



UNLDC-IV



UN-OHRRLS

Compact for Inclusive Growth and Prosperity

Report of the United Nations Secretary-General's
Eminent Persons Group on the Least Developed
Countries

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Note by the Secretary-General

With a combined population exceeding 880 million people, the Least Developed Countries include the poorest and most vulnerable segment of humanity. Most of their populations live on less than a dollar a day and face profound challenges to their health and well-being. In spite of their painstaking efforts and those of the international community, the LDCs' potential remains untapped, and their economies are increasingly marginalized in the global arena. These countries are at the epicentre of a continuing developmental emergency.

The plight and potential of the LDCs will be highlighted at the Fourth United Nations Conference on the Least Developed Countries, to be held in Istanbul, Turkey, from 9 to 13 May. In preparing for this major event, I decided to appoint a Group of Eminent Persons in order to benefit from the wisdom of individuals, from within and outside government, who possess a broad range of experience and expertise in managing development challenges.

The purpose of the Group was to build on the lessons of the past decade's international support for the LDCs, and to recommend a new generation of policy measures in the areas of aid, trade, foreign direct investment, technology transfer, debt relief and adaptation to and mitigation of climate change. I also asked the Group to raise international public awareness of the Conference.

The former President of Mali, Mr. Alpha Oumar Konare, and the former President of the World Bank, Mr. James D. Wolfensohn, served as co-chairs of the Group. Other members include Ms. Nancy Birdsall, president of the Centre for Global Development; Mr. Kemal Derviş, vice president and director of Global Economy

and Development at the Brookings Institution; Sir Fazle Hasan Abed, founder of BRAC, the Bangladesh Rehabilitation Assistance Committee; Sir Richard Jolly, Honorary Professor of the Institute of Development Studies at the University of Sussex; Dr. Louis Kasekende, Deputy-Governor of the Bank of Uganda; Mr. Louis Michel, member of the European Parliament and former European commissioner for Development and Humanitarian Aid; and Mr. Hiromasa Yonekura, Chairman of Sumitomo Chemical Company Ltd.

Their report points to weak human assets, limited physical and institutional infrastructure, dependence on fragile agricultural sectors and a limited range of exports as the main factors hampering the LDCs' economic prospects. The Group's main finding is that the gap between the LDCs and the rest of the world will continue to widen unless the structural limitations of their economies are addressed. With the slogan "No MDGs without LDCs", the report also emphasizes the importance of this group of countries in the global economy and their relevance to the development agenda of the international community. While international support will remain critical, the LDCs themselves have an important role to play, especially in the area of governance.

I commend the Group for their hard work and insights. This report is an important contribution to the ongoing intergovernmental consultations leading up to the Istanbul Conference. I urge Member States to read this report carefully and to draw lessons from its conclusions and recommendations.

I urge all Member States, first and foremost the LDCs themselves, with their development partners and the whole international community, to actively engage in preparing a Programme of Action that will enable us to face the tests of the decade ahead. It is my sincere hope that when they gather in Istanbul in May, Member

States will seize the moment to make historic decisions commensurate with the challenges at hand. The UN system for its part remains committed to support this endeavour.

Eminent Persons Group

Letter from Co-Chairs

Letter dated 15 March 2011 from the Co-Chairs of the Eminent Persons Group on the Least Developed Countries addressed to the United Nations Secretary-General

We, the Group of Eminent Persons, comprised of Alpha Oumar Konaré, former president of the Republic of Mali (co-chairperson of the Group); James D. Wolfensohn, chairman and CEO of Wolfensohn & Company and former President of the World Bank (co-chairperson of the Group); Sir Fazle Hasan Abed, the founder and chairperson of BRAC, the Bangladesh Rehabilitation Assistance Committee; Nancy Birdsall, the founding president of the Center for Global Development; Kemal Dervis, vice president and director of Global Economy and Development at Brookings Institution; Hiromasa Yonekura, chairman of Sumitomo Chemical Company Ltd.; Louis Michel, member of European Parliament and formerly the European commissioner for Development and Humanitarian Aid; Louis A. Kasekende, Deputy Governor of the Bank of Uganda and formerly executive director at the World Bank; Sir Richard Jolly, Honorary Professor of the Institute of Development Studies at the University of Sussex, have the honour of submitting to you our report on the current challenges of the least developed countries (LDCs) and the domestic and international support measures needed to ensure their inclusive growth and sustainable development.

In preparing this submission, we were guided by the terms of reference that were developed by yourself and the discussions over the course of our initial meeting on 23 October, 2010 in

New York. We have since benefited from the substantive and logistical support of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLS) and were hosted by the Government of Belgium for our second meeting on 19 January, 2011 in Brussels.

We have made a critical but constructive assessment of the impact of the Brussels Programme of Action on the progress of the LDCs during the decade 2001-2010. We have come to the conclusion that despite some progress on the economic and social front, the gap between the LDCs and the rest of the world, including the low middle income countries is widening. Some of the reasons are as follows: The structural disadvantage of these economies, weak human assets (education, health, nutrition etc.), limited physical and institutional infrastructure, dependence on fragile agricultural sectors and a limited range of exports are at the heart of the continued marginalisation of these countries within the world economy. In short, the “least developed” condition has tended to generate “less” development. In our view, unless we address the structural weaknesses that make these countries “least developed” we will not reverse their increasing marginalisation. We urge, in the strongest possible terms, that the next Programme of Action focus on reducing the structural gap that exists between LDCs and other countries.

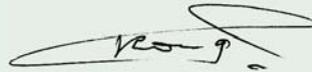
We have also come to the conclusion that business as usual is not an option and that there will be “No MDGs without LDCs”. The under development of the LDCs can be remedied in part

through strong policy measures taken by the LDCs themselves. Firstly, LDCs should assume greater ownership of their own development trajectory. It is our contention that some of the tools to achieve this is through negotiating better prices for their valuable raw materials and in turn processing these materials to generate capital gains. Increased mobilization of domestic resources is also a key tool in their development. And fighting corruption and seeking for the return of stolen assets can improve the business climate and spur future growth. That being said, external aid remains a fundamental ingredient to stimulate socio-economic development in the LDCs. Development assistance in our view should be linked to measurable objectives and goals. Further, it is incumbent that all stakeholders deliver on their pledges, and that LDCs suffering from debt-distress are provided with additional relief from official debt under internationally agreed-upon conditions. An international support architecture is needed

with a strong follow-up and monitoring mechanism to ensure the full implementation of the next Programme of Action.

We trust that the policy recommendations included in the report will contribute to further enrich the discussions leading us to Istanbul in order to ensure an effective and meaningful outcome.

We thank you for your trust and would like to express our gratitude to all who supported us during this process, in particular UN-OHRLS and the Government of Belgium. We also want to express our deep respect and thanks to all Panel members, who injected total commitment, enthusiasm and creativity into this important task.



President Alpha Oumar Konare,
Co-chair



James Wolfensohn,
Co-chair

Eminent Persons Group



PRESIDENT ALPHA OUMAR KONARÉ

Former President of the Republic of Mali Co-chair



JAMES WOLFENSOHN

Chairman and CEO of Wolfensohn & Company, L.L.C. Co-chair



NANCY BIRDSALL

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Founder and Chairperson of the Bangladesh Rehabilitation Assistance Committee (BRAC)



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Honorary Professor and Research Associate of the Institute of Development Studies at the University of Sussex



LOUIS KASEKENDE

Deputy Governor of the Bank of Uganda



LOUIS MICHEL

Belgian Member of European Parliament



HIROMOSA YONEKURA

Chairman of Sumitomo Chemical Company Ltd.

Eminent Persons Group

Terms of Reference

Terms of Reference for the Eminent Persons Group on launching a New Global Partnership for Development in favour of the Least Developed Countries

Background

There are currently 49 Least Developed Countries (LDCs) with a population of more than 800 million people who represent the poorest and most vulnerable segment of humanity and are at the very epicenter of the developmental emergency.

They live under conditions of extreme poverty with weak human and institutional capacities, low and unequally distributed income, scarcity of domestic financial resources and high levels of economic vulnerability. They often suffer from governance crises and political instability that in some cases has led to internal and external conflicts. Their economies are largely agrarian and are affected by a vicious cycle of low productivity and low investment leading to chronic food insecurity. They rely on the export of a few primary commodities as the major source of fiscal earnings, which makes them highly vulnerable to external terms-of-trade shocks. Only a handful have been able to diversify into the manufacturing sector, though mostly limited to a few labour-intensive industries such as textiles and clothing.

The United Nations system efforts to reverse the LDCs' increasing marginalization in the global economy and put them on a path to sustainable pro-poor growth and development date back to the 1980s. Three United Nations Conferences were held in 1981, 1991

and 2001 to mobilize global support for the socio-economic development of the LDCs. The Third UN LDC Conference, held in Brussels in 2001, adopted a 10-year Brussels Programme of Action for LDCs' development, setting out seven commitments, thirty goals and five guiding principles that the LDCs and their development partners undertook to implement.

The UN General Assembly at its 64th session (resolution 64/213) decided to convene the Fourth United Nations Conference for the Least Developed Countries, UNLDC-IV; scheduled to take place in Istanbul, Turkey from 30 May – 3 June 2011.

The Conference will undertake a comprehensive appraisal of the implementation of the Brussels Programme of Action by the LDCs and their development partners. It will share best practices and lessons learned, identify obstacles and constraints encountered as well as actions and initiatives needed to overcome them. The Conference will also analyse emerging challenges and opportunities facing the LDCs with a view to identify effective international and domestic policies. The General Assembly has also launched a process of national, regional and global reviews of the implementation of the Brussels Programme of Action that will inform a new reinvigorated plan expected to emerge from LDC-IV.

The United Nations High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, Cheick Sidi Diarra, has been designated to serve as Secretary General of the Fourth United Nations Conference, and is mobilizing all United Nations System agencies, relevant international and regional

organizations and Member States, to deliver on a comprehensive, action-oriented and meaningful outcome of the Conference.

The United Nations Secretary General Ban Ki-moon has therefore decided to constitute a Group of Eminent Persons as an essential element to the success of LDC-IV.

Purpose of the Eminent Persons Group

The purpose of the Eminent Persons Group is:

1. to review international support measures in favour of LDCs in the last decade and draw lessons as to their effectiveness, developmental impact and persisting major gaps;
2. to recommend a new generation of international support measures in favour of LDCs in the areas of aid, trade, foreign direct investment, remittances, transfer of technology, debt relief and adaptation to, and mitigation of the effects of climate change, including a New Green Deal.
3. to identify measures for:
 - a. building productive capacities in the agricultural, manufacturing and services sectors whilst filling infrastructure gaps;
 - b. overcoming economic vulnerability and achieving structural transformation and sustained economic growth in LDCs and socially and environmentally sustainable development;

- c. ensuring that the LDCs attain the Millennium Development Goals
- d. fostering a jobs for all agenda for a rapidly growing and predominantly young population.

4. to identify and recommend institutional, financial and other initiatives that could be counted as deliverables of the Conference by the international community, Member States and international organizations.
5. to raise awareness and advocate on behalf of the LDCs in order to mobilize international public opinion and solidarity in support of these vulnerable countries, particularly among traditional and new development partners.

Work Programme

The Eminent Persons Group will hold their initial meeting in early October 2010 in New York, where they will decide on the details of their work programme. The programme will include countries and institutions that the Eminent Persons will visit for advocacy on behalf of the LDCs. It is expected that the Group will prepare a report that will be used as an advocacy tool to drum up support for international solidarity for the development of the LDCs. The Group will consider the details of this report at the second meeting which will take place in a capital city of a European country yet to be determined. The report is expected to be delivered to the United Nations Secretary General in March 2011.

Introduction

When the community of nations first formally identified the Least Developed Countries (LDCs) as a group requiring special attention in 1971, it was with a view to ensuring that this group of particularly vulnerable economies did not continue to lag behind the rest of the world. Forty years on and at the end of a decade marked by largely positive growth performances among the LDCs, this group of countries lag even further behind the rest of the world than they did in previous decades. It would appear that we are witnessing a gradual splintering of the world economy between those who can reasonably expect steadily improving standards of living and those in LDCs who face less hopeful futures. This is occurring despite the fact that LDCs have made considerable progress in terms of economic growth and human development. As a global community we must view this situation with some disquiet.

Perhaps the most telling performance indicator is the fact that while the number of countries meeting the criteria of “least developed” increased through the 1970s, 80s and 90s, the graduation rate from that grouping has been glacial. Of the 51 countries that have held this designation at some point, only three have graduated.¹ In areas such as per capita income, agricultural productivity, economic diversification, poverty indicators, educational attainment, access to information, and population growth, the distance between the LDC average and that of the rest of the world has been growing. Not coincidentally, the LDCs continue to produce a majority of the world’s refugees and are overrepresented among the countries most affected by the world’s great infectious diseases.

Improving a country’s human, physical and institutional infrastructure are the means as well as the ends of development. Least developed countries are “least developed” because they are particularly disadvantaged in terms of their human, physical and institutional infrastructure and therefore face difficulties in creating and taking advantage of opportunities for sustained growth. Instability and uncertainty in the agricultural and export sectors lead to regular crisis conditions that undermine value addition and retention in the economy – factors that are critical for long-term economic development. Conflicts, which are more likely in the context of extreme poverty and weak institutions that characterise most LDCs, have even more devastating effects. Governance challenges are also magnified in the LDC context where these structural weaknesses mean that economic and political disruptions are much more likely.

Moreover, these countries have been confronting a series of crises in recent years such as the global food crisis of 2007-08 followed by the global financial and economic crisis of 2008-10, and another potential food crisis looms ahead. The effects of these crises have been magnified by high and volatile oil prices and a slow-moving but unambiguous global climate crisis that threatens the very existence of some countries.

The Group of Eminent Persons takes as its point of departure that the current state of affairs cannot be allowed to continue. The increasing marginalisation of the LDCs is creating a future that we, as a global community, cannot afford.

¹ The graduating countries are Botswana (1994), Cape Verde (2007) and Maldives (2011).

Closing the development gap and ensuring that this ongoing marginalisation is reversed is an economic, political and moral imperative and an act of enlightened self interest on the part of the global community. This is the time for global solidarity in order to achieve progress even in the poorest countries in the world, which will go a long way in advancing global prosperity and security. The choice is stark but real. We can choose to be part of these countries' successes or bear the high global cost of their continued marginalisation.

We can disrupt this ongoing marginalisation of the LDCs by removing the factors that perpetuate this cycle – the attributes of “least development” themselves. The widening accomplishment gaps in education, health, agriculture, physical infrastructure, and export capacity must be closed and closed rapidly. In short, we must seek to make LDC status a redundant category. As a global community we can make an initial but bold step in that direction by committing ourselves to the objective of ensuring that 50 percent of LDCs graduate from that status by 2021!

Chapter 1: A Splintering Global Economy

In the decade since 2000 the majority of LDCs (38 of the 47 for which data is available) experienced positive per capita economic growth (Table 1).² Though modest growth (0 to 2 percent) was the most common experience, seven of these countries experienced average annual growth rates that exceeded five percent and fourteen others experienced strong, but less spectacular, growth performances (3 to 5 percent). Many of these strong growth performances were a direct result of the high commodity prices that persisted through most of the decade. However, for some countries (notably Ethiopia, Rwanda and Uganda) expansion in the volume of traditional exports was even more important. For Bangladesh and Samoa, diversification into labour-intensive manufacturing and export of textiles explain most of their growth performance. For Cambodia, Lao PDR and Myanmar, strong links with their more advanced ASEAN neighbours, leading to increased trade and productive capacity building, were at the heart of their success.

Table 1: Growth Performance of LDCs (2000-2009)

> 5% Growth	3 - 5% Growth	0 - 2% Growth	Negative Growth
Afghanistan	Bangladesh	Benin	Central African Republic
Angola	Chad	Burkina Faso	Eritrea
Bhutan	Lao PDR	Burundi	Guinea-Bissau
Cambodia	Lesotho	Comoros	Haiti
Equatorial Guinea	Mali	Congo, Dem. Republic	Kiribati
Ethiopia	Mozambique	Djibouti	Liberia
Sierra Leone	Myanmar	Gambia, The	Solomon Islands
	Rwanda	Guinea	Timor-Leste
	Samoa	Madagascar	Togo
	Sao Tome and Principe	Malawi	
	Sudan	Mauritania	
	Tanzania	Nepal	
	Uganda	Niger	
	Zambia	Senegal	
		Tuvalu	
		Vanuatu	
		Yemen, Rep.	

Source: World Development Indicators (World Bank); United Nations Statistics (UN Statistics Division)

² Somalia is not included in the table because of lack of data.

Beyond growth performances many countries recorded notable successes in improving human development attributes and expanding physical and human capital and institutional infrastructure. Cambodia, Ethiopia, Mauritania and Senegal had significant success in reducing extreme poverty. Bhutan and Rwanda reduced maternal mortality by more than half within the decade and Bangladesh, Madagascar, Nepal and Timor-Leste reduced child mortality by more than sixty percent between 1990 and 2007. As a Landlocked country, Mali made great strides in improving road connectivity with all its neighbours and Tanzania, as a transit country, made similar progress in improving its internal transport infrastructure. Madagascar, Rwanda, Tanzania and Zambia had achieved near universal primary school enrolment by 2008. After suffering serious food-related crises in the early part of the decade, Malawi has made great strides in improving food security and Mali has had notable success in increasing rice production and expanding its social safety net. Senegal, Rwanda and Liberia have made notable progress in peace building and women's empowerment and Rwanda, in particular, substantially improved its governance scores (based on the World Bank's governance criteria) between 2000 and 2009.

These examples show that there is a good foundation to build on and there is hope for development in the LDCs. As a group, LDCs account for a significant share of world's strategic minerals waiting to be tapped. They possess reserves of oil, gas, coal, gold, silver, diamonds, bauxite, cobalt, uranium, coltan and many more. They have vast arable land for agriculture, large rainforests that play a crucial role in combating global warming, great biodiversity, abundant renewable energy resources, enormous reserves of fresh water and precious marine and coastal resources. Equitably harnessed and properly managed, all these resources can yield high-returns on investments for the benefit of the LDCs and the global economy. Given political will and international support, these countries can record even greater successes.

Yet, despite these successes, the LDCs, as a group, have not been able to maintain their per capita share of world income. Thus, the relative deprivation that marked their "least developed" status in 1971 is even more acute today. The average per capita income across these countries was 18 percent of the world average in 1971; but only 15 percent of that average in 2008.³ In fact, in the last three decades, other low and lower middle income countries (OLLMICs) that are not LDCs have clearly separated themselves from LDCs in per capita terms and are now converging towards or keeping up with average world income levels while LDCs continue to fall behind in relative terms.⁴

Even when the improved 2000-2008 performance of LDCs is projected into the next decade the pattern of divergence continues. Not only would the incomes gap between world and LDC incomes continue to widen (Figures 1A & 1B),

³This data is derived from the United Nations database and the per capita income considered is the unweighted average for the current 48 LDCs.

See Appendix II for the list of countries in that category.

the gap between LDC incomes and that of other developing countries would widen even faster. LDC per capita income would go from 21 percent of that of other developing countries in 2008 to 19 percent in 2020. Other low and lower-middle income countries (even with India and China excluded) would extend their advantage over LDCs by increasing their average incomes from 3 times that of the LDCs in 2008 to a ratio of four to one in 2020.

Slow progress in the structural transformation of LDC economies and their continuing dependence on primary commodities in general and on agriculture in particular, are key indicators of their growing marginalisation. Even though many LDCs are highly dependent on agriculture, this sector has performed poorly over the last few decades. While OLLMICs have shown signs of convergence to rising global productivity in agriculture, LDC productivity has remained virtually static since the 1980s (Figure 2).

This stagnation in income and agricultural performance parallels a similar stagnation in poverty alleviation and poverty-related outcomes. Despite domestic and international efforts devoted to attaining Millennium Development Goal (MDG) No. 1 of halving 1990 extreme poverty levels by 2015, the reduction in extreme poverty between the early 1990s and 2007 has been modest (Table 2). The proportion of people living on less than \$2 a day in LDCs has only slightly budged since the 1990s and remains at over 75 percent. By comparison, over the same period OLLMICs lowered extreme poverty rates by nearly 40 percent and general poverty rates by 30 percent. Similarly, in LDCs, the proportion of children (under five), who are underweight for their age still remains above 25 percent while it is much less than half that amount in OLLMICs and falling much faster (Table 2).

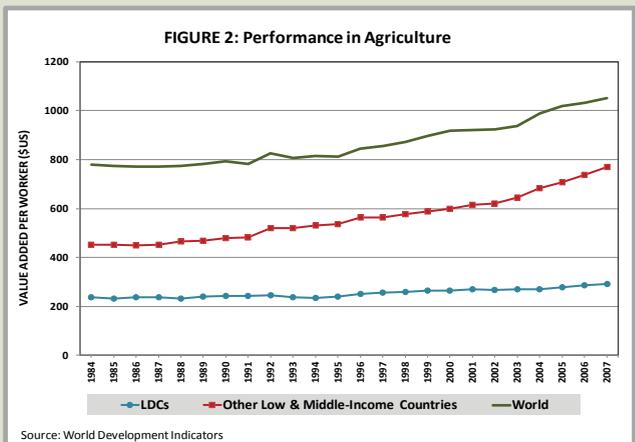
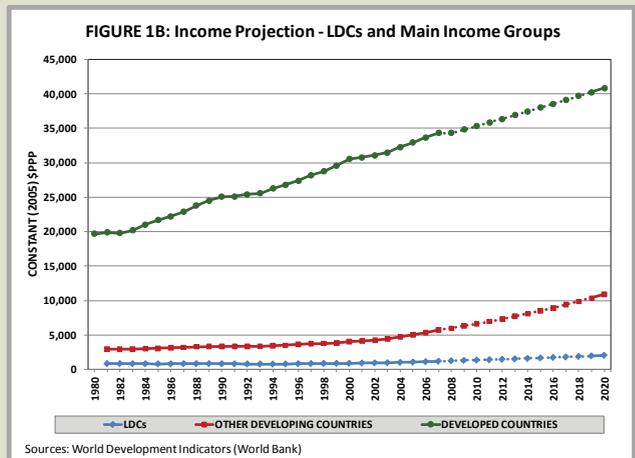
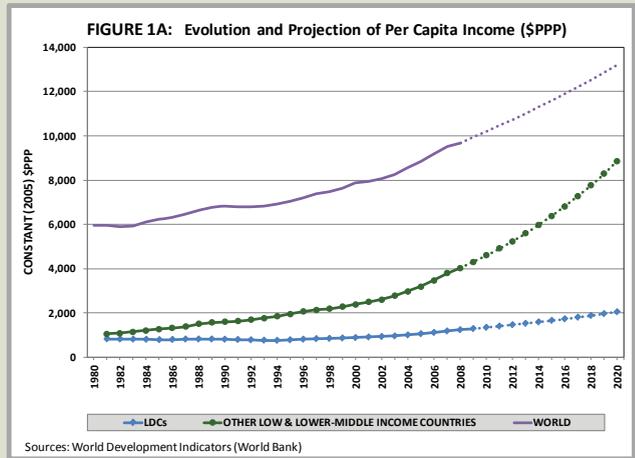


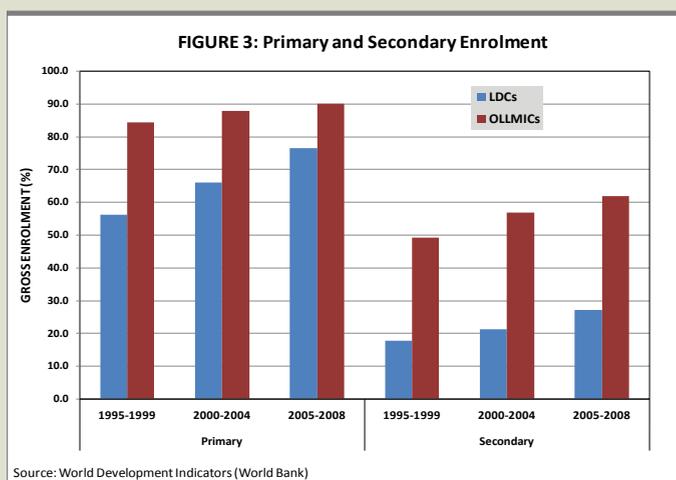
Table 2: Poverty Outcomes for Low and Lower-Middle Income Countries

Poverty Measure	Period	LDCs		OLLMICs
		Karshenas	WDI	WDI
Proportion living on less than \$1.25 a day (2005 \$PPP)	1990-1995	58.2	62.2	24.5
	2000-2007	50.1	53.7	15.0
Proportion living on less than \$2.00 a day (2005 \$PPP)	1990-1995	80.5	80.1	42.4
	2000-2007	74.6	76.7	30.0
Children (under 5) who are underweight for their age	1990-1999		32.0	16.3
	2000-2008		26.6	11.0

Source: Author's calculations based on World Development Indicators (World Bank) and Karshenas (2010)

Note: Data covers the subset of countries in each group for which data is available for both of the relevant periods. For the LDCs, the data is also restricted to the same group of countries across measurement methods.

Increasing access to primary education is an area where the LDCs have achieved some success. Yet that success has not extended to secondary education, an area that is critical if these countries are to compete in a world economy that increasingly demands a great deal more than basic literacy. There has been a 40 percent increase in primary school enrolment levels, for LDCs, since the 1990s and a narrowing of the gap with OLLMICs. However, the proportion of the eligible population of LDCs who are in secondary school was still barely over a quarter in 2008. Thus, a 32 percentage-point gap in performance between LDCs and OLLMICs in 1995-1999 had expanded to a 35 percentage point gap by 2005-2008 (Figure 3).



Reduction in child mortality has been another area of accomplishment for LDCs but here too OLLMICs have performed better. The LDCs increased the rate of reduction in child mortality from an average of 1.8 percent annually in the 1990s to 2.5 percent between 2000 and 2007 (Table 3). OLLMICs increased the rate of decline in their mortality rates from 2.1 percent to 3.3 percent during those same periods.

In short, while mortality rates may be falling in LDCs they are falling much more slowly than in OLLMICs, meaning that LDCs are falling further behind in this area of human development.

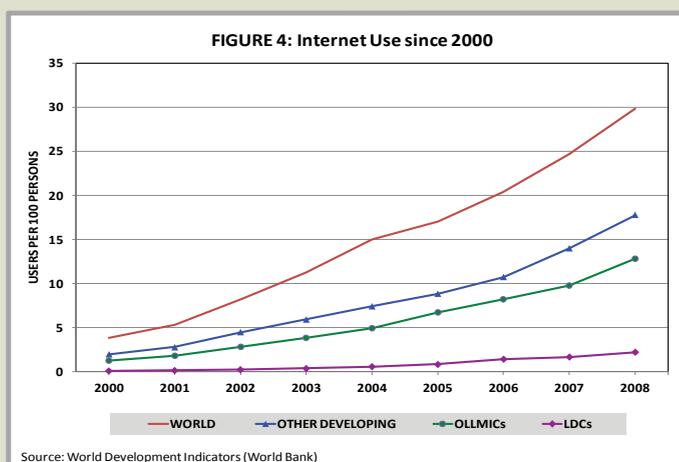
Table 3: Child Mortality Outcomes and Projections

		1990	2000	2007	2020
Least Developed Countries	Mortality Rate	182.4	152.2	127.3	91.4
	Average Annual Rate of Decline		1.8	2.5	2.5
Other Low & Lower-Middle Income Countries (OLLMICs)	Mortality Rate	71.7	57.9	45.6	29.3
	Average Annual Rate of Decline		2.1	3.3	3.3
Ratio of LDC to OLLMIC Mortality Rates		2.5	2.6	2.8	3.1

Source: UNICEF, WHO, World Bank, UNPD

Note: Data covers the subset of countries, in each group, for which data is available.

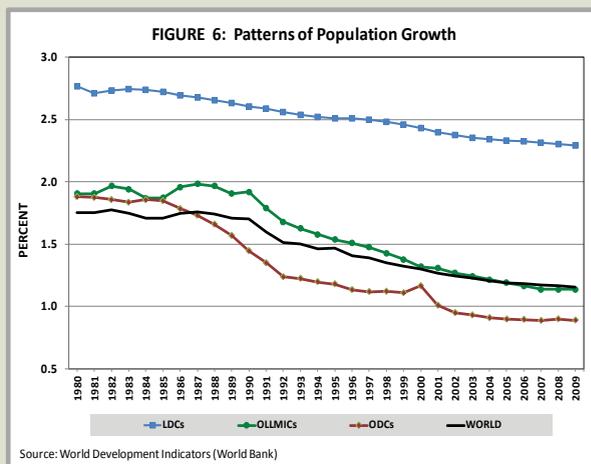
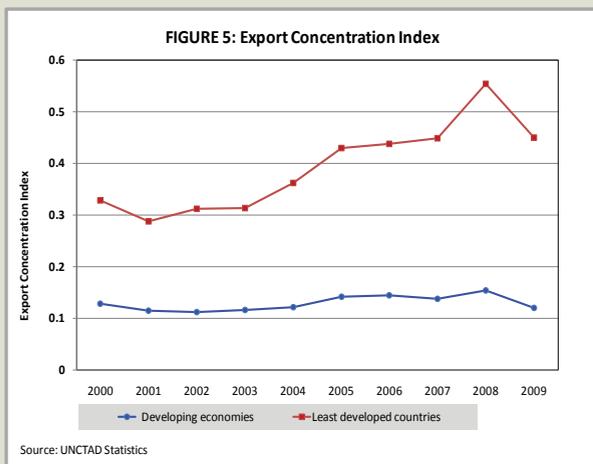
These relatively poor performances in terms of income, poverty, education and child mortality outcomes are coincident with the increased technological and social isolation of these countries from the rest of the world economy. For instance, while internet use increased more than seven-fold across the world between 2000 and 2008, it is still barely available in LDCs (Figure 4). In fact, though the rest of the



developing world had increased connectivity to more than 17 percent of their total population by 2008 and OLLMICs by 12.9 percent, the corresponding proportion for LDCs was still only 2.2 percent.

The divergence from global trends in income, productivity and welfare outcomes for LDCs is paralleled by divergence in a structural sense as well. While export concentration, an indicator of economic vulnerability, has remained largely static for non-LDC developing economies over the last decade, it has been increasing for LDCs (Figure 5). LDC population growth too remains persistently and increasingly much higher than that of the rest of the world, including OLLMICs (Figure 6). This means, among other things, that the fate of LDCs, whether positive or negative, is relevant to the immediate experience of an expanding proportion of the world's population.

As a global community, it is important to remember that the social and political crises resulting from economic crises eventually spill out across countries borders in various ways. It is, therefore, not altogether surprising that, despite accounting for less than 13 percent of the world's population, the LDCs have



consistently produced above or close to 60 percent of the world’s refugees over the past decade (Table 4). Additionally, LDCs are heavily overrepresented among countries with the highest incidence of two of the world’s most dangerous communicable diseases. Twelve of the 20 countries with the highest rates of TB infection are LDCs and eleven of the 20 countries with the highest rate of HIV infection are LDCs (Table 5). Given present trends of rapidly expanding LDC populations and persistent poverty and isolation, out-migration pressures (additional to the outflow of refugee populations) will increase. Poor living conditions may also put the challenge of halting the spread of TB, HIV and malaria beyond reach. Moreover, where there are armies of dispossessed and unemployed youth, there is an elevated risk of conflict, crime, drug trafficking and extremism that can threaten both local and global security.

Table 4: Refugee population proportions (LDC/World)

Year	2000	2009
LDC Proportion of Global Population	11.2	12.3
LDC Proportion of Global Refugee Population	63.1	57.7

Source: Author’ calculations based on UNHDR 2006 and UNHCR 2010.

Table 5: Incidence of most world dangerous communicable diseases (2009)

Disease	Number of Top 20 Countries that are LDCs
HIV (Prevalence among those 15-49)	11
TB (Incidence per 100,000)	12
Malaria (Reported cases per 1000)	14

Source: World Development Indicators (World Bank)

The lesson to be taken from the experience of other developing countries is that when relatively positive global economic and political conditions prevailed, these countries were able to make credible progress in terms of economic and social measures. This is because the non-LDCs are not hobbled by the structural weaknesses that set LDCs apart. They are thus better able to harness internal endowments and expand domestic capacities to take advantage of global opportunities. Progress in other developing countries is a clear indication that progress is also possible in the LDCs. Thus, if we, as a global community, wish these countries to join the world as full economic partners, our assistance to these countries must target these weaknesses directly. In short, we need to focus on helping those countries to significantly and rapidly improve their physical, human and institutional infrastructure, improve agricultural productivity and expand export capacities.

We should also be mindful of the fact that although the least developed countries share much in common, this group consists of several types of countries with unique challenges. Small island states face the challenges of isolation and limited land mass but, and this challenge has become an existential one given the threat of rising sea levels as a consequence of global warming. At the other extreme, landlocked LDCs, with no access to the sea face impediments to international trade in terms of cost, time and uncertainty. Also, many LDCs have become significant producers of non-agricultural commodities. While resource extraction provides the promise of wealth it is also associated with negative institutional developments that lead to high levels of corruption, war, and other social and economic ills. Some LDCs are also extremely food and energy insecure and are thus highly vulnerable to even modest changes in food and energy prices. A significant number of LDCs are large net labour exporters and their economic performance is therefore closely tied to the freedom of labour movement and the flow of remittances. Some LDCs are also post-conflict countries and have to deal with the challenges of building infrastructure and institutions damaged or destroyed by war. Those specific challenges faced by LDCs need to be acknowledged and addressed in any new Programme of Action (PoA).

Chapter 2: Responding to the Challenge – A Framework

Motivation

While bringing an end to the condition of being “least developed” is, correctly, a global responsibility, at the centre of any global strategy for doing so must be the endeavours of the governments and peoples of least developed countries themselves. Such a strategy must be informed by a development paradigm that recognises the critical role played by a capable state in articulating and implementing programmes that are effective and reflect domestic perspectives and aspirations. But, while such a programme will only be effective if least developed countries can take up this challenge as a national emergency, success will, critically, require the support and enabling environment provided by the international donor community, regional organisations and the rest of the developing world. Civil society, the private sector and national parliaments also need to be actively mobilised in this effort.

We believe that the enunciation of clear targets and the articulation and differentiation of responsibilities that were part of the approach of the Brussels Programme of Action should be preserved in the next Programme of Action. However, to ensure greater clarity of purpose on all sides, targets need to be defined within a limited set of clearly defined and time-bound objectives. To ensure the fullest commitment on the part of all parties in meeting their portion of the responsibility for achieving those objectives, it is the view of this Group that these commitments should be treated as a contractual obligation and formalised as such. Relevant objectives for the coming decade will be discussed in the next two chapters, but it is important to precede that discussion with an articulation of the operational motivation, the division of labour and the institutional structure that should underlie the implementation of the programme.

The Group proposes that any new Programme for LDCs must be composed of three main elements:

- i. A clear articulation of the division of responsibility between the LDC governments and other domestic institutions, the regional economic organisations that include LDCs, the developed countries, emerging market economies and the broader international community that is underpinned by a robust contractual arrangement between the LDC governments (as the final implementing agents) and the donor community (as the primary facilitating agents);
- ii. Clearly defined objectives that, can be easily (and willingly) incorporated into the national development plans of LDCs, address the attributes of most concern in LDCs, and have affiliated targets that act as both incentives for action and barometers of success;

- iii. A monitoring and reporting framework that evaluates all actors on a regular and prescribed basis and provides feedback that can be used to make appropriate adjustments in terms of realigning incentives, increasing advocacy, and evaluating the state of accomplishments of the PoA generally.

Elements (i) and (iii) will be addressed immediately below. Element (ii) will then be addressed in the following chapters.

A Programme of Action – Division of Responsibilities:

Support by the Bilateral and Multilateral Donor Community

Since 1981 the international donor community has agreed to target development assistance toward LDCs within the framework of a Programme of Action (PoA). It is imperative that this commitment is renewed and enhanced in 2011 and that promises made become promises kept. The PoA must be seen as a two-sided pledge. If LDC governments (and other domestic institutions) are to be asked to deliver in terms of results, the international donor community must also be asked to meet its end of the bargain.

The responsibility of the international donor community, including international financial institutions and UN agencies, must be to:

- Set out clear institutional arrangements for providing long-term and predictable support to the LDCs;
- Provide enhanced resources that are sufficient, dedicated and tailored to give these countries a reasonable chance of meeting those objectives and targets;
- Define and offer targeted support measures in the areas of trade, finance, technology transfer, technical cooperation and capacity building assistance that will enhance the ability of LDCs to address areas of weakness and generally improve their chances of meeting agreed targets;
- Assist in the implementation of a monitoring framework that ensures accountability without undermining the independence and ownership of LDC's development programmes.
- Increase the voice and participation of LDCs in the context of UN reform and in institutions of global governance including the World Bank and International Monetary Fund.

Good Developmental Governance in the Least Developed Countries

The LDCs must take primary responsibility for implementing domestic initiatives under the PoA, therefore the role of national governments is central. It is the national government that will lead and manage the process of determining how the broad objectives of the PoA will be articulated in each country's development

plan. The World Bank has identified three critical attributes of national governance that are relevant to this challenge: (i) the form of political regime; (ii) the process through which authority is exercised; and (iii) the capacity to design, formulate and implement policies and discharge functions.⁵ Over the last two decades LDCs have made significant progress with respect to the first attribute by moving toward more representative forms of government. However, the World Bank's governance indicators suggest little significant improvement in the second and third attributes since 1998. Yet, if the bold objective of halving the number of LDCs by 2021 is to be accomplished, the quality of governance in these countries, particularly in terms of process and administrative capacity, will have to be substantially improved. It is these attributes that will allow governments to create an effective policy environment and make necessary institutional and systemic changes – central attributes of a capable state.

With respect to the substantive nature of political regimes, LDCs have made much progress in terms of adopting democratic constitutions, ratifying international conventions, pursuing institutional reforms, drafting new legislation, setting up legal frameworks against corruption, starting decentralisation processes and public sector reforms, and increasing the number of women represented in institutions of government. In more than 17 LDCs, women occupy more than 20 percent of seats in parliament. Rwanda is the only country in the world where more than half of the representatives are women. In Madagascar, Tuvalu, Solomon Islands and Yemen, however, there were none in 2010. Ethiopia has effective quotas for affirmative action for women in leadership and politics. This progress needs to be built upon.

However, LDC governments still need to make more efforts at engaging with all levels of society through legitimate and effective processes that ensure national buy-in to development programmes that are truly reflective of national perspectives and aspirations. There is also a continued and urgent need to improve transparency and reduce the degree of arbitrariness in government decision making – factors that tend to reduce popular trust and increase the likelihood of corrupt practices.

With respect to the capacity to implement programmes, the efficiency of government institutions as well as the quality of government personnel will need to be continuously and substantially improved. In that regard, LDC governments should be able to call on development partners to assist in upgrading the quality of human capital at their disposal.

Beyond national governments, local governments and civil society organisations (CSOs) have an important role to play. They need to engage their governments in ensuring that development plans and related implementation programmes reflect national aspirations and a people-centred development perspective. They can monitor the implementation of these programmes to ensure that national

⁵ These are derived from the World Bank's: *Governance, the World Bank's Experience*, Washington DC, The World Bank, 1994.

objectives are met and resources are used honestly and efficiently. CSOs can also supplement and enhance the work of the public sector by directly providing some services, working in complement with government agencies rather than in competition with public agencies.

The private sector needs to recognise that, in the LDC environment with constrained financial resources, their role has many dimensions. They need to engage actively in promoting domestic entrepreneurship, training staff directly and through existing education institutions, and forming partnerships with government and civil society to promote economic and social programmes that benefit society at large. This would constitute the implementation of corporate responsibility for development.

Parliaments have a particular role in debating national development strategies as well as overseeing their implementation. Appropriate measures should also be taken to support greater and stronger engagement of parliaments as well as interaction and cooperation between the executive and the legislative to ensure effectiveness in the design, implementation and review of the Programme of Action. Parliaments should also raise awareness with their constituencies on the priorities of the new PoA.

In Summary, the role of government and other institutions in LDCs should be to:

- Articulate and implement development plans that incorporate the targets set out by the PoA;
- Mobilise the energy and resourcefulness of citizens at all levels towards addressing the challenges of the least developed status and making efficient use of the resources and opportunities offered by the PoA.
- Setting up, or improve the institutions of developmental governance to ensure increased transparency and efficiency, particularly regarding the exploitation of natural resources. We support global anti-corruption initiatives, such as the Extractive Industries Transparency Initiative (EITI), the Kimberley Process and the principles set forth in the United Nations Global Compact for businesses; and urge LDCs and international investors to adhere to these initiatives as complements to other efforts aimed at fighting corruption.
- Partner with the global community in articulating and executing appropriate accountability measures through a monitoring framework.

The role of Regional Cooperation and Organisations:

The LDCs tend to be concentrated in specific areas of Asia and Africa and many share common borders (see Table A3 of the Appendix). Hence, there are potentially great advantages in regional cooperation. The presence of spill-over effects from single country programmes due to this proximity and the need for regional multi-country programmes in areas such as transportation, communication and

migration means that there is an important role for regional organisations in the areas of coordination, organisation, supervision and even implementation. The Asian and African Development Banks, the various UN regional commissions, the East African Community (EAC), The League of Arab States (LAS); The Southern African Development Community (SADC), The Economic Community of Central African States (ECCAS) and The Economic Community of West African States (ECOWAS) are just such regional organisations. In particular, the regional development banks with a record of managing large lending portfolios on behalf of their members are best placed to develop and house financial instruments that can allow groups of countries to engage in multi-country programmes for which external funding and coordination is required. These regional organisations can help the LDCs realise the very large externalities that can be gained from regional cooperation by providing:

- Coordination and supervisory capacity for complementary action on the part of its member countries;
- Effective instruments for funding and managing multi-national programmes that address common issues and challenges among LDCs in the region and between LDCs and non-LDCs in the region.
- Participate in the implementation of the monitoring framework for the PoA.

The potential of regional economic integration and cooperation in terms of trade, investment, production, supply chains, infrastructure and markets need to be fully harnessed. Although there has been considerable progress in establishing sub-regional trade agreements and customs unions involving LDCs, further progress needs to be made in regional economic integration so that LDCs can benefit from higher investment and economies of scale and scope. Greater involvement of these agencies in both the planning and implementation of specific programmes will also serve to enhance ongoing efforts at regional integration, particularly in Africa, by providing additional opportunity for these organisations to build secretariat capacity and demonstrate their relevance in terms of the enhancement of regional living standards.

Emerging Market and other Developing Economies:

Over the last decade, emerging market economies such as Brazil, China and India have increased their role in development aid and are engaging with LDCs in much more substantive ways. In any new PoA these countries, emerging market economies, along with other developing countries in a position to do so, will have an increasingly important role to play as they have ongoing challenges and experiences within their borders that are similar to those faced by LDCs. Thus they are well placed to offer appropriate technologies, technical support and foreign direct investment to LDCs in a relationship that can be development transmitting and development replicating. This will complement the efforts by traditional partners.

The responsibility of new emerging market and other developing economies must be to:

- Provide maximum learning opportunities for LDCs through technological transfers and other forms of cooperation;
- Provide resources in the form of both financial and technical support to these countries;
- Join with developed countries in offering and extending support measures in the areas of trade, finance and migration;
- Participate in the implementation of the monitoring framework for the PoA.

The Monitoring Framework

A successful monitoring framework will need to simultaneously address the two underlying tensions within any Programme of Action. On the one hand development partners want to be assured that resources and other concessions to LDCs are used wisely, productively and honestly and that objectives and targets are kept in sight. On the other hand, LDCs need reassurance that commitments made will be commitments kept and that resource flows will be consistent, on schedule, and not subject to the changing preferences of donor agencies. This Group therefore proposes an annual monitoring and reporting mechanism on the performance of international donors and of the LDCs.

The international track will monitor the performance of the global community, including bilateral and multilateral donor agencies, regional organisations and emerging market economies, in meeting their stated commitments. This can be carried out by the United Nations through a strengthened version of the existing mechanism, and will score countries and agencies in terms of the degree of correspondence between commitments and action.

The second track will involve all domestic stakeholders of the concerned LDC together with the representation of development partners, including the UN System organisations as is the practice in monitoring the MDGs. The mandate of these reviewers should be to:

- i. Assess the rate of progress towards the stated targets of the PoA;
- ii. Assess the quality of resource use in terms of its efficiency, propriety and transparency.

The reviewers can use that information to provide a country rating that can be used to recommend the most appropriate approach to resource transfers going forward.

Beyond this formal framework, there is important monitoring work being carried out by external non-state agencies. These initiatives include the International Aid

Transparency Initiative (IATI), the Extractive Industries Transparency Initiative (EITI), Publish What You Pay (PWP), the Stolen Asset Recovery (StAR) Initiative, and the Commitment to Development Index (CDI). While these assessment tools cannot form the singular basis for country assessments, they do provide ready and independent sources of information that can be used by the UN and assessors in identifying and monitoring areas of concern and progress.

Chapter 3: Objectives and Targets for a Programme of Action

Most of the characteristics that lead countries to be classified as “least developed” are, in fact, merely indicators of extreme underdevelopment and can be significantly modified if targeted directly. If, as a global community, we wish to make the status of “least developed” a redundant one, then we must seek to eliminate, or at least significantly reduce, the attributes that differentiate these countries from others who are also low or lower-middle income countries but who, nevertheless, continue to prosper and maintain development as a real possibility.⁶

In that regard we propose the following objectives, targets and related international support measures.

Objective No. 1	Achieve Adequate, Prioritised and Better Targeted Assistance to LDCs
Related Target No. 1	Scale up the level of development assistance provided to LDCs to 0.15 percent of DAC countries' GNI by 2013, 0.2 percent by 2015 and maintaining that proportion thereafter
Related Target No. 2	Dedicate some assistance to key priorities through designated thematic funds directed at addressing specific challenges faced by LDCs
Related Target No. 3	Deliver more development assistance as direct budget support to finance development plans and target programme support to LDC priorities

The provision of enhanced and sufficient assistance to LDCs will be critical in determining the success of the new Programme of Action. Such assistance must be provided in adequate amounts, fire-walled to protect against competing interests and delivered through modalities that maximise their effectiveness.

In 2008 the LDCs received \$38.4 billion in official development assistance (or \$46.9 per capita). However, if development partners had fulfilled their commitment in the Brussels Programme of Action to provide between 0.15 and 0.2 percent of their gross national income as development assistance, an additional

⁶ The UN already has several categories such as Land-Locked Countries, Small Island States etc. that are aimed at addressing the vulnerabilities that are purely a reflection of geography and to which many LDCs belong. In an ideal world, these categories, and not LDC status, should be the operations framework for the United Nations.

\$22.6 to \$42.9 billion would have been disbursed. This gap needs to be bridged by 2015 if the resources required for achieving a 50 percent graduation rate are to be made available.

The vulnerability of LDCs to a plethora of natural disasters and trade shocks means that quick-disbursement of assistance is critical for ensuring that infrastructural and human development gains are not lost. The instruments currently offered by the International Monetary Fund, the World Bank and regional development banks are not disbursed with sufficient speed to meet many emergencies. New, quick-disbursing instruments need to be developed and placed in the regional development banks where the need can be more quickly identified and where disbursement is less constrained by other, more policy-based considerations.

To be most effective, aid must allow for the development of local capacity, enable national responsibility, contribute to improving governance and encourage the development of a capable state. Aid provided as budget support, rather than project or programme aid, is more effective at accomplishing these objectives. Moreover, such aid delivery also reduces the local administrative burden for aid recipients and the high policy and administrative cost of arbitrating the varied (and often conflicting) interests of donors. Therefore, this form of aid delivery needs to be encouraged and enhanced and administrative and logistic obstacles to doing so should be removed. Moreover, removing obstacles to increased delivery of aid as budget support will itself have direct benefits in terms of the improvements in local administrative and governance capacities and institutions.

Suggested International Support Measures:

- Create and finance a Crisis Mitigation and Resilience-Building Fund for the LDCs that can provide funds that can be rapidly disbursed, in particular through the regional development banks;
- Increase aid allocation to targeted areas such as infrastructure, agriculture and productive capacity as well as other priority areas identified by LDC governments;
- Increase emphasis on delivering aid through budget support;
- Move towards the implementation of schemes for global collective revenue raising that can provide more stable development financing for LDCs
- Ensure that the World Bank and International Monetary Fund recognise LDC status as an operational criterion for determining levels and quality of assistance, particularly with respect to specific initiatives such as the MDGs and infrastructure and productive capacity building.
- Improve the concessionality of aid to LDCs to reduce the long-term impact on debt-sustainability; and

- Increase the use of public funds to leverage private funding for LDCs. In that regard the Group proposes an FDI promotion scheme that can provide insurance instruments, financial incentives for joint ventures and other measures that can encourage new ventures in LDCs.

Objective No. 2	Reduce the Human Assets Gap
Related Target No. 1	Double enrolment rates in secondary, vocational and tertiary education by 2020
Related Target No. 2	Achieve at least a 50 percent reduction in the number people living below \$2 a day by 2020 (from the 2008 rate)
Related Target No. 3	Increase the average annual rate of reduction in child mortality to 4 percent or higher by 2015 and maintain or exceed that rate thereafter.
Related Target No. 4	Reduce the number of children (under 5) who are underweight for their age by one-half by 2020

Over the last decade LDCs managed to significantly narrow the gap in primary enrolments between themselves and OLLMICs. However, during that same period, the gap in secondary school enrolment widened. Secondary school enrolment in LDCs is less than half that of OLLMICs.

Beyond secondary education, the enormous skill and knowledge gaps that exist in LDCs can only be bridged through increased vocational and tertiary education. This type of human capital is also critical for attracting foreign direct investment and building LDC competitiveness in the global economy. Therefore, increasing the number of persons with appropriate vocational and tertiary education is urgently required.

As previously discussed in chapter one, poverty remains widespread in the LDCs making it difficult to reduce the human assets gap. Even though there has been some progress in reducing child mortality and malnutrition, OLLMICs have still performed much better than LDCs.

LDCs have to substantially increase their rate of progress to keep from falling further behind other developing countries and establish a social protection threshold and related schemes that can provide the poor with access to essential services.

Suggested International Support Measures:

- Increase assistance directed specifically at secondary education and technical training, vocational training and skills development to benefit the large proportion of youth in LDC populations, through:

- Increased funding and technical assistance for teacher training;
- Increased funding for school construction;
- Increased funding for the provision of bursaries and scholarships for low-income students;
- Improve incentives for private sector participation in providing education, vocational and technical training;
- Increase assistance directed at poverty reduction and social protection schemes;
- Redouble efforts directed at reducing infant and child mortality in the forms of:
 - Funding for general health, training of health care professionals; nutrition and improving access to clean water;
 - Technical assistance;
 - Access to improved health technologies.
- Support the maintenance of international and national infrastructures that have been developed to address the MDG targets.

Objective No. 3	Improve Export Performance and Diversity
Related Target	Extend duty free and quota free access to all goods exported by LDCs

The increase in commodity exports dependence over the last decade has worsened the export concentration index of LDCs even though the same index for many developing countries has improved significantly. As one of the hallmarks of the least developed status, the increase in the export concentration index indicates both heightened vulnerability and the limited effect of trade preference regimes in helping these countries to increase and diversify their exports in the absence of competitive export supply capacity and adequate trade-related infrastructure.

This Group commends the significant progress in extending trade preferences to LDCs, but notes that the extent of product coverage and the rules-of-origin elements contained in some of these arrangements continue to constrain market access for key LDC products. The rules of origin should be reformed to enable LDCs to benefit from South-South and regional cumulation. We call for the provision of duty-free and quota-free market access for all products from all LDCs, for the reduction and elimination of non-tariff barriers and support to LDCs in building capacity in order to meet product and quality standards.

We recognise that some of the trade preferences lack stability and predictability of access and therefore increase risks and uncertainties to investors. We therefore call on all countries offering preferential trade arrangements to LDCs

to ensure that these arrangements are stable and predictable. We call for preferential market access in the Services sector of export interest to LDCs and policy flexibility and Special and Differential Treatment to be provided to LDCs so that they can exercise the necessary policy flexibility in adapting their development strategies to their specific needs and conditions.

We also note that several emerging market economies have also offered duty-free and quota-free access to products from the LDCs and call on other emerging economies in a position to do so, to also provide similar access for products from LDCs.

We acknowledge that the Aid for Trade initiative, if fully harnessed, will help LDCs remove supply-side constraints, including at the sectoral level and call upon development partners to scale-up resources allocated to this initiative to ensure their equitable allocation in favour of LDCs, and ensure that the building of trade-related infrastructure and export supply capacity be given particular attention.

Suggested International Support Measures:

- Accelerate efforts to provide unhindered duty-free and quota-free access for all LDCs:
 - Extending duty-free and quota-free access to all goods exported by all LDCs;
 - Reform (and simplification) of the rules of origin to allow for inputs from other developing countries;
 - Remove time limits on preferential schemes in favour of LDCs to provide for stable and durable schemes.
- Ensure that all emerging market economies, in a position to do so, also offer duty-free and quota-free access for LDCs products.

Objective No. 4	Reduce the Productivity Gap in Agriculture and Enhance Food Security
Related Target	Double the productivity in agriculture from the 2008 levels by 2020

The agriculture sector in LDCs faces huge challenges due to a lack of investments in physical infrastructure, scientific and technological developments and research extension services. Furthermore, agriculture development has been suffering from a myriad of climate change-related problems such as deforestation and desertification, land and soil degradation, dust, floods, cyclones, tsunamis, earthquake, drought, unpredictable weather patterns, loss of biodiversity, declining water availability and degrading water quality.

Constraints to rural development are wide-ranging and vary in nature. There is inadequate investment in rural development resulting in lack of access to infrastructure which constrains the flow of goods and services to the rural poor. In addition, lack of access to farming technologies – manifested by the absence and limited development of agricultural extension services – has adversely affected agricultural productivity.

As a result, many LDCs have suffered from declining agricultural productivity and production in the last few years and most of them have become net food importers. Yet, agriculture is a pivotal sector in LDCs, as it underpins food security, poverty eradication, full employment and decent work opportunities, the empowerment of women, rural development and sustainable economic development through increased foreign exchange earnings, commodity diversification and agro-processing capacity.

LDCs should adopt comprehensive national agricultural development and food security plans that are fully integrated with development priorities and capable of bringing food security and transformation of rural economies.

Suggested International Support Measures:

- Increase assistance directed at agriculture including support for the development of agricultural extension services and South-South exchanges;
- Remove barriers and put in place incentives for the transfer of technology, particularly from middle income countries with similar climates but more successful agricultural outcomes;
- Assist in increasing the productivity of rain-fed agriculture and, where appropriate, increase the acreage under irrigation (particular in Sub-Saharan Africa)
- Provide technical and financial assistance to programmes directed at rationalising land-tenure systems.
- Endorse a set of principles guiding land concession contracts between LDCs and foreign investors to protect the rights of the people of LDCs to ownership, right to food and nutrition.
- Assist in setting up regional food banks to provide emergency buffer-stocks in times of crisis.
- Invest in research and development in the agriculture sector to fully develop domestic and regional potentials

Objective No. 5	Address the Infrastructure Deficit
Related Target	Achieve a 50 percent increase in combined rail and paved road mileage by 2021
Related Target	Improve access to energy

LDCs suffer from a profound deficit in physical infrastructure even when compared to other low and lower middle income countries. If these countries are to cease to be least developed and to have the capacity to take advantage of opportunities provided by trade and investment, they will need to significantly improve both the quality and extent of their physical infrastructure.

These countries also suffer from severe shortages in energy even though many of them may be particularly well placed to take advantage of geothermal, solar, wind, and other clean sources of energy. Unless the quantity and dependability of energy is improved development in many other areas, particularly manufacturing, will be impaired.

Suggested International Support Measures:

- Develop and adequately resource an Infrastructure Fund (to be managed and disbursed by the World Bank and disbursed through the World Bank and regional development banks) that LDCs can access to improve infrastructure;
- Encourage and fund regional approaches to infrastructure development that take advantage of the connectedness in transport infrastructure and the close symbiotic relationship between landlocked and neighbouring coastal states in terms of the development and maintenance of critical transport networks and support regional energy grids;
- Adopt integrated energy security development policies, strategies and plans to build a strong energy sector that ensures optimum utilisation of conventional sources of energy but also fully harnesses all possible renewable energy sources;
- Transfer required technology to LDCs to build and develop energy infrastructure and a diverse, advanced, cost-effective, reliable, clean and affordable energy supply including new and renewable energy.

Objective No. 6	Remove the Spectre of Debt Distress from LDCs
Related Target	Comprehensive further reduction of official bilateral and multilateral debt for debt-distressed LDCs
Related Target	A substantive increase in the proportion of grants in resources flows to LDCs
Related Target	Develop new and innovative debt instruments that better accommodate the challenges faced by LDCs

Debt distress – the reality of debt service burdens that exceed a country’s repayment capacity – can inhibit the development prospects of LDCs as much as any of the vulnerabilities that mark the least developed status. Besides the drain on the public purse, high debt service burdens can lead to reductions and distortions in public and private investment decisions and restrict policy options.

Even though most of the LDCs that were previously heavily indebted poor countries (HIPC) have received debt relief through the Enhanced HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI), many LDCs still face debt distress or are at risk of debt distress.⁷ There are several reasons for this condition. A few countries have not yet reached the completion point of the HIPC process (which is required for full eligibility for both HIPC and MDRI debt relief) and not all creditors have delivered on debt relief undertakings. Further, the financial crisis has caused the debt profile of many LDCs to deteriorate by increasing the burden on the public sector even as domestic revenue and, sometimes, external assistance flows have contracted. High levels of domestic borrowing and limited concessionality in external debt flows have also increased the present and/or prospective debt service burden for many countries.

While HIPC and MDRI debt relief, in addition to the Paris Club process, can assist countries in reducing their debt service burden, it does not completely eliminate the prospect of future debt distress. If the goal of halving the number of LDC countries over the next decade is to remain realistic, debt should not constrain the pursuit of programmes and policies that will address the structural disadvantage that they face. Debt relief, in combination with a greater emphasis on grant-based development assistance and the development of new debt instruments that are better suited to the challenges faced by LDCs, will go a long way toward allowing the fiscal and policy space that countries need to pursue this challenging objective. However, it is reasonable that if donor countries and commercial lenders are to offer further debt relief or cancellation as part of their contribution to LDC success, that they should demand, in return,

⁷ According to an IMF report (“Preserving Debt Sustainability in low-Income Countries in the Wake of the Global Crisis,” April 2010) ten LDCs are debt-distressed and nine are at high risk of debt distress.

better stewardship of public finances, constraints on domestic borrowing, and demonstrated efforts at meeting the human development goals specified in the PoA.

Suggested International Support Measures:

- Implement a new initiative to provide comprehensive further debt reduction;
- Substantially increase the proportion of aid to LDCs that is delivered in the form of grants;
- Develop new and innovative debt instruments (such as GDP and commodity indexed bonds) that are better suited to the reality of LDCs and are thus less likely to result in debt service burdens that do not match countries’ repayment capacities in any given year.
- Enhance efforts at improving domestic resource mobilisation, including informal sector participation.

Objective No. 7	Providing for Migration Flows
Related Target	Achieving greater responsiveness to the population pressures in LDCs

LDCs have some of the youngest and most vibrant populations in the world. When they are able to work abroad they transfer large amounts of resources to families at home that can help reduce poverty levels and provide capital for small-scale investment. The ease with which migrant LDC populations can work abroad and transfer funds back to their home countries is thus likely to have a significant impact on the rates of both poverty reduction and growth in those countries.

Suggested International Support Measures:

- Target programmes in developed countries and other countries with large populations of migrant workers to improve and protect the flow of remittances to LDCs;
- Allowing temporary increases in migration flows from LDCs into developed countries when crises exacerbate population pressures;
- Encourage regional approaches to human capital development combining labour mobility and skills development within regions;
- Accession to international agreements on the protection of the rights of migrants and their families;
- Advance the consultation process on migration and development by enacting consensual measures agreed upon in the context of the International Forum on Migration and Development;

Chapter 4: Targeting Specific Vulnerabilities

All Least Developed Countries demonstrate significant economic vulnerabilities, but the precise nature of these vulnerabilities vary across different groups of LDCs. Small island economies and countries with low-lying coasts are particularly vulnerable to the rising sea levels that are a consequence of global warming; landlocked countries face high costs and uncertainty in trade transactions; resource-based economies face what has become known as the resource curse; and several LDCs are either in conflict or emerging from conflict.

If these countries are to move beyond LDC status, these vulnerabilities will have to be specifically targeted through adequately resourced programmes that create positive incentives for action at both the national and international levels.

The challenges faced by some of these different categories of LDCs, such as Landlocked LDCs and Small Island Developing States are addressed by specific support measures agreed upon by the international community through dedicated plans of action. Food insecure and import dependent LDCs need to be supported through dedicated programmes providing both emergency help and medium to long term schemes. The policy recommendations set forth in the UN Secretary-General's Comprehensive Framework for Action are of relevance in that end. Energy insecure LDCs need particular support in enhancing their domestic energy resources and adopting energy efficiency measures and diversifying into renewable energy sources. LDCs prone to natural disasters require support for establishing disaster prevention and mitigation measures.

We, the Eminent Persons, call for the full implementation of these agreed development goals. Countries emerging from conflict should continue to retain the full attention of the international community. In LDCs in conflict or emerging from conflicts, deserved attention should be paid to peace building, including disarming, demobilising, rehabilitating and reintegrating former combatants, to reconstruction of institutions and infrastructure, security reforms as well as the restoration of rule of law. The UN Peace Building Commission should also provide assistance to these countries to draw up their strategic frameworks for economic recovery and sustained growth.

For the natural resource rich countries, we call for strengthening their negotiating capacities in order for them to draw the maximum benefits for their people. All countries and investors should also adhere to transparency schemes like EITI and others and ensure fair returns to the LDCs from the exploitation of their natural resources and increased value addition and value retention.

Objective No. 8	Preparing for and Addressing the Climate Change Challenge
Related Target	Replenishment of the Least Developed Countries Fund

LDCs are projected to be negatively and disproportionately impacted by the effects of climate change, such as rising sea levels; and which may also include the onset of extreme weather related events, desertification and deforestation. These countries will need assistance in preparing for and adapting to these adverse effects to which they remain highly vulnerable. The LDCs Fund was never very large and has been considerably depleted and is in desperate need of replenishment and expansion if it is to meet the needs of LDCs going forward.

Suggested International Support Measures:

- Substantially replenishing the Climate Fund for the Least Developed Countries;
- The Green Climate Fund should give priority to LDCs by dedicating substantial funding to them;
- Pledges made in Copenhagen for Fast Track Financing for vulnerable countries including the LDCs should be kept and the resources made available urgently
- Increase global funding and research on climate change and its potential effects.

Objective No. 9	Securing Certainty of Access to Trade Routes and Providing Good Transport Infrastructure and Facilities for Land-Locked Countries
Related Target	All landlocked LDCs must have access to at least one legally secure, protected, and structurally sound trade route by 2015

All landlocked economies depend on trade routes through neighbouring coastal states for the flow of exports and imports. In many cases they are not granted unrestricted access to these routes, civil conflict often damage or close these routes, high transit costs (along with long bureaucratic procedures) are incurred at border crossings, and arbitrary changes may be made to tariff rates. Without the security of inexpensive and reliable trade access, progress in the areas of trade and infrastructure development will be compromised in these countries.

Suggested International Support Measures:

- Provide an adequately resourced legal facility that can facilitate the negotiation and implementation of secure transport agreements between landlocked LDCs and neighbouring coastal states that meet the economic, sovereignty and security needs of transit countries while providing certainty of access at reasonable and predictable costs for landlocked LDCs;
- Provide adequate resources, through the Infrastructure Fund, for upgrading and maintaining the major trade routes for all landlocked LDCs.

Objective No. 10	Ensuring the Best Environment for the Productive Exploitation of Natural Resources
Related Target No. 1	Promulgate and enforce legally binding rules of disclosure for resource-exploiting transnational corporations
Related Target No. 2	Provide a funding mechanism that can help LDCs obtain independent expert assistance when negotiating resource extraction agreements
Related Target No. 3	Develop international guidelines that clearly spell out the division of government versus corporate liability for environmental damage from resource extraction
Related Target No. 4	Ensure that resource-rich LDCs adequately provide for future generations from the present exploitation of finite resources
Related Target No. 5	Create a Commodity Stabilisation Fund that can help cushion LDCs against the large price shocks that are typical of commodity trading

The spectre of corruption and the diversion of substantial amounts of public resources into private hands are well established parts of the negotiation and exploitation of natural resources. This behaviour is not unique to LDCs or the trans-national corporations working in LDCS, but is particularly acute in these countries because of the weak institutions and limited administrative capacity that typify them. Moreover, these countries typically lack the technical capacity to negotiate resource-exploitation arrangements that ensure real and substantive economic benefit, whether in the form of royalties, taxes or productive links within the local economy, from these agreements. Thus the status of under-development continues even as substantial amounts of wealth continue to be produced from the exploitation of these countries' finite resource endowments.

Man-made disasters that can occur during the process of resources extraction can result in long-term damage and environmental catastrophe. For a small LDC a disaster of even one-fifth of the magnitude of the Gulf oil spill would result in penury for some time to come, not to mention the health and environmental costs. For these countries, creation of domestic environmental rules and regulation that both adequately protect their interests and are enforceable would be a tall order. A better approach would be the development of internationally binding rules, or at least guidelines, that delineate the responsibilities of resource extracting firms in bearing the costs of any man-made disasters arising from their activities.

The sudden drop in the previously historically high commodity prices in 2008 and the current spike in food and the price of some minerals is a reminder of the fact that price volatility is a norm for most primary commodities. LDCs that export those commodities typically have to deal with several other vulnerabilities besides the price movements. A Commodity Stabilisation Fund would help these countries better navigate these price movements with few negative economic effects. Moreover, long term public and private investment planning will be better served by more predictable public and private income flows.

Suggested International Support Measures:

- Develop and promulgate disclosure rules, similar to those of the EU but administered and enforced at the international level, that ensure transparency in all transactions related to resource extraction involving trans-national corporations;
- LDCs and their partners should introduce codes of conduct for resource extraction companies as part of Trade-Related Investment Measures and in Bilateral Investment Promotion Agreements to cover issues such as environmental damage, increased value addition and retention;
- Develop and provide a fund for legal and technical support for LDCs negotiating resource extraction agreements;
- Help set-up sovereign wealth funds for future generations in resource-rich LDCs, and create governance structures and capacities to manage such funds;
- Encourage, through technical assistance, technology transfers and the funding of capacity building initiatives, the development of relevant knowledge, expertise and capacity that would allow LDCs to move up the ladder of production to higher levels of value addition in commodity production;

Conclusion

The story told by the economic and human development experience of LDCs over the last few decades, particularly when compared to the experience of other developing countries, is not an encouraging one. While there has been some individual country successes in specific areas, as a group, the LDCs have become more “least developed” over the last three decades. Not only have most LDCs failed to graduate from that status, but they have fallen further behind other low and lower middle income countries in terms of income, education, child mortality, agricultural productivity, export performance and a range of other measures. We cannot escape the very real conclusion that the structural disadvantage of these economies, in terms of weak human assets, limited physical and institutional infrastructure, dependence on fragile agricultural sectors and a limited range of exports are at the heart of the continued marginalisation of these countries within the world economy. In short, the “least developed” condition has tended to generate “less” development.

Nevertheless, some LDCs have been able to make progress in terms of economic growth and diversification and in improving some health and education indicators. These successful experiences are positive examples of what is possible in LDCs through global solidarity and international cooperation. Securing sustainable economic growth and development in the LDCs will cause this group of countries to play an important role in the global economy, not only as producers and exporters, but also as major consumers given their large populations and rising incomes and purchasing power. Therefore, investing in LDCs is a good commercial decision and the world has enough resources to make the difference.

In the view of this Group of Eminent Persons, unless we address the structural weaknesses that make these countries “least developed” we will not reverse this increasing marginalisation. This group urges, in the strongest possible terms, that the next Programme of Action (PoA) focus on reducing the structural gap that exists between LDCs and other low and lower-middle income countries. More to the point, a new PoA should focus specifically on reducing the human assets gap (education, health, nutrition etc.), the export performance gap, the agricultural productivity gap, and the infrastructure gap. If this is achieved, a 50 percent graduation of LDCs from “least developed” status by 2021 is a realistic aspiration.

To be effective, the new PoA should involve a clear differentiation of responsibility between the international community and LDCs; a limited number of clear objectives with related and quantifiable targets; and a mechanism for monitoring the performance of both LDC governments and their development partners as well as assessing progress over the next decade. That PoA should also insist on the involvement of regional bodies (that include LDCs as members) to provide the coordination and supervisory capacity necessary to maximise the benefits from multi-country programmes and to assist in the monitoring progress. Emerging market economies and other developing countries in a position to do so should also play a prominent role in the new Programme. These countries have important comparative advantages in technology transfer and technical assistance that should be made available to LDCs.

Above all, the governments and peoples of LDCs must be at the centre of their own development. LDC governments, in conjunction with civil society and the private sector, must find the means to integrate the objectives and targets of the new Programme into domestic development plans that reflect domestic aspirations and sensibilities and thus have the capacity to marshal domestic energies. They will also need to demonstrate the capacity to implement such plans with a substantial degree of proficiency. Success will require the resources and enabling environment provided by the international community but it will ultimately be indicative of the resourcefulness and perseverance of peoples of LDCs. Capacities that we know to exist in abundance.

Appendix

Table A1: Least Developed Countries (LDCs) as of January 2011

Afghanistan	Djibouti	Madagascar	Sierra Leone
Angola	Equatorial Guinea	Malawi	Salomon Islands
Bangladesh	Eritrea	Mali	Somalia
Benin	Ethiopia	Mauritania	Sudan
Bhutan	Gambia, The	Mozambique	Tanzania
Burkina Faso	Guinea	Myanmar	Timor-Leste
Burundi	Guinea-Bissau	Nepal	Togo
Cambodia	Haiti	Niger	Tuvalu
Central African Republic	Kiribati	Rwanda	Uganda
Chad	Lao P.D.R.	Samoa	Vanuatu
Congo, Dem. Rep. of	Lesotho	Sao Tome and Principe	Yemen, Rep. of
Comoros	Liberia	Senegal	Zambia

Source: UN-OHRLLS

Table A2: Low and Lower-Middle Income Countries that are not Least Developed (OLLMICs)

Armenia	Georgia	Mongolia	Thailand
Belize	Ghana	Morocco	Tunisia
Bolivia	Guatemala	Nicaragua	Turkmenistan
Cameroon	Guyana	Pakistan	Ukraine
Cape Verde	Honduras	Papua New Guinea	Uzbekistan
Congo, Rep.	Jordan	Paraguay	Vietnam
Cote d'Ivoire	Indonesia	Philippines	Zimbabwe
Ecuador	Kenya	Sri Lanka	
Egypt, Arab Rep.	Kyrgyz Republic	Swaziland	
El Salvador	Moldova	Tajikistan	

Source: The World Bank

Table A3: Regional Groupings of Least Developed Countries

Country	Region	Relevant Regional Organisation
Kiribati Samoa Solomon Islands Timor-Leste Tuvalu Vanuatu	Pacific	Asian Development Bank (ADB) UN Economic and Social Commission for Asia and the Pacific (ESCAP) Pacific Islands Forum (PIF)
Cambodia Lao PDR Myanmar	South-East Asia	Asian Development Bank (ADB) UN Economic and Social Commission for Asia and the Pacific (ESCAP) The Association of South-East Asian Nations (ASEAN)
Afghanistan Bangladesh Bhutan Nepal	South Asia	Asian Development Bank (ADB) UN Economic and Social Commission for Asia and the Pacific (ESCAP)
Burundi Eritrea Ethiopia Madagascar Rwanda Tanzania Uganda	East Africa	African Development Bank (ADB) UN Economic Commission for Africa (ECA) East African Community (EAC) The Common Market for Easter and Southern Africa (COMESA)
Comoros Djibouti Mauritania Somalia Sudan Yemen	Arab States	African Development Bank (ADB) UN Economic Commission for Africa (ECA) UN Economic and Social Commission for Western Asia (ESCWA) The League of Arab States (LAS) The Common Market for Easter and Southern Africa (COMESA)
Lesotho Malawi Mozambique Zambia	Southern Africa	African Development Bank (ADB) UN Economic Commission for Africa (ECA) Southern Africa Development Community (SADEC) The Common Market for Easter and Southern Africa (COMESA) Southern Africa Customs Union (SACU)

TABLE A3: Regional Groupings of Least Developed Countries (continued)

Country	Region	Relevant Regional Organisation
Angola Chad Central African Republic Congo DRC Equatorial Guinea Sao Tome and Principe	Central Africa	African Development Bank (ADB) UN Economic Commission for Africa (ECA) The Common Market for Easter and Southern Africa (COMESA) Economic Community of Central African States (ECCAS) Monetary and Economic Community of Central Africa (CEMAC)
Benin Burkina Faso The Gambia Guinea Guinea-Bissau Liberia Mali Niger Senegal Sierra Leone Togo	West Africa	African Development Bank (AfDB) UN Economic Commission for Africa (ECA) Economic Community of West African States (ECOWAS) West African Monetary Union (WAMU)
Haiti	Central America and the Caribbean	Inter-American Development Bank (IADB) UN Economic Commission for Latin America and the Caribbean (ECLAC) Caribbean Community (CARICOM)

Source: UN-OHRLLS and the websites of various regional organisations.

the 1990s, the number of people in the world who are illiterate has increased from 1.2 billion to 1.5 billion (UNESCO 2003).

There are many reasons for the increase in illiteracy. One of the reasons is that the population growth rate is increasing. The population of the world is increasing at a rate of 1.2% per year (UNESCO 2003). This means that the number of people who are illiterate is increasing at a rate of 1.2% per year. Another reason is that the quality of education is declining. The quality of education is declining because of the increasing number of people who are illiterate. This means that the number of people who are illiterate is increasing at a rate of 1.2% per year.

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