UN-OHRLLS

MID-CYCLE UPDATE

STATE OF THE LEAST DEVELOPED COUNTRIES 2016

Follow up of the Implementation of
the Istanbul Programme of Action for
the Least Developed Countries

SPECIAL THEME

Coherence and synergies between
the IPoA and the 2030 Agenda

May 1 2017

1. RECENT ECONOMIC PERFORMANCE AND NEAR-TERM PROSPECTS

After dropping from 5.7 percent in 2014 to 3.7 per cent in 2015 due to, among other factors, to the decline in commodity prices, the growth rate of LDC economies recovered somewhat in 2016 to an estimated 4.5 percent, lower than the 5.6 per cent originally forecast by the WESP 2016. The forecast for 2017 was also revised downwards, from 5.6 per cent to 5.2 per cent, and for 2018 LDCs are forecast to grow at 5.5 percent, well below the 7% target in the IPoA and SDGs.

The number of LDCs which grew at the 7 per cent target or faster declined from 9 in 2014 to 6 in 2015, with only 4 expected to grow at this rate in 2016. At the other side of the spectrum, while only two LDCs experienced negative growth rates in 2014, six have seen their economies contract in 2015, although these recessions are forecast to gradually phase out by 2018.

This mixed performance can be attributed to several macroeconomic developments. Fuel-producing LDCs and many other commodity exporters have been adversely affected by the decreases in commodity prices, leading to slow growth, fiscal imbalances and a weakening of their foreign reserves. Chad – where crude petroleum accounts for 95% of exports - is an example of this commodity crash, having seen its growth drop from 10.4% in 2014 to 1.8% in 2015 and 1.1% in 2016.

LDCs which have more diversified export bases are doing better, but some are struggling due to lower remittances, natural disasters or conflicts, and macroeconomic tightening. Sierra Leone, which was also hit by the Ebola virus, saw its economy contract by 21.5% in 2015.

2. PROGRESS ON IMPLEMENTING KEY PRIORITES OF THE ISTANBUL PROGRAMME OF ACTION

2.1 Productive Capacity Building

Progress on building productive capacity in LDCs has been mixed. The share of LDC manufacturing in GDP has increased from 12.1% in 2014 to 12.7% in 2015. Asia-Pacific LDCs have increased their share of manufacturing in their economies from 15.4% to 16.1%, while African LDCs saw this share decline from 8.5% to 8.3%. In terms of investment (gross capital formation) as a percentage of GDP, LDCs have experienced a decline from 24.9 in 2014 to 23.5 in 2015. Mobile cellular subscription per 100 people in LDCs have risen from 63.6 in 2014 68.6 in 2015. Internet access, while still low, continued to increase in LDCs from 10.3 in 2014 to 12.6% in 2015(compared to 36.8% for all developing countries).

The share of air freight of LDCs in world transport has increased from 0.80% in 2014 to 0.89% in 2015 (mostly due to the increase in freight transport in Ethiopia, which accounted for 73.8% of LDCs' total air freight). This level is still well below developing countries as a whole, which accounted to 23.5% of world air freight transport in 2015. In December 2016 a resolution establishing the technology bank for LDCs was adopted, including the Charter for the technology bank.

2.2 Agriculture, food security and rural development

Agriculture accounts for more than half of total employment in a majority of LDCs, and is therefore a critical sector for their overall development.

The share of the agricultural sector in LDC economies remained constant at 25.7% of value added in 2014 and 2015. By contrast, agriculture accounted for just 9.6% of developing countries' value added in 2015.

The prevalence of undernourishment in LDCs remained high, at 22.3% of the population in 2015 (down slightly from 22.6% in 2014).

2.3 Trade and commodities

Trade is a key development enabler for most countries and for LDCs in particular. The share of LDCs' export in world trade further declined to 0.97% in 2015 from 1.09% in 2014, its lowest level since 2008. This share is marginal compared to other developing countries, whose share of world trade over the same period increased from 39% to 44.8%.

On the other hand, the concentration of LDC merchandise exports has further declined, with only 67% consisting of commodities, precious stones and nonmonetary gold in 2015, down from 76% in 2014. This is partly due to the recent decline in commodity prices, and is still very high compared to other developing countries where only 28% of merchandise exports came from commodities, precious stones and nonmonetary gold in 2015.

Commodity prices, which dropped rapidly starting in 2014 after peaking in 2011, continued their decline in 2015. Crude petroleum prices decreased by 40% from December 2014 to December 2015, and food and agricultural raw materials prices declined by 15% and 11%, respectively. Prices began to stabilize in 2016. Over the course of the year, food prices increased by 7% and agricultural raw materials prices rose by 16%. Crude petroleum prices also increased by 76% their trough in January 2016, although prices as of December 2016 were still less than half of their peak in early 2012.

2.4 Human and social development

The IPoA recognizes that LDCs' populations were their greatest assets and called for realizing their full potential as both agents and beneficiaries of development.
Net enrolment in primary education increased slightly from 82.6 per cent in 2013 to 83.2 per cent in 2014. Eight LDCs, however, had rates lower than 75 per cent. Gross enrolment in secondary education still low in 2014 at 44 per cent, although somewhat better than the 40 per cent enrolled in 2010. African LDCs increased their secondary education enrolment from 35.2 in 2013 to 37.6 in 2014, while Asia-Pacific LDCs had higher rates, 58.0 and 57.6 respectively. New data on youth literacy in LDCs show that in 2015, 76.3 of the population aged between 15-24 was literature, compared to 59 in the period 2000-2009 and 71 over 2010-2013. Female youth literacy likewise increased from 52 in 2000-2009 and 66 between 2010-2013 to 74.1 per cent in 2015.

In 2015, 30.8 per cent of the population in LDCs did not have access to an improved drinking water source, down from 31.9 per cent in 2014. The proportion of people without any sanitation facility in LDCs was much higher, at 62.5 per cent (down from 63.5 per cent in 2014). In both cases, large rural-urban divides persist, with only 61.7 per cent of the rural population in LDCs having access to clean water compared to 85.7 per cent for urban areas, and only 33.1 per cent of rural residents with access to sanitation facilities in rural areas compared to 47.2 in urban ones.

Progress on gender equality and women's empowerment has been mixed. Women's representation in parliament has been rising. As of December 2016, 23.1 per cent of parliamentarian seats in LDCs were held by women, the same as in 2015 and up from 19.1 per cent in 2010. This average masks opposite trends, with African LDCs increasing women's political participation from 19.1 in 2010 to 25.2 in 2016, while LDC in Asia-Pacific decreasing from 18.3 to 17.5 over the same period.

The percentage of female students in primary education also increased from 48 per cent in 2014 to 49 per cent in 2015. The increase in this gender ratio in secondary education was even more pronounced, from 44.5 in 2014 to 48.3 in 2015[1]. However, the median percentage of female students in tertiary education has steadily increased from 41.2 in 2013 to 43.7 in 2015 (compared with 37.2 in 2010).

2.5 Multiple crises and other emerging challenges

LDCs continued to be exposed to various economic and environmental shocks, although at varying degrees. Total reserves of LDCs as a percentage of their external debt continued their decline from their peak of 62.3% in 2012 and reached 52.4% in 2015. This average, however, masks a difference in level as well as trends between Asia-Pacific LDCs – where reserves have increased to a high of 77.1% - and African LDCs, where reserves are just 38.4% of total external debt.

On the other hand, LDCs' debt burden has increased. Total debt service as percentage of exports of goods, services and income rose from 6 per cent in 2014 to 7.5 per cent in 2015. This was particularly felt in African LDCs, where debt service reached 9.7 per cent of exports in 2015, compared to 4.4 in Asia-Pacific LDCs. Forest area as a percentage of total land area continued to shrink, albeit slowly. Compared to 30.6 per cent in 1990 and 29.1% in 2000, in 2015 only 26.8% of LDCs land area is covered by forest.

As part of the efforts to combat climate change, the Green Climate Fund (GCF) approved USD 745 million in funding proposals at its fourteenth meeting in October 2016, including USD 16.7 million for Senegal Integrated Urban Flood Management Project and § USD 53.5 million for Sustainable Landscapes in Eastern Madagascar. It also approved projects and programmes valued at USD 315.24 million in its fifteenth meeting in December 2016. These include USD 24.1 million for Building Resilient Communities, Wetlands Ecosystems and Associated Catchments in Uganda and USD 23 million for Climate Information Services for Resilient Development in Vanuatu.

2.6 Mobilizing financial resources for development and capacity building

Financing for development as well technical capacity building are key inputs for enabling LDCs achieve the goals of the IPoA. Most LDCs, however, are constrained in the scale and scope of resources and capacities available to them.
The rate of government revenues (excluding grants) to GDP in LDCs continued to increase, reaching 17.8 per cent in 2015 (up from 17.4 per cent in 2014). This was considerably higher than its ratio of 14.9 in 2010, but still below the 21 per cent in the average developing country and 27 per cent in OECD countries.

By contrast, gross domestic savings declined as a share of GDP, from 16.2 per cent in 2014 to 12.9 per cent in 2015. The decline was most pronounced in African LDCs (from 17.4 per cent to 12.7 per cent), and could be partly explained by declining commodity revenues.

Total ODA from OECD-DAC countries to LDCs declined from $41 billion in 2014 to $37.3 billion in 2015. In 2015, a total of seven OECD-DAC donors (Denmark, Finland, Ireland, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland) reached the goal of providing at least 0.15 per cent of gross national income (GNI) in ODA to LDCs, down from 8 in 2014 and 9 in 2013. The overall share of ODA in donors' GNI remained constant at 0.09, far below the lower bound of 0.15 called for in the IPoA and SDGs.

LDCs' external debt burden increased from 25.6 per cent of GDP in 2014 to 28.8 per cent in 2015, surpassing its previous peak of 27.2 per cent in 2010. Mozambique and Zambia registered the largest percentage point increase (17.6 and 14.9, respectively), while 13 LDCs saw their debt-GDP burden decrease somewhat in 2015, with the biggest drops in Sudan, Somalia and Chad.

Foreign direct investment to LDCs increased from $27.6 billion in 2014 to $38.1 in 2015, although four countries received over half the total (Angola, Bangladesh, Mozambique and Myanmar). In terms of its share in LDCs' GDP, FDI in 2015 accounted for 4 per cent in 2015, up from 2.9 per cent in 2014 and nearly double the share in 2010.

Remittance flows to LDCs continued to increase and have reached US $37.5 billion in 2015, up from US$36.2 billion in 2014. As a percentage of GDP, remittances account for over 4% for LDCs. The five largest recipients of remittances as a share of their GDP in 2015 are Nepal (32%), Liberia (31%), Haiti (25%), Comoros (23%) and the Gambia (19%).

2.7 Good governance at all levels

As of June 2016, 14 LDCs were considered compliant with the Extractive Industry Transparency Initiative (EITI). Implementing the EITI Standard improves government systems and can lead to improved tax collection and budgetary planning. It also signals commitment to the transparent and accountable management of natural resources. Eight LDCs were EITI candidate countries. These countries make information on revenue data from extractive industries publicly available. According to a 2017 Validation report Timor-Leste has made meaningful progress in implementing the EITI Standard. Focusing on the oil sector the report finds that recent information about licenses, production, revenues and spending of the petroleum fund is readily available to the public.

[1] For tertiary education in LDCs, data are insufficient for calculating an average.