to the pre-global economic crisis trend.

The performance of LDCs in terms of per capita income growth was commendable during the 2001–10 period, particularly in comparison to the negative record of the earlier decade (1991–2000). Per capita income (GNI, in nominal USD terms) in 2001–10 grew, on average, by 10.4 per cent per year (Table 1.4).¹⁵ African LDCs and island

Table 1.4 Per capita income (GNI, in nominal USD terms) growth (%)

Group	Average 1991–2000	Average 2001–10	Average 2004–08	2007	2008	2009	2010	2011
LDCs	–0.6	10.4	15.7	20.1	18.1	0.2	8.6	10.4
LDCs: Africa and Haiti	–2.6	11.0	18.2	21.9	18.7	–4.3	4.5	10.5
LDCs: Asia	2.7	9.7	11.8	16.7	16.4	9.1	15.3	10.3
LDCs: islands	–0.1	10.5	22.4	25.7	33.6	–15.0	14.5	17.3
LDCs: islands excluding Timor–Leste	–0.1	6.3	8.9	11.6	7.1	–5.1	9.5	15.9

Source: Authors' calculation, based on UNCTADSTAT data

LDCs managed to reap the benefits of the boom period in the global economy more than the Asian LDCs. Similar to the GDP growth scenario, the 2004–08 period was outstanding in terms of per capita income growth. However, in 2009 per capita income of LDCs as a group could grow by only 0.2 per cent. In 2009, per capita income of African LDCs declined by (–) 4.3 per cent, while per capita income of island LDCs experienced a sharp decline of (–) 15.0 per cent.¹⁶ The Asian LDCs showed better resilience in 2009, where per capita income of the group increased by 9.1 per cent. In 2010, all three regional groups of LDCs reverted back to the positive growth trend, but could not recapture the pre-crisis growth level of 2007 and 2008. In 2011, LDCs as a group registered 10.4 per cent growth of per capita GNI, which was similar to the average growth of the previous decade (2001–10). It is to be seen whether this improved performance sustains in the coming years.

The state of the economy of the LDCs during the BPoA period and thereafter was influenced by their export performance. Export-led economic growth – backed up by other external factors such as surging global price of exported commodities, debt relief, increased inflows of official development assistance (ODA), remittances and FDI – turned out to be vulnerable in the face of a global economic crisis. Paralleling the GDP and per capita GDP growth trend, the export growth performance of the LDC group was most spectacular during the period 2004–08, recording 29.7 per cent (annual average) expansion. When the advanced economies faced economic crisis towards the end of 2008 and the global demand for commodities fell, sharply precipitating a decline in commodity prices, the structural weaknesses of LDCs were greatly exposed. However, the immediate impact of the global economic crisis on the LDCs was limited – largely due to lesser integration of these economies with the financial system of the advanced economies. However, the consequent spreading of the crisis from the financial market to the real economy did affect the LDCs.

It has been observed that the magnitude by which the LDCs were affected by the global economic crisis significantly depended on a country's trade specialisation (Karshenas 2009). One can broadly distinguish trade specialisation in terms of primary commodity exporters (including oil and minerals) and exporters of

manufactured goods. While the African LDCs dominated the first group, the Asian LDCs prevailed in the second.

In this connection, UNCTAD (2008) classified LDCs into the following six categories: (i) manufactures exporters,¹⁷ (ii) oil exporters,¹⁸ (iii) mineral exporters,¹⁹ (iv) agricultural commodities exporters,²⁰ (v) services exporters²¹ and (vi) diversified commodities exporters.²²

The oil and mineral-exporting LDCs faced a dramatic fall in global commodity prices of their exportables with the advent of the economic crisis. The impact on agricultural commodity-exporting LDCs was also brutal. Manufactures-exporting LDCs and services-exporting LDCs were also negatively affected due to falling global demand for their manufactured goods and tourism respectively. Hence, output of export industries in many of these countries declined and unemployment increased. The relatively diversified commodities-exporting LDCs²³ demonstrated better resilience. A number of manufactures-exporting LDCs also escaped serious downturn due to their specialisation in low-end products.

Export earnings of LDCs as a group, as Table 1.5 indicates, declined sharply in 2009, by (–) 24.0 per cent. The export earnings of oil-exporting countries experienced a major slump.²⁴ As a result, exports from African LDCs fell by (–) 28.8 per cent in 2009, while the comparable figure for Asian LDCs was (–) 7.2 per cent. It may also be noted from the figures presented in Table 1.5 that the exports of the LDCs did rebound in subsequent years (2010 and 2011), recapturing the pre-crisis benchmark. Surprisingly, export expansion of the LDCs did not seem to be sustained in 2012 and experienced a sharp decline. One wonders whether this was related to faltering recovery of the global economy.²⁵

It is well recognised that the export earnings record of many LDCs is greatly influenced by the movement of the commodity prices. As Table 1.6 reveals, in terms of volume index, export performance of LDCs is much less spectacular. Indeed, the export volume index of the LDCs had been negative in the first year (2011) of the IPoA and modestly positive in 2012. Further, if one considers together the movement of the export value growth and export volume growth during 2011 and 2012, one observes these two indicators had been in the same direction. Obviously, growth of export revenue in the face of fall in export volume is basically explained by the changes in commodity prices in the global market.

Table 1.5 Export growth (%)

Group	Average 2001–10	Average 2004–08	2009	2010	2011	2012
LDCs	17.7	29.7	–24.0	27.2	25.0	0.6
LDCs: Africa and Haiti	20.8	35.1	–28.8	26.7	25.4	0.9
LDCs: Asia	12.3	17.9	–7.2	28.8	23.5	–0.2
LDCs: islands	9.2	11.0	–20.4	25.8	54.5	11.0

Source: Authors' calculation, based on UNCTADSTAT data

Table 1.6 Export volume index growth (%)

Group	Average 2001–10	Average 2004–08	2009	2010	2011	2012
LDCs	6.9	8.8	-3.3	5.6	-1.3	4.3
LDCs: Africa and Haiti	8.0	10.1	-3.0	1.3	-3.8	8.6
LDCs: Asia	6.4	6.9	0.6	18.7	5.8	-1.6
LDCs: islands	3.3	2.4	-11.5	11.3	38.8	13.6

Source: Authors' calculation, based on UNCTADSTAT data

1.3.2 Changes in sectoral composition

Structural transformation entails accelerated and sustainable broad-based development in an economy.²⁶ Bhattacharya (2010) describes structural transformation as a rather complex 'complementary/intertwined phenomenon' which is expected to occur through changes in sectoral composition of production and employment in favour of sectors having higher production – ultimately leading to positive changes in income and wealth distribution, demography, political institutions, and even in the social value system. A related question with regard to structural transformation in LDCs is whether all LDCs have to move through the traditional path from agriculture to manufacturing to services in the process of structural change of their GDP composition. There is now global experience that countries with a specific combination of endowments have promoted a high-value services sector more than manufacturing activities. This new experience is particularly relevant for the island LDCs with their growth prospect dependent on the performance of the tourism sector.

During the implementation period of BPoA, UNCTAD (2010a) found that, among the LDCs, seven countries²⁷ continued to specialise in the agriculture sector, while seven countries²⁸ managed to combine specialisations in light manufacturing along with agriculture and mining activities. It was also maintained that 11 LDCs are mostly dependent on export earnings originating from the exploitation of natural resources, particularly petroleum products, and that the benefits from natural resources are not widely shared with the population of these countries. In Bangladesh, Cambodia and Lesotho manufacturing sector performance is highly dependent on their textile and apparel industries. Kiribati and Tuvalu are two exceptional LDCs where the economic activities are largely dominated by 'rental income'. However, in Bhutan, Mozambique and Togo the manufacturing sector has expanded. In nine LDCs²⁹ (mostly island countries), economic activities are dominated by the tourism sector, while Djibouti and Eritrea are specialised in port and transport-related services. During the implementation of BPoA only four countries³⁰ demonstrated a more balanced mix of primary, manufacturing and services-related activities.

The structural change is commonly seen as a change in sectoral composition of an economy's output (Chenery and Syrquin 1975). From this perspective, progress towards structural change for the LDCs as a group during the BPoA period (2001–10) has been limited. If we consider the reduction of the agriculture sector's share in GDP as an indicator of structural change, LDCs did make some progress.³¹ As

suggested by Table 1.7, the share of the agriculture sector in GDP of the LDCs as a group declined to 27.1 per cent during 2001–10 from 34.3 per cent in 1991–2000. This declining trend of agriculture's share continued in recent years (2008, 2009, 2010 and 2011) in a fluctuating manner. This particular trend is more evident in the Asian LDCs than in the African and island LDCs.

One of the significant challenges for LDCs with regard to making progress towards structural change is to increase and accelerate their value addition in the manufacturing sector. The manufacturing sector is also considered to be the source of higher sustainable employment in the formal sectors. For most LDCs, production capacity in the manufacturing sector remains limited and exports are concentrated in a narrow range of products (ILO 2011). Regrettably, the share of the manufacturing sector in LDCs has stagnated at around 10 per cent over the last two decades (1991–2000 and 2001–10). As one observes from Table 1.8, the situation has not changed in the LDC group in the last four years (2008, 2009, 2010 and 2011). At a regional level, the GDP share attributable to manufacturing in the Asian LDCs as a group is higher than that in their African counterparts. However, this share stagnated over recent years in both regional groups of the LDCs. In fact, a close look at the figures reported in Table 1.8 reveals that African and island LDCs have undergone creeping deindustrialisation as the share of manufacturing in their economies declined from the 1991–2000 benchmark.³²

In contrast to the manufacturing sector, the role of the mining sector became more important for LDCs' economic structure. Between 2001 and 2008 the share of the mining sector in GDP for LDCs as a group increased by more than 10 percentage points (Table 1.9). The sector became more dominant in the African LDCs and the

Table 1.7 Share of agriculture sector in GDP (%)

Group	Average 1991–2000	Average 2001–10	2001	2008	2009	2010	2011
LDCs	34.3	27.1	30.7	24.9	26.0	25.5	25.2
LDCs: Africa and Haiti	34.9	28.4	32.2	25.9	27.2	26.5	25.4
LDCs: Asia	33.5	25.2	28.9	23.4	24.2	24.3	25.4
LDCs: islands	32.0	19.4	26.8	12.3	15.0	13.3	12.6

Source: Authors' calculation, based on UNCTADSTAT data

Table 1.8 Share of manufacturing sector in GDP (%)

Group	Average 1991–2000	Average 2001–10	2001	2008	2009	2010	2011
LDCs	10.0	10.0	10.3	9.3	10.2	10.3	10.2
LDCs: Africa and Haiti	8.3	7.8	8.2	6.9	7.6	7.5	7.3
LDCs: Asia	12.4	13.9	13.0	14.4	15.0	15.3	15.2
LDCs: islands	7.8	4.7	8.2	2.6	2.8	2.7	2.4

Source: Authors' calculation, based on UNCTADSTAT data

Table 1.9 Share of mining sector in GDP (%)

Group	Average 1991–2000	Average 2001–10	2001	2008	2009	2010	2011
LDCs	6.8	14.0	9.1	19.8	13.9	14.3	16.3
LDCs: Africa and Haiti	9.0	18.1	11.6	24.9	18.3	19.3	22.1
LDCs: Asia	3.7	6.6	5.9	7.9	5.2	4.9	5.2
LDCs: islands	2.1	31.6	2.5	54.7	44.0	47.9	51.2

Source: Authors' calculation, based on UNCTADSTAT data

island LDCs (particularly for Timor-Leste). This phenomenon was a result of the rising price of mining outputs in the global market. In other words, the relative prices of agriculture, manufacturing and mining products influenced the changes in sectoral structure of the GDP in the LDCs.

One of the major structural flaws of LDCs' export performance is its overdependence on primary commodities. During 2000–08, dependency of the LDCs on primary commodities increased over manufacture exports due to the rise in global prices of primary commodities and the increased international demand for these commodities. The narrow export basket has been a typical feature of the export structure of the LDCs. A study by UNCTAD (2010a) found that during 2000–08 product concentration of export by LDCs increased as only a few commodities accounted for most of their export earnings. The study used the Herfindahl–Hirschmann Index (HHI) and estimated that the concentration increased to 0.54 in 2008 from 0.33 in 2000. The entire rise in HHI was driven by export from the African LDCs; in contrast, export concentration declined for Asian LDCs. Using the latest available data on LDC export, ICTSD (see Chapter 7) estimated HHI and export diversification index to show that only six LDCs (Cambodia, Lesotho, Liberia, Madagascar, Nepal and Yemen) managed to reduce export concentration since 2000, or in more recent years.³³ UNCTAD (2010a) further pointed out that in 14 out of 23 LDCs export dependence on a single export commodity increased. As a result, their export earnings were also exposed to global commodity price volatility as the global economic crisis broke out. Examining the export statistics between 1995–96 and 2005–06, UNCTAD (2008) showed that more than 90 per cent of total export from LDCs comprised agro-based, mineral and low-technology manufactures. Indeed, the share of these three categories increased between these two time periods.³⁴ The report also argued that, given the high degree of competition in global markets for low-technology, low-skill manufactures, LDCs remained vulnerable. Arda (see Chapter 6) showed that, for 19 LDCs in 2009–10, 90 per cent of total export earnings comprised 'commodities',³⁵ whereas, for another 21 LDCs, the shares were more than 50 per cent. As a result these countries largely fail to generate positive externalities in the forms of 'the adoption of relatively advanced technologies and modern business techniques, including in international trade practices' (Arda 2013).

The declining share of agriculture in GDP of the LDCs has not been matched by commensurate relocation of labour to the non-agriculture sector. In LDCs a large section of the labour force continues to be engaged in the low-productivity

agriculture sector.³⁶ As Table 1.10 suggests, the share of agricultural employment fell from more than 77 per cent during 1981–90 to about 73 per cent in 1991–2000 and subsequently to around 68 per cent in 2001–10. While on average three-quarters of the labour force in the LDCs were engaged in agricultural activities in 2008, 2009 and 2010, the said share has been lowest in the Asian LDCs, that is 55.4 per cent (2010). In contrast, in the island LDCs the comparable figure is about 80 per cent (2010). During the first two years of the IPoA (2011 and 2012) one may observe, across regional groups, a sluggish reduction in the share of people employed in agriculture in the LDCs. Nevertheless, the mismatch between the agriculture sector's share of GDP and of total employment suggests that there is high underemployment in this sector. This implies that there is a huge scope for reallocation of labour from the agriculture sector to secondary and tertiary sectors to achieve productivity gains. Thus, the primary challenge with regard to the labour market in the LDCs is not so much unemployment, but productive employment and decent work for the large numbers of working poor (ILO 2011). In this context migration and remittances can play a complementary role.³⁷ The temporary movement of labour from LDCs to the developed and developing countries may also contribute towards developing productive capacity and technology transfer.

1.3.3 Productive capacity development

The process of structural transformation of the least developed economies is largely about developing productive capacities. This will certainly require higher capital accumulation, particularly by the private sector (domestic and foreign). Concurrently, it is important for the LDCs to achieve technological advancement and become more competitive.

The LDCs as a group of countries possess the common characteristic of low capital endowment. Investment is a binding constraint for economic growth. Current levels of investment in infrastructure in LDCs are particularly low.³⁸ The average gross capital formation as a percentage of GDP increased to 21.4 per cent during 2001–10, compared with 18.0 per cent in the preceding decade (1991–2000). Table 1.11 suggests that in 2010 the indicator recorded an increase to 23.3 per cent of GDP of the LDCs, only to fall to 22.0 per cent in 2011. This fall was experienced by all regional groups of LDCs.³⁹ This implies that the LDCs will be required to make a substantial improvement in their investment performance. It is important to note

Table 1.10 Share of employment in agriculture sector (%)

Group	Average 1981–90	Average 1991–2000	Average 2001–10	2008	2009	2010	2011	2012
LDCs	77.1	73.0	67.7	66.4	65.8	65.2	64.6	64.1
LDCs: Africa and Haiti	79.1	78.1	73.7	72.5	72.0	71.4	70.9	70.4
LDCs: Asia	74.3	65.7	58.7	56.9	56.1	55.4	54.6	53.8
LDCs: islands	85.5	75.2	78.1	80.0	80.0	79.7	79.5	79.2

Source: Authors' calculation, based on UNCTADSTAT data

Table 1.11 Share of gross capital formation in GDP (%)

Group	Average 1991–2000	Average 2001–10	2001	2008	2009	2010	2011
LDCs	18.0	21.4	19.9	22.1	22.5	23.3	22.0
LDCs: Africa and Haiti	18.0	20.8	19.0	21.7	22.2	23.3	22.6
LDCs: Asia	17.8	22.7	21.1	23.3	23.1	23.4	21.3
LDCs: islands	22.8	14.5	18.0	10.8	17.4	18.8	15.4

Source: Authors' calculation, based on UNCTADSTAT data

that there is a wide variation among the LDCs in terms of capital formation as a share of GDP. Among the LDCs, Asian LDCs were the most successful as a group with regard to improving their capital accumulation to achieve a GDP growth.

It is often argued that globalisation can also aid structural change and productive capacity growth in an economy.⁴⁰ For example, an increasing flow of FDI to LDCs is supposed to supplement domestic investment in the country and thereby induce employment generation and income growth. However, the success of external resource flow in promoting structural changes in the receiving country is not automatic and depends critically on a number of domestic factors. FDI inflow in LDCs, given their geographical, structural and historical contexts, is traditionally concentrated in export-oriented primary production sectors. This characteristic is particularly observed in African LDCs. Moreover, FDI inflow is concentrated in a few destinations. UNCTAD (2010b) observed that during the 2000s FDI inflow was mainly targeted in extraction industries of oil-exporting LDCs in Africa, which accounted for more than 60 per cent of the total. Technology and the possibility of skill transfer constitute some other critical factors in this context.⁴¹ In absolute terms, LDCs as a group have faced a sharp decline in FDI inflow since the global financial crisis in 2008. In 2011, the LDCs' share of global FDI reverted to the level in 2001: 0.9 per cent – in contrast to 2.1 per cent in 2008.⁴²

The ability of LDCs to attain structural changes is largely linked to the competitiveness of their economies. One can also argue that structural change and competitiveness can complement each other. A closer look at the *Global Competition Report* produced by the World Economic Forum (WEF) for 2012–13 indicated that most LDCs lay in the bottom half of the ranking among the 144 countries surveyed (WEF 2012). In fact, the bottom nine countries in the global ranking are all LDCs (see Annex 1.2). In 2010–11, among the bottom 10, nine countries were LDCs (WEF 2010). Along the score of 1 to 7 (from 'worse' to 'better'), 24 out of 26 LDCs covered by the survey have a score below 4. The average score of the 2012–13 survey was 4.2. Rwanda is the only LDC that matched the average score with 4.24, while the rest of the 25 LDCs achieved below-average scores. Curiously, between the 2010–11 and 2012–13 surveys, the average score of the common set of LDCs improved marginally from 3.41 to 3.49. Among these LDCs eight countries' scores declined. The survey findings indicate that in the near future it will be difficult for the LDCs to compete in the tough global environment and progress towards their desired structural transformation.

Enabling a business environment is another important factor that can facilitate structural change in the LDCs. World Bank (2012) argued that good regulations in a country can help the private sector to expand its businesses. A country's regulations are designed to safeguard the economy while facilitating business activities. In countries where business-related regulations are poorly designed, the growth prospect can be impeded. The *Doing Business Report* of 2013 showed that LDCs are laggards in terms of the 'Ease of Doing Business' index.⁴³ The average ranking for LDCs was 145.7, compared with 93 globally. Among the LDCs, Rwanda (52), Samoa (57) and Vanuatu (80) were the only three LDCs that ranked above the world average. In 2010, five LDCs were above the global average (World Bank 2010).⁴⁴ Indeed, during the period between the two surveys only Rwanda managed to elevate its global ranking. Among the 19 countries in the bottom decile, 14 are LDCs. The above-mentioned findings suggest that LDCs must improve their business environment considerably in the coming decade to compete with the rest of the world. Indeed, they will need to concentrate on undertaking adequate reforms to improve their business environment.

Early signals emerging from available data indicate that the overall progress of LDCs towards achieving positive structural transformation during the first two years of the IPoA period remained limited. The present chapter argues that economic growth in LDCs has been highly influenced by global demand and world prices in recent years. Economic growth during the first two years of the IPoA, in the LDC group and its individual constituents, has remained well below the target of 7 per cent. Moreover, the economic growth has been considerably driven by the mining sector and its distribution of the benefits of economic growth (in terms of providing decent employment for labour) remain suspect. Dependence on 'commodities' and high concentration of the export basket by the LDCs has not alleviated during the early years of the IPoA period. Regrettably, moves towards building productive capacity and establishing an enabling business environment in order to compete in the world market are yet to produce discernible results. It is maintained that a favourable global environment and a country's capacity to undertake the necessary domestic reforms will largely determine the outcome of IPoA in the foreseeable future.

1.4 Attainment of Millennium Development Goals (MDGs)

The idea of catalysing productive capacity development is key to promoting structural changes in LDCs. By exploiting underutilised resources such as the labour force through enhancing the quality of human capital, LDCs may achieve sustainable economic growth. Hence, the attainment of MDGs, articulation of which was influenced by the human development paradigm, is critical for LDCs in the coming years. MDGs have raised the overall awareness regarding a broad vision for development (UN 2011b). IPoA has a special focus on MDGs. Indeed, MDGs are integral parts of IPoA targets. Among the 121 explicit indicators proposed in IPoA, 39 indicators are similar to those in the MDGs.⁴⁵ It should be pointed out that the terminal year for the MDGs is 2015, in contrast to 2021 for IPoA – this discrepancy is yet to be clarified.

Hailu and Tsukada (2011) introduced a comparison of the rate of progress on MDG indicators in the periods before and after the adoption of the MDGs of 98 countries and ranked their progress on the basis of the comparison. The study puts forward a number of interesting results. They found that a significant number of sub-Saharan African countries made commendable progress towards attaining MDGs. More importantly, they found that progress up to 2006–08 on the MDGs accelerated faster in LDCs than in non-LDCs.⁴⁶ However, the study also argued that most of the LDCs, including the better performers, are unlikely to attain the MDG targets. Hailu and Tsukada (2011) also flagged that better progress was made on indicators related to MDGs 1, 2, 4, 6 and 8. Among the LDCs, Burkina Faso is the best performer; in contrast, Mauritania turned out to be the worst performer.⁴⁷ In the following paragraphs, the state of delivery of a number of MDG indicators which overlap with the IpoA are discussed.

1.4.1 Education

Regarding the target to ensure universal access to free primary education (MDG 2), LDCs are only slightly off track, thanks to a significant acceleration of enrolments since 2000. Net enrolment in primary education in LDCs has increased from 58.3 per cent in 2000 to 78.6 per cent in 2010 (Table 1.12). However, the rising primary enrolment rate has not been matched by a proportionate increase in primary school completion rate, which in turn has had an impact on the literacy rate. By the end of 2010, LDCs have a primary completion rate of 64.8 per cent and a youth literacy rate of 71.8 per cent.

1.4.2 Gender equality

Most of the LDCs in Asia and Africa have made good progress in achieving gender equality in primary education, but LDCs as a group are off track to achieve gender parity at the secondary and tertiary levels of education (MDG 3). At the secondary and tertiary levels, there are on average respectively 84 and 58 women per 100

Table 1.12 Education-related indicators for LDCs

Indicator	1990	2000	2005	2008	2010
Net enrolment ratio in primary education (%)	n/a	58.3	71.8	78.3	78.6
Primary completion rate (%)	n/a	45.8	54.7	60.4	64.8
Youth literacy rate (%)	55.6	65.3	n/a	71.1	71.8
Ratio of females to males in primary education (%)	n/a	85.1	89.6	92.2	93.7
Ratio of females to males in secondary education (%)	n/a	80.3	80.3	82.5	84.2
Ratio of females to males in tertiary education (%)	n/a	59.6	58.7	58.3	58.8

n/a denotes not available.

Source: World Bank data

men enrolled. Among other indicators with regard to MDG 3, the percentage of parliamentary seats held by women more than doubled, jumping from 8.7 per cent in 2001 to almost 19.8 per cent in 2010.

1.4.3 Health and nutrition

LDCs have fared better on child nutrition, as measured by the proportion of underweight children under five years (MDG 1), compared with other areas of MDGs. The group has managed to reduce the prevalence of underweight children under five years of age from 40.1 per cent to 18.6 per cent over two decades. Table 1.13 indicates that the LDCs in Asia achieved greater reduction, where the prevalence of underweight children under five years of age declined from 50.9 per cent in 1990 to 29.4 per cent in 2010. However, African LDCs have a lower percentage of children under five years suffering from malnutrition.

But LDCs are off track in ensuring access to safe food and emergency food assistance (MDG 1). The proportion of the population below the minimum level of dietary consumption still remains very high, on average 32 per cent in the years 2006–08.

Progress to reduce child mortality in the LDCs has been encouraging, although not at a sufficient pace to achieve the targets by 2015 (MDG 4). Against the target to reduce the under-five mortality rate and the infant mortality rate by two-thirds between 1990 and 2015, the region reduced both targets by only one-third over the period 1990–2010 (Table 1.14).

The proportion of births with skilled attendants is still less than 50 per cent in most of the LDCs (MDG 5).⁴⁸ Only Samoa and São Tomé and Príncipe have a high rate of births with skilled attendants, 81 and 82 per cent respectively in 2010, having had a benchmark of 70 per cent in 1990.⁴⁹ Despite this progress, the mortality rate continues to be high in most LDCs. The target is to reduce the maternal mortality ratio by three-quarters, but most of the countries have been able to reduce it by only half. Commendable achievements have been made by Bhutan and Equatorial Guinea, which were able to reduce the ratios of maternal mortality, in deaths per 100,000 live births, from 1,000 and 1,200 in 1990 to 180 and 240 respectively.

Table 1.13 Malnutrition prevalence, weight for age (% of children under five years)

Group	1990	1996	2000	2006	2008	2010
LDCs	40.1 (20)	43.94 (17)	37.63 (24)	33.1 (17)	21.2 (8)	18.6 (13)
LDCs: Africa and Haiti	25.8 (16)	28.4 (12)	32.1 (20)	26.3 (13)	19.2 (6)	17.1 (10)
LDCs: Asia	50.9 (3)	51.9 (4)	43.1 (4)	38.6 (4)	28.0 (2)	29.4 (3)
LDCs: Asia Pacific	16.0 (1)	10.6 (1)	n/a	n/a	n/a	n/a

n/a denotes not available.

Note: Number of countries considered for calculation has been shown in parentheses.

Source: Authors' calculation, based on World Bank data

Table 1.14 Population and maternal health indicators for LDCs

Indicator	1990	2000	2005	2008	2010
Mortality rate, under five years (per 1,000)	170.5	139.0	124.3	115.2	111.5
Mortality rate, infant (per 1,000 live births)	106.4	87.9	79.4	74.3	71.9
Births attended by skilled health staff (% of total)	n/a	31.5	n/a	n/a	42.5
Maternal mortality ratio (per 100,000 live births)	870.0	666.0	550.0	n/a	430.0

n/a denotes not available.

Source: World Bank data

LDCs were among the countries in the world with the highest unmet need for contraceptives and family planning (MDG 5). Access to reproductive health services in African LDCs is limited, but improving steadily, although only 30.9 per cent of married women aged 15–49 were using methods of family planning in 2010 (Table 1.15).

Despite the continued reduction in new HIV infections, many LDCs still have the highest rates in the world. Over the period 1990–2010, HIV prevalence among the population aged 15–24 remains static because of significant improved access to anti-retroviral drugs. In 2004, only 4 per cent of people with advanced HIV infection had access to antiretroviral drugs, but by 2009 the proportion had increased to 39 per cent (Table 1.16).

The burden of malaria and tuberculosis still continues in the group (Table 1.17). With regard to access to safe water and sanitation facilities, LDCs as a group are off track to providing sustainable access to safe drinking water and basic sanitation to all by 2020.

1.4.4 Information and communication technologies

A comparison of internet use in LDCs with that in developing countries, and with developed countries, shows that there are very large gaps between these groups (MDG 8).

Table 1.15 Population and health indicators for LDCs

Indicator	1990	2000	2005	2008	2010
Contraceptive prevalence (% of women aged 15–49)	17.9	27.3	n/a	n/a	30.9
Unmet need for contraception (% of married women aged 15–49)	25.4	23.9	n/a	24.0	24.1
Improved sanitation facilities (% of population with access)	21.3	29.1	32.6	34.4	35.8
Improved water facilities (% of population with access)	52.9	56.4	60.4	62.4	63.3

n/a denotes not available.

Source: World Bank data

Table 1.16 Incidence, prevalence and death rates associated with tuberculosis

Indicator	1990	2002	2010
Incidence (number of new cases per 100,000 population; including HIV infected)	253	263	246
Prevalence (number of existing cases per 100,000 population; including HIV infected)	456	421	365
Deaths (number of deaths per 100,000 population; excluding HIV infected)	52	44	13

Source: UN (2006) and UN (2011b)

Table 1.17 Incidence and deaths associated with malaria in LDCs

Indicator	2009	2010
Incidence (number of new cases per 1,000 population)	173	199
Deaths (number of deaths per 100,000 population)	70	60

Source: UN (2010) and UN (2011b)

The growth in the number of internet users remains low in the LDCs' regions. By the end of 2011, only about 6 out of 100 people in LDCs had internet access, while 11 out of 100 people in landlocked developing countries (LLDCs) and about 27 out of 100 people in small island developing states (SIDS) were internet users (Table 1.18). In the developed world, internet penetration had reached almost 70 per cent by the end of 2011. Among the LDCs, by the end of 2010 São Tomé and Príncipe had the highest internet penetration level of about 18 per cent and Myanmar had the lowest with 0.2 per cent. Lack of infrastructure, limited international internet bandwidth, relatively low educational levels and literacy rates and high cost are the major barriers for this slow growth.

1.4.5 International support measures

A number of advanced economies, particularly the USA, Japan, Canada and the European Union (EU), have, since the 1960s, offered to LDCs preferential tariff access over the years, which is lower than most favoured nation (MFN) rates. This access gradually expanded and widened by a significant margin in 2000 and 2001 (Green and de Gorter 2011). However, it needs to be noted that these preferential tariffs

Table 1.18 Internet users (per 100 persons) by region

Region	1995	2000	2011
LDCs	<0.1	0.1	6.0
LLDCs	<0.1	0.3	11.4
SIDS	0.4	5.2	27.5
Developed	3.2	25.0	70.2

Source: UN (2012)

for LDCs cover a limited number of goods. Candau and Jean (2006) estimated the preference utilisation by the LDCs for the EU and concluded that the utilisation rate is higher for agricultural products than for non-agricultural products. Preferential market access for LDCs in the USA is lower than in the EU.⁵⁰

Table 1.19 indicates that large shares of LDCs' exports to developed countries have benefited from 'duty-free' access, but the share has actually remained stagnant for a decade (MDG 8). It has been repeatedly found that because advanced developing/emerging economies are benefiting from increased 'duty-free' access to developed countries' markets, LDCs' products have been relatively less competitive (UNCTAD 2010a). The trends raise concern regarding erosion of LDCs' trade preferences and also highlight the need to have effective trade preference in the residual development countries' markets (for example, the clothing and textiles sector in the USA).

Table 1.20 indicates average tariff rates imposed by developed countries on agricultural products, textiles and clothing from LDCs. The data reveal declining trends in (average) import tariffs, although they remain relatively higher for clothing.

As is found, market access conditions for LDCs have improved over the last ten years. However, the progress has somewhat stagnated during the last few years. On a positive note, trade preferences granted by a number of developing countries, particularly by BRIC nations,⁵¹ have improved for LDCs. Regrettably, LDCs could not get the benefits from the DFQF regime as the pledged conclusion of the World Trade Organization (WTO) Doha Development Round has been delayed. A number of important issues with regard to WTO negotiation remained outstanding, namely DFQF access for all commodities from all LDCs, simplification of rules of origin (RoO), dealing with non-tariff measures (NTMs) and standards, preferences in services and acceleration of the LDC accession process (UNCTAD

Table 1.19 Proportion of developed country imports from LDCs admitted free of duty (%)

Region	1996	2000	2005	2007	2009	2010
LDCs (excluding arms)	68	75	83	89	89	89
LDCs (excluding arms and oil)	78	70	80	80	80	80

Source: World Bank data

Table 1.20 Average tariffs imposed by developed countries to LDCs

LDCs	1996	2000	2005	2009	2010
Agricultural goods	3.8	3.6	3.0	1.2	1.0
Textiles	4.6	4.1	3.2	3.2	3.2
Clothing	8.2	7.8	6.4	6.7	n/a

n/a denotes not available.

Source: World Bank data

2010a). Growing regional and bilateral agreements have also led to preference erosion for LDCs.

In spite of broader DFQF access received by the LDCs, the share of LDC exports in global exports did not improve drastically (Mikic and Ramjoue 2010). The share of LDC exports in global exports improved from 0.582 per cent in 2001 to 1.062 per cent in 2010 (Table 1.21). The trend has continued during the first two years of the IPoA period – the share stood at 1.115 per cent in 2012. There is no doubt that market access for LDCs in all developed and developing countries needs to be expanded by rejuvenating the fuller implementation of the Doha Development Round at the earliest point. Whilst DFQF access is very important, due attention should also be paid to the growing use of NTMs⁵² which limit LDC exports of both agricultural and industrial commodities to the developed and developing countries. Indeed, it is important to ensure greater transparency in this context. Trade in services also needs special attention in the LDCs context. Finally, against the backdrop of changing global economic structure, during the 2010s expansion of South–South trade could be an important avenue to expand LDC exports and provide an opportunity to the LDCs to diversify their market.

Over the period of BPoA implementation (2001–10) ensuring greater flow of ODA and its effectiveness towards development of LDCs have been the core priorities in the global development agenda. The important aspect is an equitable distribution of ODA which will also need to be untied and driven by demand. Considering all these issues, a number of global commitments have been made including Goal 8 of the MDGs.⁵³ Regrettably, progress has not been the most satisfactory from the LDCs' point of view. This issue is more relevant at this point in time considering the stagnated economic progress in advanced economies and growing austerity measures.

International attention towards MDGs has led to a noticeable growing interest in ODA over the last decade. More importantly, ODA allocation since the Millennium Declaration has become more MDG-sensitive, although total aid flows fell short of promised levels (Hailu and Tsukada 2012). Net total ODA disbursements to LDCs also increased significantly over the past decade, to USD 44 billion in 2010. However, in 2011, members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) provided USD 133.5 billion of net ODA representing 0.31 per cent of their combined GNI (Tables 1.22 and 1.23). This

Table 1.21 LDCs' share in global merchandise exports (%)

Group	Average 2001–10	2001	2008	2009	2010	2011	2012
LDCs	0.813	0.582	1.040	1.018	1.062	1.110	1.115
LDCs: Africa and Haiti	0.570	0.344	0.804	0.736	0.765	0.803	0.808
LDCs: Asia	0.241	0.235	0.234	0.279	0.295	0.304	0.303
LDCs: islands	0.003	0.002	0.002	0.002	0.003	0.003	0.004

Source: Authors' calculation, based on UNCTADSTAT data

Table 1.22 Annual ODA, billions of current USD

Region	1990	2005	2008	2010	2011
All developing countries	52.8	107.8	122	128.5	133.5
LDCs	15.1	25.9	37.8	44.0	n/a

n/a denotes not available.

Source: UN (2011b)

Table 1.23 Share of OECD/DAC donors' gross national income (%)

Region	1990	2005	2008	2010	2011
All developing countries	0.32	0.32	0.30	0.32	0.31
LDCs	0.09	0.08	0.09	0.11	n/a

n/a denotes not available.

Source: UN (2011b)

was a (–) 2.7 per cent drop in real terms compared with 2010, the year it reached its peak (OECD 2012b). Net bilateral ODA flows to LDCs are estimated to have recently dropped by 8.9 per cent in real terms to USD 27.7 billion in 2011, whereas overall ODA declined by only 3 per cent. This decrease reflects fiscal constraints in several DAC countries, which consequently have affected their ODA allocations. Early estimates by OECD have suggested that bilateral ODA from DAC countries to LDCs fell by 13 per cent (in real terms) to about USD 26 billion (Ahmad et al. 2013). Two reasons for this have been mentioned in this study: prolonged financial crisis and lower levels of debt relief in 2012 compared to with 2011. Indeed, only 10 out of 25 DAC donors met the 0.15 per cent ODA/GNI target for LDCs in 2011.

It is also found that several donors reduced their bilateral ODA targets to LDCs between 2010 and 2011. This trend has also continued in 2012. UN (n.d.) made a detailed situation analysis and indicated that, among the 23 donor countries, 17 reduced their ODA between 2010 and 2011.⁵⁴ Overall, the average share of ODA as a percentage of GNI slightly decreased from 0.11 to 0.10 in the period of 2010–11. This trend may continue over the short run as the global economic outlook remains unimpressive. OECD (2012a) apprehended that at least half of the fragile and conflict-prone countries in the world will face a decline in ODA inflow between 2012 and 2015.

Not all LDCs are equally preferred by the donors, in many ways. The preferences of donors overlap, and 'aid darlings' and 'aid orphans' are emerging among the LDCs. Unequal distribution of ODA is an emerging area of concern, particularly at a time when ODA has become more scarce. In the Accra Agenda for Action, the donor community pledged to improve its allocation of ODA across countries in need. They further expressed their intention to address the issue of under-aided countries. These words were also reiterated during the Busan Forum. However, progress with regard to this challenge is not visible. Regrettably, the Busan Forum also did not recognise the special attention required for LDCs (Guillaumont 2011). OECD (2012b) identified

nine LDCs as under-aided.⁵⁵ These under-aided countries have better institutional capacity but are lagging behind in meeting MDGs, which would require a higher allocation of resources.⁵⁶

The commitments made by the donors in subsequent international forums with regard to aid may help deliver the MDG targets. It is important that aid distribution by the donors considers both the demand from the recipient country and its institutional capacity to make use of it. Besides addressing this issue of 'under-aided countries', the donors will also have to ensure transparency both globally and locally, accelerate efforts to untie ODA, and make ODA more predictable at the country level as well as globally (OECD 2012c).

Against the backdrop of a volatile and unpredictable ODA regime, it has become extremely important that LDCs create a stronger base for domestic resource mobilisation within the respective economies.⁵⁷ Indeed, domestic resources are essential for more equitable distribution of income and the eradication of poverty (Wangwe and Charle 2004). It is thus important to provide required financial and technical assistance to LDCs to improve their capacity to generate a broader tax base. Besides domestic resource mobilisation, due attention should be given towards LDCs' capacity to fight illicit financial flows. A number of global estimates indicate that LDCs are losing a substantial amount of capital and tax due to this phenomenon.⁵⁸ On a welcome note, IPoA has highlighted the issue and charted out separated actions for LDCs and their development partners. However, to implement the necessary infrastructure, both hard and soft, a typical LDC will also need both financial assistance and technical support from its development partners (Rahman et al. 2011).

1.4.6 Post-2015 agenda

Certainly, MDGs have successfully focused world attention to a broad-based development framework (Guillaumont 2013). The initiative is approaching the finishing line of its 15-year period. The General Assembly of the United Nations is expected to adopt a new set of goals, post-MDGs 2015, following an intergovernmental negotiation process. An official process has already been put in place.⁵⁹ Meanwhile, a number of initiatives outside the UN framework are also working to conceptualise the post-2015 development agenda.⁶⁰ It is also important to consider that, following the MDG initiative, a number of propositions with regard to a global development agenda emerged. The most notable among these is the Sustainable Development Goals (SDGs), which came forward following the Rio+20. SDGs reaffirmed the need to achieve sustainable development by promoting economic development, social inclusion, environmental sustainability and good governance. Indeed, the post-2015 development agenda is expected to be informed by both the unfinished agenda of MDGs and these new initiatives.

The above-mentioned reports, both from the UN framework and outside of it, did not assign adequate importance to development challenges faced by the LDCs which generally originate from a number of different sources, particularly in view of the

heterogeneity and specific difficulties confronting LDCs (Khatun 2013). The critical question is how the interests and concerns of the LDCs will be addressed within a universal framework of international development goals. Will the issue of productive capacity development for structural change of the LDC economies get proper attention in the new framework? Will there be adequate resources – not necessarily only ODA – to underwrite the implementation of the new set of goals?

1.5 Concluding remarks

The second report of the UN Secretary General with regard to implementation of IPoA argued that LDCs have made some progress on a number of IPoA goals and targets (UN 2013c). The findings from the earlier sections of this chapter suggest that it will be too early to draw such a specific conclusion. Rather, the early signals of IPoA implementation do not confirm these perceived positive trends in most cases. In this connection, a number of broad messages derived for the foregoing analysis have been highlighted in the following paragraphs.

First, any early positive signals pertaining the core objectives of IPoA are yet to be visible. The structural flaws afflicting the development process of the LDCs continue to remain pervasive in the period following IPoA. Arguably, one cannot expect a major breakthrough in overcoming the structural bottlenecks of the LDCs in just two years – the period that has elapsed since the hosting of the Istanbul Conference. The UN Secretary General's report mentioned structural change 'taking hold' in a few LDCs. However, the document also noted that LDCs continued to face persistent poverty, serious structural impediments to economic growth, slow human development and high exposure to economic and natural shocks. The performance of LDCs with regard to economic growth during the IPoA period under review remained largely off track from the target. Moreover, it remained hostage to external developments.

Second, it appears that economic performance of LDCs is yet to recapture its pre-global economic crisis benchmark. The recent economic trends of LDCs indicate the need for a set of more dynamic and concentrated efforts towards implementation of IPoA within an evolving global environment. In this connection, better economic integration of the LDCs with the emerging economies of the South may provide some safeguard to LDCs. This was also mentioned in the UN Secretary General's report, cited earlier. However, recent figures suggest that these emerging economies are also struggling to hold their ground. In fact, the global financial and economic crisis has unleashed a volatile period which is also affecting the LDCs. The slow progress of LDCs in the early years of IPoA has been attributed by this study largely to the unfavourable external circumstances. The dearth of domestic capacity has also contributed to LDCs' inability to demonstrate resilience in the face of an adverse global scenario. With the major global economic trends not likely to rebound immediately, implementation of IPoA has to maintain emphasis on aspects that would strengthen the LDCs' capacity to mitigate the adverse impact of external shocks. An important element would be the efforts of the LDCs to develop productive capacities geared to domestic and regional markets and to improve competitiveness of their exportables.

It is important for all LDCs to undertake and pursue a domestic reform agenda towards this end.

Third, heterogeneity among the LDCs in terms of their demographic and key economic indicators is increasing and requires closer attention during the implementation period of IPoA. While IPoA in principle recognised the heterogeneity among the LDC group, initiatives to address this issue by designing 'tailor-made' country-specific strategies is not yet visible. Indeed, each LDC needs to first put forward a comprehensive plan to achieve the objectives of IPoA.

Fourth, delivery on MDGs in the LDCs is faltering, particularly in the wake of the global economic crisis and due to a slower global recovery. The MDG framework constitutes a set of goals and targets without a corresponding comprehensive set of strategic components that would have ensured fuller delivery. Given their extreme vulnerability and the magnitude of their poverty, which are compounded by many extraneous constraints, the LDCs have the least chance as a group under present conditions to attain the MDGs by 2015. Nonetheless, there is no scope to distract from vigorous implementation of the MDGs as the initiative approaches the finishing line. A very important step in this regard would be to derive synergy between the implementation of IPoA and the dash for achieving the MDGs in the next couple of years in the LDCs. This approach needs to be carried forward in the post-2015 dispensation. Indeed, it is also appropriate to think beyond the current MDG framework in order to lay the conceptual and analytical basis for new national development strategies to be based on the post-2015 international development framework and goals.

Fifth, the international support measures continue to remain inadequate for the LDCs. Indeed, ODA flow to LDCs is falling in real terms and is becoming more skewed in nature. Recalling that the Busan Partnership for Effective Development Co-operation did not mention the LDC perspectives, the post-Busan development co-operation forums will need to consider the IPoA goals and targets and the revealed trends. A positive outcome for LDCs from WTO negotiations, including a speedy conclusion of the Doha Development Round, has become a far cry. In this context, the UN Secretary General's report stressed the need for mainstreaming trade policy into domestic and international development strategies, improving supply-side capacity of LDCs, trade facilitation and effective DFQF market access for LDCs in an integrated manner. It remains uncertain that one would achieve a consensus in favour of the 'LDC Package' at the ninth ministerial meeting of the WTO (MC9) which is to take place in Bali in early December 2013. Similarly, one has to observe how the United Nations Framework Convention on Climate Change (UNFCCC) addresses the concerns of the LDCs as most of them are affected by the adverse impact of climate change. Indeed, many global development agenda-setting discussions, including the recent post-MDG discourse, hardly mention the concerns of LDCs and the means to address them. It is unfortunate that the voice of the LDCs continues to be marginalised in terms of global attention.

Sixth, progress towards graduation from the LDC group has become more complex. On one hand, more LDCs are lined up for graduation following the

latest review by CDP in 2012; on the other hand, a smooth and sustainable transition of these candidate countries remains suspect. The latest report of CDP came up with a number of recommendations, including (i) to extend LDC-specific market access to enable graduated countries to adjust to the new conditions; (ii) to support implementation of the transition strategy and avoid any abrupt reductions in the ODA; and (iii) to use both LDC and EVI criteria for allocating ODA. Most importantly, any uncertainty with regard to support measures and facilities during the transition period needs to be abolished. It may be emphasised that graduation of the LDCs has become a part of the development agenda of the group. The UN Secretary General's report also urged the LDCs and their development partners to intensify efforts towards mainstreaming IPoA. In this context, distribution of available resources in the forms of trade preferences and ODA disbursement within the LDC group also has a lot of scope for improvement. The report mentioned three countries (Samoa, Cambodia and Lao People's Democratic Republic) that were preparing specific development plans and undertaking measures for a smooth transition towards graduation. These positive endeavours at a national level have to be complemented by international development partners in consultation with the LDCs, by preparing a framework and a set of guidelines towards ensuring smooth and sustainable transition of specific LDCs towards graduation from the group.

Admittedly, actions on the domestic front by the LDCs are no less important for intensifying the implementation of IPoA. It is quite unclear to what extent LDC governments are committed to reform their respective domestic economic plans, strategies and implementation mechanisms to integrate the objectives and goals set out by the IPoA. Strengthening institutional capacity, improving transparency and accountability in public life and giving a voice to the marginalised citizens in the LDCs are no less important in this context. The LDCs that are currently experiencing violent domestic conflict, as well as the post-conflict LDCs, have in this regard the added burden of peacebuilding and peacekeeping.

Keeping up the political commitment on the part of the international development community to the LDCs, as well as responsiveness of the LDC governments towards their own citizens, will be critical in generating a momentum for fuller and faithful implementation of IPoA in the coming years.

Annex 1.1 LDCs under SIDS, LLDCs and countries in conflict categories

Category	Non-conflict LDCs	LDCs in conflict	
Small island developing states (SIDS)	Kiribati	Comoros	
	Samoa	Guinea-Bissau	
	São Tomé and Príncipe	Haiti	
	Tuvalu	Solomon Islands	
	Vanuatu	Timor-Leste	
Landlocked developing countries (LLDCs)	Bhutan	Afghanistan	
	Burkina Faso	Burundi	
	Lao People's Democratic Republic	Central African Republic	
	Lesotho	Chad	
	Malawi	Ethiopia	
	Mali	Nepal	
	Niger	Rwanda	
	Zambia	Uganda	
	Others	Bangladesh	Angola
		Benin	Cambodia
		Djibouti	Democratic Republic of the Congo
		Equatorial Guinea	Eritrea
		Gambia	Guinea
Madagascar		Liberia	
Mauritania		Mozambique	
Myanmar		Sierra Leone	
Senegal		Somalia	
Togo		Sudan	
United Republic of Tanzania			
Yemen			

Source: Cortez and Kim (2012) and UN-OHRLLS (2009)

Annex 1.2 Ranking and score of LDCs in WEF's global competitiveness index

LDCs	2012–13 rank	GCI score (1–7)	2011–12 rank
Rwanda	63	4.24	70
Cambodia	85	4.01	97
Gambia	98	3.83	99
Zambia	102	3.80	113
Liberia	111	3.71	n/a
Senegal	117	3.66	111
Bangladesh	118	3.65	108
Benin	119	3.61	104
Tanzania	120	3.60	120
Ethiopia	121	3.55	106
Uganda	123	3.53	121
Nepal	125	3.49	125

(continued)

Annex 1.2 Ranking and score of LDCs in WEF's global competitiveness index (continued)

LDCs	2012–13 rank	GCI score (1–7)	2011–12 rank
Mali	128	3.43	128
Malawi	129	3.38	117
Madagascar	130	3.38	130
Burkina Faso	133	3.34	136
Mauritania	134	3.32	137
Timor-Leste	136	3.27	131
Lesotho	137	3.19	135
Mozambique	138	3.17	133
Chad	139	3.05	142
Yemen	140	2.97	138
Guinea	141	2.90	n/a
Haiti	142	2.90	141
Sierra Leone	143	2.82	n/a
Burundi	144	2.78	140

Notes: GCI = Global competitiveness Index.

Source: WEF (2012)

Annex 1.3 Rank of countries by MDG performance according to Hailu and Tsukada (2011)

Rank	LDC
1	Burkina Faso
2	Angola
3	Central African Republic
4	Nepal
5	Senegal
6	Ethiopia
7	Togo
8	Mali
9	Niger
10	Burundi
11	Madagascar
12	Myanmar
13	Gambia, The
14	Benin
15	Zambia
16	Rwanda
17	Afghanistan
18	Democratic Republic of the Congo
19	Chad
20	Guinea
21	Mozambique
22	Tanzania
23	Uganda

(continued)

Annex 1.3 Rank of countries by MDG performance according to Hailu and Tsukada (2011) (continued)

Rank	LDC
24	Bangladesh
25	Lesotho
26	Sierra Leone
27	Liberia
28	Yemen, Rep.
29	Malawi
30	Bhutan
31	Cambodia
32	Somalia
33	Djibouti
34	Eritrea
35	Equatorial Guinea
36	Lao People's Democratic Republic
37	Sudan
38	Mauritania

Source: Hailu and Tsukada (2011)

Notes

- 1 The authors benefitted from the insightful comments provided by Professor Rorden Wilkinson, University of Manchester; Professor Patrick Guillaumont, Fondation pour les Études et Recherches sur le Développement International (FERDI); and Professor Mehmet Arda, Galatasaray University, on an earlier draft. Comments received from Professor Oliver Morrissey, University of Nottingham, and Mr Christophe Bellmann, International Centre for Trade and Sustainable Development (ICTSD), were also helpful.
- 2 It is to be recognised that the present analysis is constrained by a lack of data for the most recent year (2012). However, one could readily identify the incipient post-Istanbul trends in the LDCs. A separate dedicated benchmarking exercise is also undertaken as part of the present volume, which can later be used to monitor the composite implementation status of IPoA in a quantified manner by Basnett et al. (see Chapter 2).
- 3 The new members were added gradually in 14 stages. The LDC graduation and inclusion criteria have also gone through a number of changes over the years (see Guillaumont 2009). Recently, a number of new propositions regarding changes in LDC criteria have been put forward (Cortez and Kim 2012, Guillaumont 2009).
- 4 Sikkim in 1975 was merged with India, and the Arab Republic of Yemen and the Democratic Republic of Yemen were united in 1991.
- 5 Drabo and Guillaumont (see Chapter 3) provide a more comprehensive assessment on graduation prospects of LDCs during the IPoA implementation period.
- 6 In fact its ranking in EVI makes it the eighth most vulnerable country under the review.
- 7 This is partly a result of change in EVI design.
- 8 The average for 2008–10 was USD 15,090, which puts the country in the high income group.
- 9 Cortez and Kim (2012) also observed that among the LDCs there are vast differences between the 25 LDCs not in conflict and the 23 LDCs in conflict. They estimated that the average GNI per capita of LDCs (in USD terms) not in conflict was 2.5 times better than their counterparts, while with regard to HAI index they were 1.5 times better. In terms of EVI index, non-conflict LDCs were also in a better position.

- 10 Using the physical vulnerability to climate change index (PVCCI), Guillaumont and Simonet (see Chapter 8) concluded that LDCs are more vulnerable compared to other developing countries. However, they also pointed out that the degree of vulnerability faced by all member countries is not homogeneous. The study also focuses on the climate change issue in connection with IPoA.
- 11 The four priority areas are (i) productive capacity; (ii) agriculture, food security and rural development; (iii) trade; and (iv) commodities. Among the four, higher importance has been attached to the issue of enhancing LDCs' productive capacity (Bhattacharya and Hossain 2011a).
- 12 For example, oil-exporting Angola and Equatorial Guinea achieved remarkable growth rates during 2004–08; the average growth rates of these two countries were 17.4 per cent and 17.1 per cent respectively.
- 13 Karshenas (2009) estimated that the economic crisis caused a rise in the number of people living in poverty in LDCs by 6.1 million in Africa and by 1.2 million in Asia at the end of 2010. UNCTAD (2010a) maintained that if poverty alleviation rates during the first half of this decade (2011–15) go back to those of the 1990s (instead of the poverty reduction rates of the period 2000–07 being sustained) 77 million more people in the LDCs could be living in extreme poverty at the end of 2015.
- 14 A UN estimate (2012) indicated that economic growth of LDCs could be around 4.0 per cent in 2011.
- 15 It is important to recognise that these figures are in nominal terms and it was a time of high commodity prices. Hence, in real terms, the increase in wellbeing was obviously much lower.
- 16 Excluding Timor-Leste, the decline was about 5.1 per cent.
- 17 Includes Bangladesh, Bhutan, Cambodia, Haiti, Lesotho, Nepal.
- 18 Includes Angola, Chad, Equatorial Guinea, Sudan, Timor-Leste, Yemen.
- 19 Includes Burundi, Central African Republic, Democratic Republic of the Congo, Guinea, Mali, Mauritania, Mozambique, Niger, Sierra Leone, Zambia.
- 20 Includes Afghanistan, Benin, Burkina Faso, Guinea Bissau, Kiribati, Liberia, Malawi, Solomon Islands, Somalia, Tuvalu, Uganda.
- 21 Includes Comoros, Djibouti, Eritrea, Ethiopia, Gambia, Rwanda, Samoa, São Tomé and Príncipe, United Republic of Tanzania, Vanuatu.
- 22 Includes Lao People's Democratic Republic, Madagascar, Myanmar, Senegal, Togo.
- 23 Lao People's Democratic Republic, Myanmar, Togo.
- 24 Export earnings of Angola and Equatorial Guinea declined by (–) 36.1 per cent and (–) 39.0 per cent respectively in 2009.
- 25 In 2012, world economy registered a growth rate of 2.2 per cent while global export increased by only 0.2 per cent.
- 26 The concept of structural transformation has been discussed by academicians for decades. Among others, one may refer to Lewis (1954); Rostow (1960); Kuznets (1966); Syrquin (1988); and Lin (2012).
- 27 Burkina Faso, Burundi, Guinea-Bissau, Malawi, Solomon Islands, Somalia and Timor-Leste.
- 28 Afghanistan, Benin, Ethiopia, Liberia, Mali, Mauritania and Uganda.
- 29 Comoros, Gambia, Maldives, Rwanda, Samoa, São Tomé and Príncipe, Senegal, the United Republic of Tanzania and Vanuatu. Among these, Maldives later graduated from the LDC group.
- 30 Haiti, Lao People's Democratic Republic, Madagascar and Myanmar.
- 31 One needs to remember that from the perspective of a broad-based development outcome the agriculture sector remains a critical factor and hence IPoA identified agriculture as a priority area. While presenting a detailed IPoA monitoring report in this area, Lunogelo and Baregu (see Chapter 5) mentions that this issue has also received more attention in recent times in the policy sphere.
- 32 One can link the observed structural change with a country's involvement in global trade during 2001–10. GDP growth performances of LDCs were largely linked with the global demand during this period. Hence, it is no wonder that the manufacturing commodities-exporting LDCs of Asia made better shifts towards structural change, albeit on a limited scale. The average share of the manufacturing sector in GDP of Asian LDCs increased to 13.9 per cent in 2001–10 from 12.4 per cent in 1991–2000. In contrast, the average share of the manufacturing sector in GDP of African LDCs declined somewhat to 7.8 per cent in 2001–10 from 8.3 per cent in 1991–2000.
- 33 Ancharaz et al. (see Chapter 7) also provides a detailed monitoring report on IPoA in the priority area of trade.

- 34 Countries in the African LDC group were classed as mineral exporters (with an export share of 70.3 per cent in 2005–06), while those in the Asian LDC group were low-technology manufactures exporters (with an export share of 75.4 per cent in 2005–06), and those in the island LDC group were agro-based exporters (with an export share of 36.8 per cent in 2005–06).
- 35 The concept of ‘commodity’ is defined as products of agriculture, mining, fisheries and forestry sectors in the study. The issues related to commodities in the context of IPoA are covered in detail by (see Chapter 6).
- 36 Duarte and Restuccia (2007) found that sectoral labour productivity is closely linked with structural transformation and aggregate labour productivity across countries. McMillan and Rodrik (2011) showed that a large part of the difference between the economic growth in Asia and that in Latin America and Sub-Saharan Africa was explained by the ‘variation in the contribution of structural change to overall labour productivity’.
- 37 This issue is comprehensively discussed in Rahman and Sadique (see Chapter 11).
- 38 For details on this issue, see Nieto-Parra and Videau (Chapter 4).
- 39 In other developing countries gross capital formation as a percentage of GDP was about 32.0 per cent in 2010.
- 40 Held et al. (1999) argued that international trade can perform as a catalyst to induce structural change. Shackman et al. (2002) argued that doubled tourism, enhanced flow of migrant workers and increased inflow of FDI are the results of globalisation and can promote structural changes.
- 41 Bhattacharya (2004) mentioned a number of such ‘good’ characteristics of FDI: (i) joint ventures between local capital and FDI with equity participation; (ii) production of labour-intensive manufactures; (iii) physical infrastructure development; (iv) technology transfer; (v) investment in export-oriented enterprises; (vi) processing of local raw materials; (vii) location in peri-urban areas; (viii) having greater forward and backward linkages; and (ix) a good record of corporate social responsibility.
- 42 LDCs’ FDI issue in the context of IPoA has been discussed in Moazzem and Raz (Chapter 10).
- 43 The survey included 185 countries of which 46 were LDCs. Myanmar and Tuvalu remained outside the survey. The newly inaugurated South Sudan was also not included.
- 44 Samoa (57), Vanuatu (59), Rwanda (67), Kiribati (79) and Zambia (90).
- 45 Within these 39 indicators, three are mentioned twice under different priority areas. Malnutrition prevalence (weight for age) and proportion of population below the minimum level of dietary consumption are mentioned in both Priority Area 2 (Agriculture, Food Security and Rural Development) and Priority Area 5 (Human Social Development). Proportion of seats held by women in the national parliament is mentioned in both Priority Area 5 and Priority Area 8 (Good Governance at All Levels).
- 46 According to their ranking, 8 of the 10 best-performing countries are LDCs. In contrast, only two LDCs (Sudan and Mauritania) are among the bottom 20 performers. However, a caveat needs to be mentioned here. It appears that the countries with a higher benchmark are more likely to be undermined by the methodology used in preparing the ranking, as these countries had already achieved a better result prior to the benchmark considered.
- 47 See the complete ranking for LDCs in Annex 1.3.
- 48 For example, Central African Republic, Chad, Guinea-Bissau, Madagascar, Sierra Leone, Tanzania, Afghanistan, Bangladesh, Lao People’s Democratic Republic and Timor-Leste.
- 49 Among other successful countries, the proportion of births with skilled attendants in Burundi, Democratic Republic of the Congo, Gambia, Lesotho, Mozambique, Sierra Leone, Togo, Bhutan and Cambodia remain moderate at between 50 and 80 per cent in 2010.
- 50 However, estimates by Brenton (2006) and Dean and Wainio (2006) found that the USA has improved preferential access for African countries in recent years.
- 51 Brazil, the Russian Federation, India and China.
- 52 For example, sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures.
- 53 In 2002 the Monterrey Consensus acknowledged the partnership between donor and recipient. In 2003 a high-level forum on aid harmonisation was organised in Rome, followed by the Paris Declaration on Aid Effectiveness in 2005. During the Accra Agenda for Action in 2008, donors committed to improving allocation of resources across the countries. The 2011 Busan High Level Forum on Aid Effectiveness is the latest initiative in this context.

- 54 With respect to the countries which aimed to reach the minimum UN target of 0.15 per cent of GNI, Portugal emerged as the only successful country in 2011. Canada, which had reached the target of 0.15 per cent of GNI in 2010, decreased its ODA to 0.11 per cent of GNI in 2011. All other donor countries (which are yet to meet the target in 2010) further moved away in 2011. Among the countries which reached the 0.2 per cent of target, ODA reduced in most countries (except Sweden and United Kingdom).
- 55 Bangladesh, Burkina Faso, The Gambia, Guinea, Madagascar, Malawi, Nepal, Niger and Togo.
- 56 This issue was also stressed by Khatun and Ahamad (see Chapter 9). The study deals with the ODA-related issues in IPoA.
- 57 This issue has also been highlighted by Bhattacharya and Akbar (see Chapter 12) while monitoring IPoA implementation progress in the area of domestic resource mobilisation. Using generalised least square (GLS) and maximum likelihood (ML) methods, the authors also stressed the need for structural transformation; an improved legal and regulatory framework and transparent and accountable institutions; and balanced integration with the global economy for higher domestic resource mobilisation.
- 58 For example, see Christian Aid (2009); Kar (2011); Kar and Freitas (2012).
- 59 A High Level Panel of Eminent Persons on the Post-2015 Development Agenda has been formed by the UN Secretary General to inform the aforementioned intergovernmental negotiation. The first report of the Panel is now available. See UN (2013a). The other notable contributions towards this end are the report of regional commissions (UN 2013b) and the open working group (OWG) on SDGs.
- 60 Among others, two notable contributions came from United Nations Global Compact (2013) and Sustainable Development Solutions Network (2013). Southern Voice on Post-MDG International Development Goals, a network of forty-eight think tanks from Asia, Africa, and Latin America, is also active contributing along with other non-government organisations.

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