



**MIDTERM REVIEW OF
THE ISTANBUL PROGRAMME
OF ACTION:**

*LESSONS FROM UNCTAD'S 2011-15 IMPLEMENTATION
ACTIVITIES AND THE WAY FORWARD*



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Midterm review of the Istanbul Programme of Action

**Lessons from the UNCTAD 2011–2015 implementation activities,
and the way forward**

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Executive summary

The Programme of Action for the Least Developed Countries (LDCs) for the Decade 2011–2020 (Istanbul Programme of Action) was adopted by the Fourth United Nations Conference on LDCs in May 2011.¹ In the five years since, UNCTAD has conducted a wide range of activities in support of LDCs, as have other United Nations system entities, development partners and, not least, LDCs themselves.

Despite the work and actions that have contributed to the fulfilment of the Programme's objectives, it is clear that these objectives are at risk of not being met. Only nine LDCs have had gross domestic product growth rates greater than 7 per cent per year, and only 14 currently meet the graduation criteria. LDCs, as a group, also lagged behind other developing countries in achieving most of the Millennium Development Goals.

This report aims to assist the high-level midterm review of progress in implementing the Istanbul Programme of Action, to be conducted in Antalya, Turkey, from 27 to 29 May 2016, and will also serve as a background document for the review of progress by the Trade and Development Board at its next annual session. It provides a summary of UNCTAD implementation activities in support of LDCs since the adoption of the Istanbul Programme of Action and, midway through the term of the Programme, contains a succinct assessment of where LDCs stand in achieving some of the quantitative and qualitative targets therein. Building on UNCTAD experience in the implementation of the Programme, this report also provides policy conclusions and a way forward for improving implementation of the agreed priorities in the years ahead.

¹ A/CONF.219/7.

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I. Introduction

Periodic assessments and analyses by UNCTAD of the socioeconomic progress of LDCs indicate that, while the growth performance demonstrated by many LDCs is impressive, improvements in their human and social development aspects to the level envisaged in the Istanbul Programme of Action have not yet been achieved. Progress made to date towards the goals and targets of the Programme have been weak and have varied between countries and regions and across sectors. The sluggish socioeconomic performance of LDCs is a reflection of structural weaknesses inherent in their economies and the resulting vulnerability to shocks of various forms and magnitudes, whether economic, social, political or environmental. UNCTAD has stressed that, to reach the targets set in the Sustainable Development Goals and the Programme, LDCs and their international development partners must continue to build the productive capacities of LDCs and work towards genuine structural economic transformation as a way to build resilience. Without the economic transformation of LDCs from low-productivity to high-productivity economies, sustainable development and decent employment outcomes for their populations will be difficult to realize.

The Istanbul Programme of Action is an internationally developed framework to enhance the development partnership between LDCs and the international community. The Programme contains eight priority areas for action, as follows:

- (a) Productive capacities
- (b) Agriculture, food security and rural development
- (c) Trade
- (d) Commodities
- (e) Human and social development
- (f) Multiple crises and other development challenges
- (g) Mobilizing financial resources for development and capacity-building
- (h) Good governance at all levels

Each priority area includes commitments, specific goals and targets, in a number of different areas.

UNCTAD, whose seminal work led to the establishment of the LDC category in 1971, has been consistently advancing the trade and development interests of LDCs since the first session of the United Nations Conference on Trade and Development (UNCTAD I), held in 1964. Since the adoption of the Programme, UNCTAD has incorporated the priority areas, goals and targets into its ongoing work, in addition to instituting new projects to fulfil the Programme objectives, as detailed in chapter II of this report. UNCTAD will continue to address the trade and development challenges facing LDCs in all of the Programme's priority areas, within its competence and mandates. Paragraph 156 of the Programme and paragraph 18(g) of the Doha Mandate provide UNCTAD with a mandate to assist LDCs through intergovernmental consensus-building and technical assistance.

From 2011 to 2014 (the most recent year of available data), the average annual real growth rate of gross domestic product for LDCs as a group was 4.9 per cent. This level of growth falls short of the 7 per cent target committed to in the Istanbul Programme of Action. Only nine countries² grew at a rate above the target over this period. Despite economic growth not being the sole objective of

² Afghanistan, Burkina Faso, Cambodia, Democratic Republic of the Congo, Ethiopia, the Lao People's Democratic Republic, Mozambique, Myanmar and Sierra Leone.

sustainable development, strong growth can support opportunities to improve material conditions for growing populations and provide a foundation for improvement in human and social development indicators. Targets in health, education and employment may all be supported by continuing growth, as long as the growth is broad based and sustainable. As such, the international community, in addition to LDCs themselves, must redouble efforts to boost growth in LDCs in order to bring about increased living standards for the world's poorest people.

A key goal of the Istanbul Programme of Action is to enable half of LDCs to meet the graduation criteria by 2020. To date, progress on this target has been inadequate. Only four countries have graduated from LDC status, namely Botswana (1994), Cabo Verde (2007), Maldives (2011) and Samoa (2014). Three additional countries are slated for graduation, namely Angola, Equatorial Guinea and Vanuatu, and seven further countries have been found pre-eligible for graduation, namely Bhutan, Kiribati, Nepal, Sao Tome and Principe, Solomon Islands, Timor-Leste and Tuvalu. A more complete discussion of the progress of LDCs and development partners against the targets set by the Programme is provided in chapter III of this report.

II. UNCTAD contributions to the implementation of the Istanbul Programme of Action

UNCTAD supports LDCs in their efforts to achieve the goals of the Istanbul Programme of Action. Its work is organized under three broad pillars, namely research and policy analysis, consensus-building and intergovernmental support, and technical cooperation and capacity-building. UNCTAD contributions to the implementation, follow-up and monitoring of progress towards the goals and targets of the Programme, in areas within its competence and mandates, include reviews by the annual sessions of the Trade and Development Board. The outcomes of the Board's reviews, in the form of decisions and agreed conclusions, are included in its annual report to the General Assembly. These reviews are in addition to the substantive and technical contributions of UNCTAD to advancing the development objectives of the 48 LDCs.

This report is not intended to cover all UNCTAD actions in support of LDCs and implementation of the Istanbul Programme of Action. Instead, it highlights some of the more consequential activities and events undertaken and publications prepared by the secretariat in the last five years.

A. Research and policy analysis

The research and policy analysis of UNCTAD contained in its publications is the backbone of its substantive work.³ The publications are development oriented, independent and grounded in solid evidence. UNCTAD research and policy analysis focuses, in particular, on the challenges that LDCs face in the areas of trade and development, and provides practical policy options and solutions, taking into account the fact that different countries have differing development needs. As well as contributing to the pool of existing knowledge on development, UNCTAD reports keep issues related to LDCs at the forefront of the international community's collective consciousness. UNCTAD research and policy analysis has continued to emphasize the importance of building productive capacities in creating structural transformation, and it is partly as a result of this research that productive capacities are a priority area in the Istanbul Programme of Action. The research and policy analysis undertaken by UNCTAD is part of an integrated approach to issues of modern development policy that aims to achieve sustained and broad-based economic growth.

1. The Least Developed Countries Report

The Least Developed Countries Report is the only report in the United Nations system that focuses entirely on the prospects and concerns of LDCs. It is a comprehensive annual report that provides research and analysis on the world's most impoverished countries, that is, those that are the focus of the Istanbul Programme of Action. In the period 2011–2015, the report covered numerous topics deliberately chosen from the priority areas of the Programme and advanced ideas that promoted its successful implementation at the national, regional and global levels. The following table summarizes the themes of the five most recent reports:

³ Accra Accord (TD/442), paragraph 184.

<i>Title</i>	<i>Year</i>	<i>Key messages</i>	<i>Istanbul Programme of Action relevant priority area</i>
The potential role of South–South cooperation for inclusive and sustainable development	2011	<p>South–South cooperation may be conducive to the emergence of effective and stronger States in LDCs. A new type of developmental State for LDCs is proposed, one that is more appropriate to the specific vulnerabilities and structural constraints of LDCs</p> <p>Unlike the developmental States of countries in East Asia, States in LDCs – called catalytic developmental States – must focus on creating dynamic comparative advantages and ensuring the availability of financial resources for long-term investment and the development of new productive capacities. South–South cooperation opens up more opportunities and the policy space needed to build such catalytic developmental States</p>	<p>The complementary role of South–South cooperation in the implementation of the Programme</p> <p>Note: This role is discussed in chapter V of the Programme</p>
Harnessing remittances and diaspora knowledge to build productive capacities	2012	<p>Educated and highly qualified nationals of the world’s poorest countries who have left to work elsewhere may counter the brain drain effect on their home countries by contributing to knowledge transfers and channelling investment back to their countries</p> <p>The brain drain statistics for the 48 LDCs are stark. Among persons from LDCs with a university-level education, about one in five leaves for employment elsewhere, compared with one in 25 in developed countries. The brain drain rate is highest for LDCs, at 18.4 per cent, well above the 10 per cent rate for other developing countries. Six LDCs have greater numbers of highly skilled nationals living abroad than at home. Nevertheless, nationals of the world’s poorest countries who work abroad sent home some \$27 billion in 2011. These States should strive to employ this vast resource to improve the breadths and abilities of their economies</p> <p>UNCTAD recommends that diaspora knowledge networks, along with business associations and academic networks, become search mechanisms for linking individuals with relevant institutions, thereby creating knowledge networks. UNCTAD proposes a new international support mechanism aimed at enabling highly skilled members of LDC diasporas to contribute to specialized knowledge transfers and channel investment to home countries</p>	<p>Trade</p> <p>Mobilizing financial resources for development and capacity-building</p> <p>Human and social development</p>

<i>Title</i>	<i>Year</i>	<i>Key messages</i>	<i>Istanbul Programme of Action relevant priority area</i>
Growth with employment for inclusive and sustainable development	2013	Expanding productive capacities is vital for creating as many as 16 million new jobs per year, as more young people in LDCs reach working age. This expansion requires increasing investment levels, improving services such as electricity provision and transport, and other related steps that enable LDC economies to increase the variety and value of the goods and services they produce. LDCs need to enact a new generation of policies to foster the development of productive capacities in such a way as to obtain job-rich growth. National policies should foster the structural transformation of LDC economies to create new and more modern sectors of activity that generate better jobs and improve productivity and labour earnings in traditional sectors	Human and social development
Growth with structural transformation: A post-2015 development agenda	2014	UNCTAD proposes a major shift in policies aimed at upgrading and diversifying the economic structure of LDCs into more sophisticated and higher value added products. This will require innovation, skills upgrades and massive transfers of resources towards more sophisticated products and activities. Such a policy change is especially important for those LDCs overly dependent on the extractive sector	Human and social development Productive capacities
Transforming rural economies	2015	Poverty-driven rural-urban migration fuels excessive rates of urbanization in many LDCs. Further, many international migrants come from rural areas, either directly or after first migrating to towns and cities in their countries Recommendations are aimed at slowing this process by focusing on rural development, which emphasizes poverty reduction and thus seeks to create the conditions for a rural-urban migration process driven primarily by choice rather than necessity. A road map to address rural poverty, lack of progress in rural transformation and the root causes of migration within and from LDCs is provided	Productive capacities Agriculture, food security and rural development

2. Economic Development in Africa Report

Productive capacities have been an area of key importance in the UNCTAD research agenda for some time, and are included as the first priority area of the Istanbul Programme of Action. The *Economic Development in Africa Report 2012: Structural Transformation and Sustainable Development in Africa* built on this theme. A key recommendation in the report is that achieving sustainable development in Africa (where nearly three quarters of LDCs are located) requires deliberate, concerted and proactive measures to promote structural transformation and the relative decoupling of natural resource use and environmental impacts from the growth process. Structural transformation that is built on the unsustainable harvesting of natural resources will not result in balanced long-term growth. Furthermore, structural transformation cannot be brought about without a focused effort to promote policies that are appropriate to the circumstances of the individual countries concerned.

3. Trade and Development Report

Trade has a vital role to play in sustainable development, as recognized by its inclusion in the Istanbul Programme of Action as a priority area. Trade agreements can, however, limit policy space for States to enact the necessary policies to bring about structural transformation. UNCTAD has continued to emphasize that a developmental State is required for achieving sustainable and inclusive development. The *Trade and Development Report, 2014: Global Governance and Policy Space for Development* examines the extent to which developing countries have effective policy instruments available, and the space to use such instruments, in order to advance a development agenda. The report notes that while some policy space has been given up via various multilateral agreements, this has, in the past, played an important role in developmental success. Highly developed countries did not undergo structural transformation by relying only on market forces but, rather, undertook country-specific measures to build productive capacities and provide opportunities for firms and entrepreneurs. The report emphasizes the need to safeguard policy space for LDCs in order that they may implement the necessary industrial policies to reduce their reliance on commodities and extractive industries and move towards more diversified and productive economies.

4. Further research

UNCTAD flagship reports contribute to the agenda of the Istanbul Programme of Action. Other relevant reports in addition to those detailed in this subsection include the following:

- (a) World Investment Report, which has covered such topics as an action plan for investing in the Sustainable Development Goals (2014), and identified a range of actions and policy options to promote the mobilization of private sector funds to enhance development, in response to the observation that foreign direct investment flows to LDCs have grown robustly and hit record highs. Such investment is increasingly coming from China, which has joined the ranks of leading investing countries.
- (b) Review of Maritime Transport, which annually reviews and reports on critical aspects of shipping, the backbone of international trade. In 2013, the report discussed the possible implications for LDCs of the Agreement on Trade Facilitation of the World Trade Organization, and the realities of the trade facilitation arrangements LDCs may actually implement, given their circumstances.
- (c) Technology and Innovation Report, which addresses science and technology issues of interest to LDCs, for example, by focusing on innovation, technology and South–South cooperation (2012). South–South cooperation is on the rise, yet the report notes that many LDCs remain commodity exporters. However, more of these commodities are being exported to other developing countries rather than developed countries.

B. Consensus-building and intergovernmental support

At UNCTAD XIII, held in Qatar in 2012, the secretariat organized a high-level event on the implementation of the Istanbul Programme of Action, with a particular focus on issues related to structural transformation and graduation from the LDC category. This kind of activity is characteristic of the work that UNCTAD undertakes each year to build consensus within the international

community on actions necessary to enhance sustainable development prospects in LDCs. The objective of this event was to draw the attention of policymakers from LDCs and their development partners to seeking ways and means of achieving the objective of the Programme to enable half of LDCs to meet the graduation criteria by 2020.

Over the last five years, UNCTAD has continued to provide support to LDC trade negotiators and policymakers, in addition to LDCs as a group, to strengthen their capacities to engage in multilateral, regional and subregional trade negotiations. UNCTAD also provides analyses of the development implications of various technical issues related to the World Trade Organization, and substantively contributes in this regard to intergovernmental consensus-building on the multilateral trade agenda. In addition, UNCTAD provides updates that enable the international system and member States to continue working towards the advancement of LDCs. The report of the Secretary-General of the United Nations to each session of the General Assembly and Economic and Social Council on the implementation of the Istanbul Programme of Action is key in consensus-building. The report contains input from system-wide agencies, including UNCTAD, on activities advancing the implementation of the Programme. Similarly, UNCTAD provides a comprehensive report on its activities in support of LDCs to each annual session of the Trade and Development Board. The reports and related discussions at these key international assemblies provide well-informed forums at which member States can evaluate the ongoing progress of LDCs, as well as the actions of their international development partners. In sum, the consensus-building pillar of the work of UNCTAD is instrumental in exchanging experiences in the implementation of the Programme and identifying challenges and limitations, as well as formulating recommended actions for the improved implementation of the priorities of the Programme.

1. World Investment Forum

The World Investment Forum is an important biennial event for the international investment community and a useful arena for advancing the Istanbul Programme of Action priority area of mobilizing financial resources for development and capacity-building. The fourth World Investment Forum, held in 2014, was the largest to date; 39 LDCs were represented among the 3,000 stakeholders. The Forum provided opportunities for LDCs to showcase investment opportunities to an international audience and engage with international organizations and senior business executives. A particular focus was investing in the Sustainable Development Goals, and the Forum included sessions on investing in the future, a sustainable stock exchanges global dialogue, making value chains work for the poor and leveraging private finance for sustainable development. A ministerial round table on investing in the Goals convened investment, trade and development ministers from 29 countries and two heads of international organizations, 10 of which represented LDCs.

C. Technical cooperation and capacity-building

Each year, UNCTAD conducts many activities in order to assist LDCs. This report does not elaborate on each activity, but highlights those that have the furthest reach and apply to the greatest number of LDCs. Many events that have been highly significant to individual LDCs are therefore not included.

1. Graduation from the least developed country category

UNCTAD fulfils a critical role in implementing the Istanbul Programme of Action by providing advisory services and technical assistance to countries with graduation prospects. Over the last five years,

UNCTAD has prepared and delivered workshops and training and other support to stakeholders of LDCs preparing for transition from LDC status. The most notable beneficiary of these services was Samoa, which graduated in 2014. Services continue to be provided to Angola, Bhutan, Equatorial Guinea, Kiribati, Nepal, Sao Tome and Principe, Solomon Islands, Timor-Leste and Vanuatu, all of which have graduation prospects. Countries not yet found eligible for graduation by the Committee for Development Policy who wish to be kept informed of graduation matters may also receive support from UNCTAD, as for example Cambodia in 2013 and the Lao People's Democratic Republic in 2015.

2. Trade and related areas

UNCTAD provides assistance upon request by LDC member States in updating their Diagnostic Trade Integration Studies, which serve as tools to identify policy limitations and gaps in LDCs, and developing action matrices to address domestic bottlenecks to trade. The studies are crucial and a cornerstone of the Enhanced Integrated Framework in terms of integrating and mainstreaming trade into national development plans. The main objective of the update procedure is to identify the constraints to the integration of an LDC into the multilateral trading system and the mainstreaming of trade issues into national development strategies. Over the last five years, many LDCs have benefited from UNCTAD involvement in their Diagnostic Trade Integration Study updates.

In considering whether to accede to the World Trade Organization, LDCs face a difficult and multifaceted decision, and on choosing to accede, face an accession process that is fraught with complexity. UNCTAD provides support on an ongoing basis to LDCs working towards World Trade Organization accession. This support extends to advisory services, reviews and field missions where necessary. This is one example of the technical trade-related areas in which UNCTAD provides valuable assistance to LDCs. Further areas of assistance include non-tariff measures, rules of origin, market access, geographical indications and trade in services policies.

UNCTAD also contributes to the integration of LDCs into the global trade network through its services policy reviews. Services are an area of increasing importance in world trade, as noted in *Economic Development in Africa Report 2015*. UNCTAD services policy reviews include specific country and sector-focused services assessments examining policy and regulatory frameworks and the potential impact of services trade liberalization. The reviews build awareness in beneficiary countries of the contribution that the services sector can make in their development. Since the adoption of the Istanbul Programme of Action, Lesotho, Rwanda and Uganda have benefited from such reviews.

3. Trade logistics and technology

One aspect of UNCTAD work in promoting trade for sustainable development is its promotion of the Automated System for Customs Data (ASYCUDA), which enables countries to increase revenue collected by customs, as well as to reduce clearing times and costs. ASYCUDA facilitates international trade by contributing to the modernization of customs operations using information technology and helps develop a new administrative culture and closer relationships with trading communities. Speeding up and simplifying the customs clearance process for traded goods strengthens the competitiveness of importers and exporters. Furthermore, ASYCUDA helps develop sustainable partnerships and cooperation with beneficiary countries and international and regional organizations. Over 90 countries use ASYCUDA, more than a third of which are LDCs.

Trade facilitation is another complex area in which UNCTAD assists LDCs in implementing best practices, understanding world trade institutions and identifying domestic bottlenecks. UNCTAD

work in this area is varied; in addition to publishing research, UNCTAD conducts workshops and training events and helps LDCs develop trade facilitation implementation plans. For example, in 2013, UNCTAD continued to implement a port training programme aimed at strengthening the knowledge and skills of port managers in Benin, Djibouti, Guinea, Senegal, Togo and the United Republic of Tanzania.

4. External debt

An ongoing UNCTAD programme is the Debt Management and Financial Analysis System. UNCTAD has provided this support since the early 1980s. It is relevant to the Istanbul Programme of Action priority area of mobilizing financial resources for development and capacity-building. The System includes the development, installation and maintenance of specialized software designed to meet the operational, statistical and analytical needs of debt managers in developing countries. Training and advisory services related to technical and institutional debt management issues are also offered, as well as capacity-building with regard to debt data validation, statistics and basic debt analysis. Over the last five years, multiple capacity-building workshops have taken place in LDCs, and have improved the abilities of relevant officials in debt analysis and debt management techniques.

5. Investment

UNCTAD continues to receive requests from LDCs to provide assistance for investment policy reviews, which seek to improve the investment framework in a country to ensure that it receives the greatest development gains possible from foreign direct investment. The ongoing demand for support with regard to such reviews provides evidence of the importance for LDCs of this area of the work of UNCTAD. An investment policy review for the Sudan was completed in 2015, and a review for Madagascar is currently in its final stages. Given that mobilizing financial resources for development and capacity-building is a priority area of the Istanbul Programme of Action, investment policy reviews will continue to be an important part of UNCTAD actions in support of LDCs.

6. Building the capacities of selected least developed countries to upgrade and diversify their fish exports

With funding from the United Nations Development Account, UNCTAD implemented a project to improve the ability of selected LDCs to export fish to both developed and developing countries. This project included policy-oriented research and analysis on export development and diversification and the problems facing LDCs in meeting international standards. UNCTAD conducted national workshops in Cambodia, the Comoros, Mozambique and Uganda, which gathered stakeholders from government, industry, academia and civil society to discuss and formulate plans to address barriers to exports. UNCTAD, with the input of key stakeholders, recommended policies and strategies arising from the workshop for implementation by both national Governments and international development partners. As part of the project outcome, UNCTAD prepared a training manual on building the capacities of LDCs to upgrade and diversify their fish exports, which included ways and means of improving national food safety and quality standards in compliance with international sanitary and phytosanitary standards.

7. Strengthening trade and planning ministries to reduce poverty

With funding from the United Nations Development Account, UNCTAD formulated and implemented a project on strengthening of capacities of trade and planning ministries of selected LDCs to develop

and implement trade strategies that are conducive to poverty reduction. The project assisted selected LDCs in implementing trade strategies to enhance national development objectives. Project case studies were completed, national workshops were held in Bhutan, Ethiopia, Kiribati, the Lao People's Democratic Republic, Lesotho and Senegal and two regional workshops were organized in Africa and Asia-Pacific. The workshops helped identify concrete policy actions to make trade more inclusive and better able to contribute to national development goals in the context of the Millennium Development Goals and the Sustainable Development Goals. As part of the project outcome, UNCTAD prepared a policy handbook on trade mainstreaming, which drew lessons from the beneficiary countries' experiences and provided insights on designing and implementing effective trade strategies in LDCs. The handbook will be used as a tool for carrying out capacity-building activities in other LDCs and serve as a guide to policy formulation in developing countries.

III. Progress towards key targets in the Istanbul Programme of Action

A. Graduation from the least developed country category

The most significant challenge facing LDCs and their development partners at the midway point of the Istanbul Programme of Action's timeline relates to the quantitative target to enable half of LDCs to meet the graduation criteria by 2020. Since the adoption of the Programme, only Samoa has graduated from LDC status (2014). Angola, Equatorial Guinea, Tuvalu and Vanuatu are all slated for graduation. Kiribati has met the criteria for graduation twice, and five additional countries have met the graduation criteria for the first time, namely Bhutan, Nepal, Sao Tome and Principe, Solomon Islands and Timor-Leste. The current number of LDCs that have met the graduation criteria is thus 14.⁴ This suggests that the stated aim of the Programme, to enable half of LDCs to meet the graduation criteria by 2020, will be a challenge to reach.

B. Sustained economic growth

The Programme specifies a growth target of 7 per cent per year for LDCs. From 2011 to 2014, the average annual real growth rate of gross domestic product for LDCs as a group was 4.9 per cent. The average growth rate for individual LDCs⁵ over the same period was 4.4 per cent. Only nine countries⁶ over this period had a growth rate above the 7 per cent target. The Central African Republic, Equatorial Guinea and Timor-Leste experienced negative growth.⁷ In regional terms, African LDCs grew in aggregate by 6.1 per cent per year, Asian LDCs by 4.3 per cent and island LDCs and Haiti by 1.2 per cent. Not achieving the growth target set by Programme (and the preceding Brussels Programme of Action), which is also a target under the Sustainable Development Goals, will have significant ramifications on the attainment of other development targets.

C. Internet access

In 2000, the number of Internet users per 100 inhabitants in LDCs was only 0.1. LDCs increased access and had reached 4.47 Internet users per 100 inhabitants by 2010. The goal in the Brussels Programme of Action had been for LDCs to reach 10 users per 100 inhabitants by 2010, but this was not achieved. The Istanbul Programme of Action targets 100 per cent access to the Internet by 2020, which is an ambitious goal. With a new programme of action that aims to enable 100 per cent access, LDCs reached 8.64 users per 100 inhabitants in 2014.⁸ While the number of people with access to the Internet has approximately doubled, the rate of growth needs to increase dramatically in order for the Programme target to be met. Furthermore, it is likely that reaching the remaining

⁴ Three countries graduated from LDC status prior to the commencement of the Istanbul Programme of Action.

⁵ The Sudan and South Sudan are not included due to data availability reasons.

⁶ See note 2.

⁷ See note 5.

⁸ World Bank (2016), World Development Indicators database, available at data.worldbank.org/data-catalog/world-development-indicators.

members of the population will require exponential efforts, as they are likely to reside in the most remote areas, which are difficult to connect to national infrastructures.

D. Government expenditure allocated to agriculture

The emphasis on agriculture in the Istanbul Programme of Action is enhanced by a quantitative target for LDC Governments to allocate 10 per cent of their expenditure to this sector. Progress in this area is difficult to quantify due to a scarcity of data. In 2010, of the 13 countries reporting to the Food and Agriculture Organization of the United Nations database, none was at 10 per cent. Nepal, the country with the highest level of expenditure allocated to agriculture, allocated 8.63 per cent. Zambia was the only other country allocating higher than 5 per cent. In 2012, the database showed that, of five LDCs, only Nepal had expenditures greater than 10 per cent. Each of the other four LDCs reporting in this database (Afghanistan, Angola, Uganda and the United Republic of Tanzania) had allocated less than 5 per cent of government expenditure to agriculture.

E. Doubling of the share of least developed country exports in global exports

During the term of the Brussels Programme of Action from 2000 to 2010, the share of LDC exports in world exports increased from 0.56 per cent to 1.07 per cent. Increasing this share had not been an explicit target in the Brussels Programme of Action, but was specified as such in the Istanbul Programme of Action. Specifically, the target is to double the share of LDC exports in world exports by 2020, including broadening the LDC export base. This would bring the share of LDC exports to approximately 2 per cent of world trade.

In the period 2000–2010, the increase of the share of LDC exports in world trade was largely due to a commodities boom, and was not accompanied by strong structural transformation. Since the commodities boom has ended, the LDC share of trade has remained more or less constant. In 2011, LDCs accounted for 1.10 per cent of world merchandise exports, and in 2014, the figure was only 1.09 per cent.⁹ In recognition of the fact that sustainable development can only occur in LDCs with the diversification of their exports, the Istanbul Programme of Action, and UNCTAD support, are focused on structural transformation.

Diversification of the production and export bases of LDCs is referred to many times in the Programme. Despite diversification being a prominent target, and widely agreed to be a key facet of sustainable economic development, UNCTAD research has identified that many LDCs remain commodity-dependent. While there is evidence that the merchandise export concentration (Herfindahl-Hirschman) index of LDCs has been falling in recent years, it remains above the levels in the early 2000s, and higher than those of non-LDC developing countries.¹⁰ In 2000, the concentration index for LDCs was 0.330. In 2014, the concentration index was 0.362 for LDCs, 0.127 for high-income developing economies and 0.109 for middle-income developing economies. In economies undergoing sustainable structural transformation, measures of export concentration should decline. Such economies should produce a wider variety of goods and move up the value chain from exporting low value commodities and agricultural products to higher value added and more diverse

⁹ World Trade Organization (2016), International trade and tariff data, available at wto.org/english/res_e/statis_e/statis_e.htm.

¹⁰ UNCTAD (2016), UNCTADStat database, available at unctadstat.unctad.org/ReportFolders/reportFolders.aspx.

goods and services. In recent months it has again been seen that dependence on commodities in times of volatile and falling prices can create difficulties for economies reliant on commodity exports.

F. Achievement of Millennium Development Goals by 2015

The Istanbul Programme of Action contains a number of targets that duplicate those in the Millennium Development Goals, either explicitly referring to the Goals or restating a Goal without a direct reference. A detailed analysis of progress towards the Goals is provided in *The Least Developed Countries Report 2014*. Only one LDC, the Lao People's Democratic Republic, appeared on track to meet all of the Goals, which also put it on track to meet the Programme goals on improving child and maternal health, halting the spread of disease and improving access to safe drinking water. *The Least Developed Countries Report 2015* also paints a gloomy picture of LDC progress towards reducing by half the proportion of people living in extreme poverty by 2015. In six LDCs, the poverty headcount ratio (the proportion of the population living in absolute poverty) is 70 to 90 per cent, and in eight other LDCs, 50 to 70 per cent. Only eight African and six other LDCs¹¹ were on track to halve poverty between 1990 and 2015 (according to 2011 data), while poverty had increased since 1990 in seven LDCs.

With regard to the targets of the Programme on child health, UNCTAD had assessed the following States as on track to meet the target by 2015 or as having already met it: Bangladesh; Bhutan; Cambodia; Eritrea; Ethiopia; the Gambia; Guinea; the Lao People's Democratic Republic; Liberia; Madagascar; Malawi; Mozambique; Nepal; the Niger; Rwanda; Senegal; Timor-Leste; Uganda; United Republic of Tanzania; Vanuatu; and Zambia. Seven countries were assessed as having made low or no progress or negative progress. With regard to the targets on maternal health (reducing maternal mortality by three quarters), although progress is on track for Asian LDCs, many African LDCs and Haiti are not likely to meet the target.

The target to halt and reverse the spread of malaria, human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) and other diseases is not on track to being met in LDCs. Although access to antiretroviral therapy is improving, universal access has not yet been achieved. In none of the LDCs does 90 per cent of the population with advanced HIV have access to the therapy. In the majority of LDCs (for which data is available), access is below 50 per cent.

Another target in the Programme related to the Millennium Development Goals is that of halving the proportion of people without access to safe drinking water by 2015, and striving to provide safe access to all by 2020, along with basic sanitation. Many LDCs, in particular Asian LDCs, are on track to meet this target. However, there are still many for which the target may be unachievable. *The Least Developed Countries Report 2014* noted that 14 LDCs had made either low progress or had stagnated and/or reversed progress towards the goal of halving the proportion of the population without access to safe drinking water.

G. Official development assistance commitments to the least developed countries

The official development assistance target required donor countries that had been providing 0.20 per cent of their gross national products to LDCs through official development assistance to continue to do so, those that had met the target of 0.15 per cent to strive to reach 0.20 per cent and those that

¹¹ Bhutan, Cambodia, Chad, Djibouti, the Gambia, Guinea, the Lao People's Democratic Republic, Mauritania, Nepal, Senegal, the Sudan, Timor-Leste, Uganda and Yemen.

had not yet met the target of 0.15 per cent to strive to achieve it by 2015. Comparing 2010 and 2013 (the most recent year of available data) shows that the same number of donor countries (9 of 29) contributed 0.15 per cent or greater of their gross national incomes to LDCs.¹² Fewer countries donated 0.20 per cent of their gross national incomes in 2013 (six) than in 2010 (eight), namely Denmark, Ireland, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland. In absolute dollar terms, official development assistance to LDCs rose by 2 per cent in 2013 to \$44.2 billion, accounting for 93 per cent of total official capital flows. However, preliminary estimates show that bilateral official development assistance from major donors to LDCs fell by 16 per cent in real terms from 2013 to 2014.¹³

H. Building productive capacities

In addition to the specific quantitative targets discussed above, the Istanbul Programme of Action also contains qualitative goals related to productive capacities, including measures such as increasing the value addition in natural resource-based industries and increasing primary energy supply per capita. A full discussion of this is available in the progress report prepared for the sixtieth session of the Trade and Development Board.¹⁴ In a number of these areas, reference is made to raising LDCs to at least the level of non-LDC developing countries, and hence this comparator group is included in the analysis below.

An increasing share of value added in the manufacturing sector is one indicator of the structural transformation resulting from adding productive capacities. In this regard, from 2002 to 2011, the median share of value added in the manufacturing sector in LDCs fell by 0.6 percentage points. This shows a reduction in progress towards structural transformation. However, it should be noted that negative progress also occurred in non-LDC developing countries, with the median share of value added in the manufacturing sector falling by 1.0 percentage points.

With regard to transport, in 2010, only three LDCs had a higher proportion of paved roads than the unweighted average of non-LDC developing countries (56 per cent), while 20 LDCs had a proportion of paved roads lower than 20 per cent, indicating that they were unlikely to match the average of other developing countries in the near term.

With regard to energy supply, only two LDCs surpass the average total primary energy supply per capita of other LDCs, namely Bhutan and Equatorial Guinea. To reach the average level of non-LDC developing countries, LDCs will require average growth rates in the provision of energy supply of between 6.5 and 33.7 per cent per year. While a growth of 6.5 per cent (for instance in Angola) seems feasible, 33.7 per cent (for instance in Afghanistan) is less likely.

With regard to private sector development, LDCs have been lagging behind the rest of the world for some time and this is both a cause and an outcome of their low levels of development. The World Bank Doing Business indicators give an indication of the capacity for private sector involvement in an economy. The bulk of LDCs fall towards the bottom of the Doing Business rankings, with a median rank among LDCs of 153. The median rank of non-LDC developing countries is 99. Three LDCs rank below 90, but roughly half of LDCs are above 150.

¹² United Nations Integrated Implementation Framework (2016), available at iif.un.org/content/integrated-implementation-framework-achieving-mdgs-through-mutual-accountability.

¹³ For more details, see UNCTAD (2015), *The Least Developed Countries Report 2015: Transforming Rural Economies* (Geneva and New York, Sales No. E.15.II.D.7, United Nations publication).

¹⁴ TD/B/60/8.

An area of encouraging development is in public spending by LDCs on education. Many LDCs allocate a higher proportion of government expenditure to education than non-LDC developing countries. In fact, LDCs have a higher unweighted average (18 per cent) and median (17 per cent) than the group of other developing countries (unweighted average 15 per cent and median 14 per cent).

IV. Policy conclusions, lessons learned and the way forward

The socioeconomic progress achieved by LDCs as a group since the adoption of the Istanbul Programme of Action remains weak. Consequently, LDCs remain vulnerable to shocks, whether economic, political or environmental. When the Fourth United Nations Conference on LDCs was held in May 2011, the international community had been addressing the impact of an earthquake in Haiti in January 2010. Another earthquake, in Nepal in April 2015, reversed the hard-won socioeconomic gains of several years in the country, and in March 2015, a cyclone negatively impacted the socioeconomic and institutional composition of Vanuatu, as a consequence of which the General Assembly postponed a decision on the graduation of the country from LDC status. In many other countries, such as Angola, external economic shocks such as those caused by volatility in international commodity prices, including the recent spiral fall in petroleum prices, negatively affected graduation prospects, and Governments must seek reconsideration of their graduation prospects. UNCTAD work related to LDCs clearly shows that the vulnerability of these countries increases during times of global economic shock and that it takes a longer period of time for them to recover.

Some countries have made modest progress in some areas while lagging behind in others. Other countries have made no significant progress towards any of the goals or targets in the Istanbul Programme of Action. For example, with respect to meeting the target on GDP growth, only 9 of the 48 LDCs met the 7 per cent target, while many others experienced negative growth. In countries where evidence suggests economic progress, this has not always resulted in poverty reduction and improved human well-being. Of the 48 LDCs, only the Lao People's Democratic Republic was assessed as being on track to meet all seven Millennium Development Goals.¹⁵ At this stage, the goal of enabling half of LDCs to meet the graduation criteria seems daunting, given weak productive capacities and a lack of structural transformation in their economies. In terms of the three graduation criteria, more LDCs have reached the gross national income per capita criterion than the human assets index and economic vulnerability index criteria.¹⁶ This shows that development partners must continue to focus on the pressing issues of human development and economic vulnerability. Growth in per capita incomes may be a necessity, but is not a sufficient condition for countries to rise from a history of low development. Economic diversification and structural transformation, and enabling broad-based income growth by providing employment to all, are vital to creating sustainable development in LDCs and meeting the Sustainable Development Goals.

Of primary concern to many LDCs is the creation of quality productive jobs for their populations. Inclusive and sustainable development requires developing countries to achieve not just growth in gross domestic product, but growth in employment and the social benefits that go along with this. Despite the fact that growth remains positive throughout most LDCs, employment growth has not increased at levels that enable their populations to be assured of stable and productive jobs. The continuing levels of unemployment of millions of people represent an enormous waste of human potential, and are also associated with poorer social outcomes. Creating productive employment opportunities to match the rapid population growth in LDCs remains a key policy challenge.

¹⁵ UNCTAD (2014), *The Least Developed Countries Report 2014: Growth with Structural Transformation – A Post-2015 Development Agenda* (Geneva and New York, Sales No. E.14.II.D.7, United Nations publication).

¹⁶ E/2015/33.

Now that implementation of the post-2015 development agenda has begun, it is apparent that the Sustainable Development Goals are more ambitious than the Millennium Development Goals. Working towards the objectives of the Istanbul Programme of Action will go hand-in-hand with working towards achieving the Sustainable Development Goals. UNCTAD support for LDCs towards meeting the objectives of the Programme overlaps considerably with Goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). In particular, the first target for Goal 8 is to sustain 7 per cent gross domestic product growth per year in LDCs, matching the target set in the Programme. Between 2011 and 2014, the aggregate growth rate of all LDCs was only 4.9 per cent per year. It is clear that despite the continuing growth of LDCs, the rate is not high enough to ensure transformational changes in an acceptable period of time. To this end, all LDCs and development partners must critically evaluate the strategies they are currently adopting in order to ascertain whether they are in accordance with the Programme.

Therefore, it is essential for LDCs and their development partners to redouble efforts to reverse the sluggish socioeconomic performance of LDCs and put them on a path of sustained growth and development. This requires substantially reducing poverty and building economic resilience through fostering productive capacities and structural economic transformation. To that end, LDCs and their development partners should strive to enhance the quality of growth, which should be inclusive, participatory and sustainable. This requires, among other things, developing productive capacities that in turn contribute to the creation of productive employment opportunities, to the improvement of LDC capacity to produce goods and services and to helping make LDCs internationally competitive. Sustained structural transformation in the economies of LDCs can take place only if an enabling policy framework is put in place to accelerate the process of capital accumulation, structural change and technological progress. This may be achieved through nationally owned, participative, inclusive and development-oriented policies but also with increased development partnerships.

UNCTAD remains focused on the importance of building productive capacities in LDCs, in accordance with the first priority area in the Istanbul Programme of Action. An area of concern that has been raised by UNCTAD in the past is that despite the importance of productive capacities, there remain few comprehensive indicators related to them that are truly useful, on a policy level, for LDCs. In this regard, UNCTAD is continuing to work on benchmarking the productive capacities of LDCs, and the direction taken has been informed by the discussions and outcome of UNCTAD XIII. Only with the appropriate tools for the measurement of their productive capacities will LDCs be able to set in place appropriate policies to take advantage of their strengths and make up ground where they are weak.

