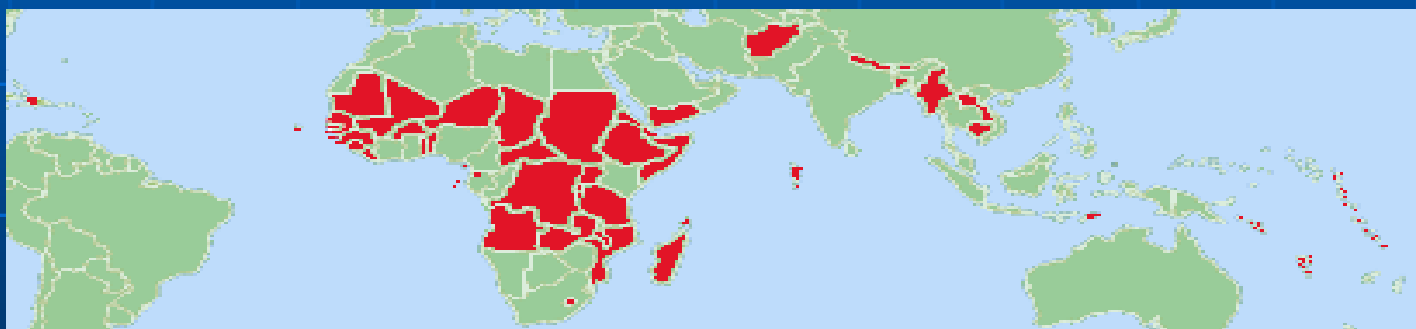




# Tackling the Vulnerability of LDCs

## Fine tuning international support measures

9 March 2011



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Committee for Development Policy  
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# Two points:

1. Progress measured by the LDC classification criteria
2. Fine tuning LDCs international support measures

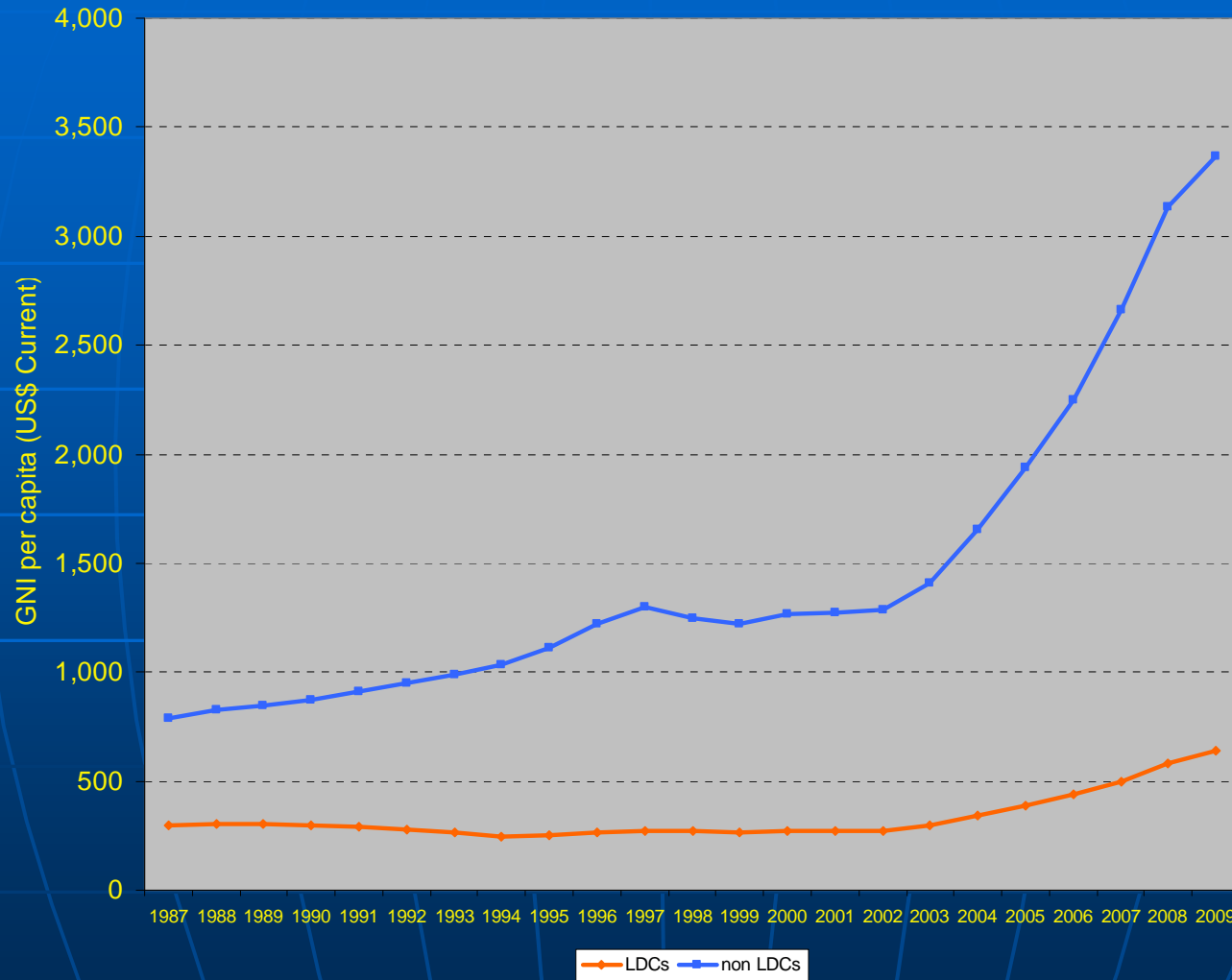
# Least Developed Countries = Low-income countries + facing structural handicaps to growth

GNI per capita (as a measure of income)

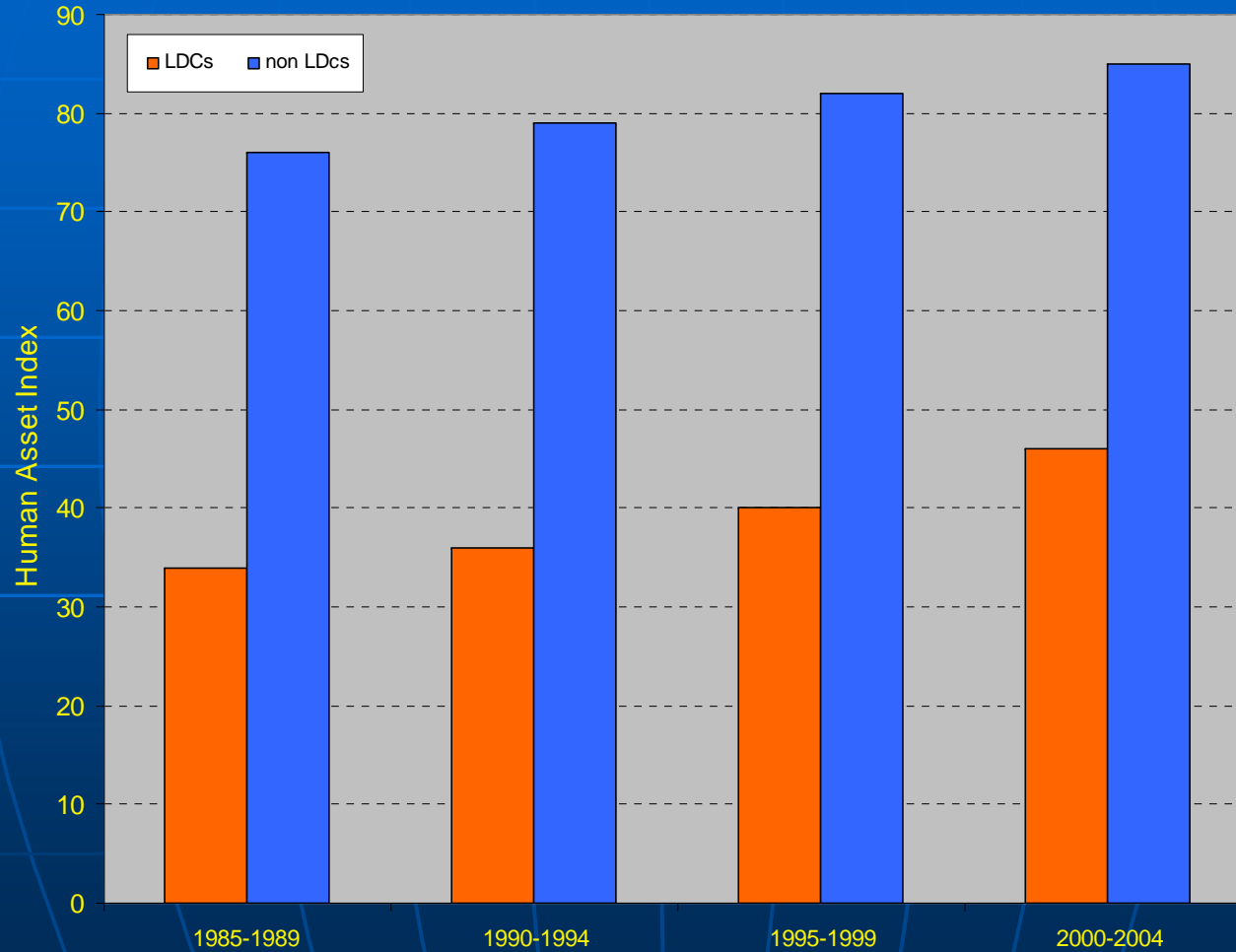
Structural impediments to sustained growth:

1. Level of human development measured by the Human Asset Index (HAI),
2. Structural vulnerability to shocks proxied by the Economic Vulnerability Index (EVI)

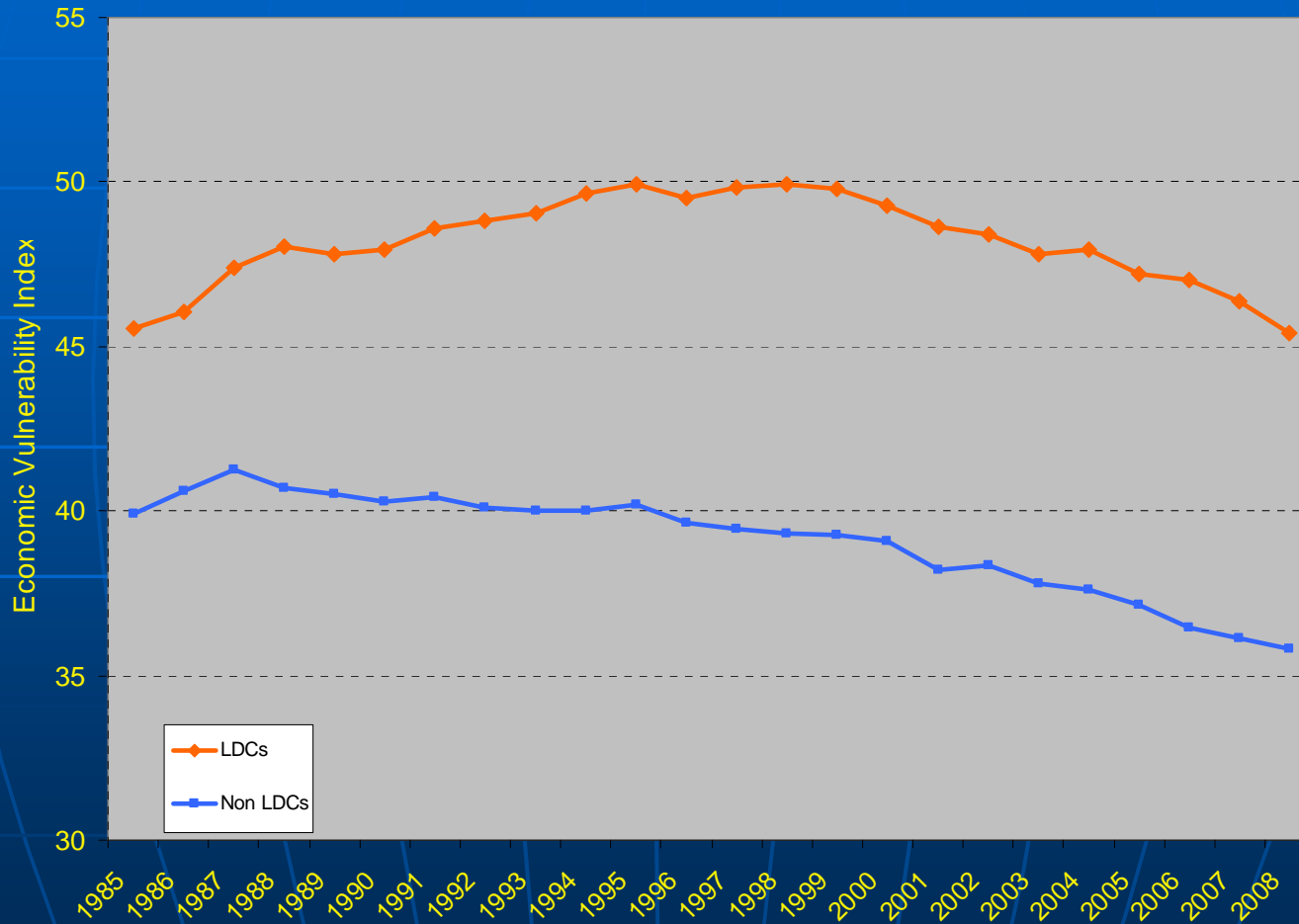
# Widening income gap



# HAI: slow convergence

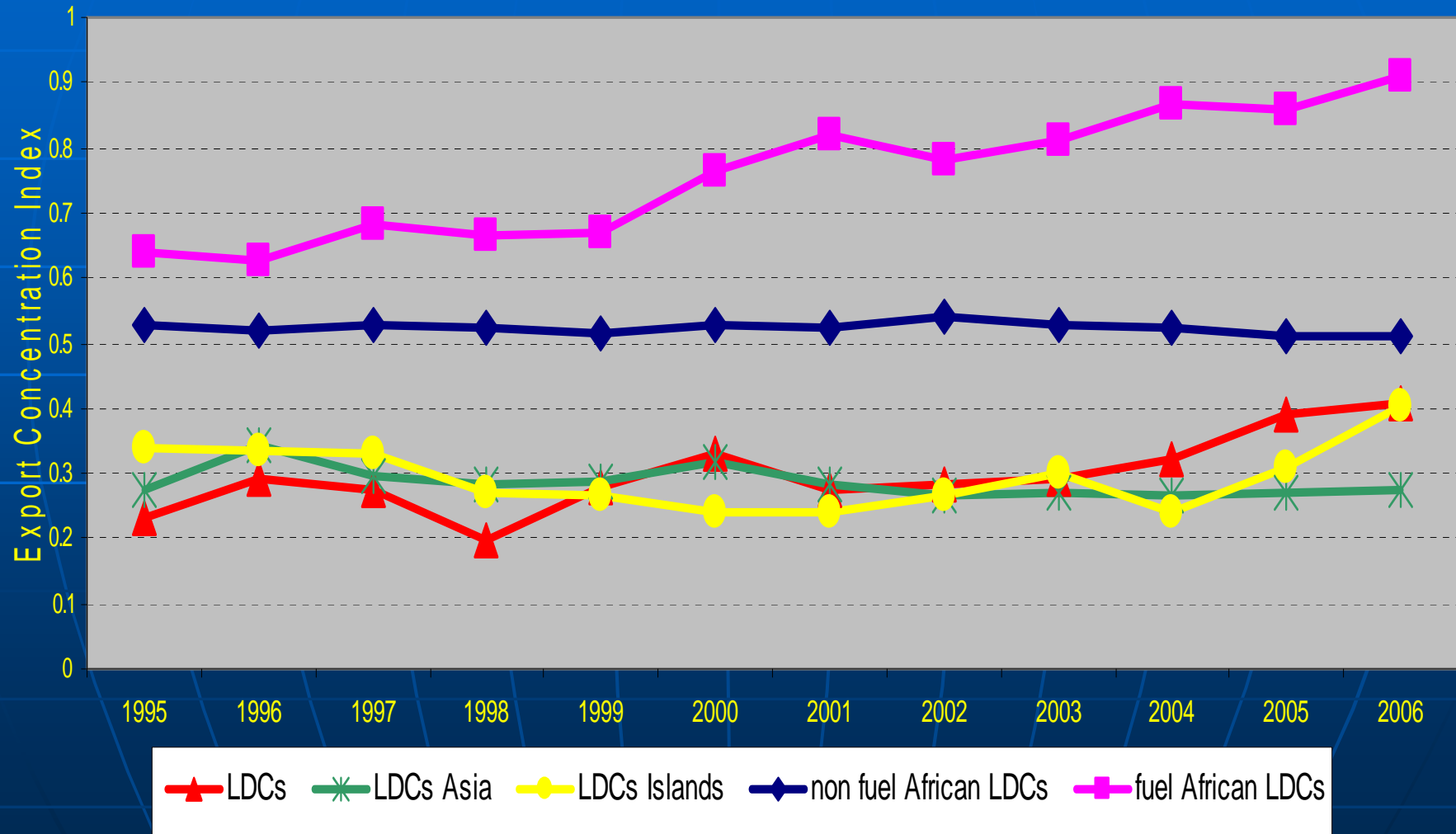


# EVI: Progress, no catching up



# Divergence at the regional/sub-group level

## Export concentration (UNCTAD)



## What can we say (considering all caveats)?

- Progress, but not sufficient
- Group continues to lag behind average developing countries
- HAI slow catching-up, EVI no catching up, acute income divergence
- Uneven performance: significant diversity within group
- Riding the global tide



# International support measures: Boosting the boosters (1/3)

## ODA

- ODA flows contracted in the 90s (more than in non-LDCs) but recovered in the 2000s (comparable to non-LDCs)
- ODA targets not met: gap of \$23-\$42.5 billion in 2008
- Within the LDC group, allocation favors the poorer and low HAI LDCs.
- Not responsive to EVI
- ODA sectoral allocation favors social sectors
  - ⇒ Need of more balanced interventions to avoid lopsided (non sustained) growth but not neglecting human development
  - ⇒ Usual observations of effectiveness and coherence apply

## Boosting the boosters (2/3)

### Preferential market access

- Market access: LDC trade less than 1 per cent of world trade (0.3% excluding fuels) in 2008. Limited—or even reversed—trade diversification
- Effective preferential treatment:
  - ⇒ magnitude (relative to other groups of countries)
  - ⇒ product coverage
  - ⇒ non tariff barriers (RoO, technical barriers, SPS, etc.)
- Addressing supply constraints (infrastructure, narrow production base, weak institutional capacities):
  - ⇒ Domestic policies: beyond macro stability and good governance
  - ⇒ IF: enhanced enough?
  - ⇒ Aid for trade: additional?

## Boosting the boosters (3/3)

### Beyond market access: special and differential treatment

- Some 25 LDC-specific measures above and beyond developing countries in the UR agreements
- LDC handicaps justify but measures not explicitly designed to address handicaps (except capacity building) or address handicaps only indirectly. Some may be irrelevant in the vulnerability context.
- Limited use: some (procedures, extensions, capacity building, food aid) more than others (SPS/TBT, export subsidies, agriculture support, TRIMS)
- Why? Lack of awareness, coordination communication failures, not adjusted to LDC conditions, "offsets"
- Moving forward
  - ⇒ LDC to get better acquainted, active, address coordination issues
  - ⇒ International cooperation: address design flaws, remove add-ons, improve policy coherence

# Special support measures: ADDING boosters

- Too many challenges, too few instruments
- Old challenges: increasing productivity of agriculture
- New challenges: set asides in global adaptation funds, preferential access to clean technologies
- Risk-insurance and effective countercyclical financing
- Avoiding setbacks: monitoring of conflict predictors
- Clustering of countries for more efficient support design

# Additional information

[www.un.org/en/development/desa/policy/cdp/ldc\\_project.shtml](http://www.un.org/en/development/desa/policy/cdp/ldc_project.shtml)

And...

Coming up on 11 May 2011

LDC Information Portal  
on International Support Measures

[www.un.org/ldcportal](http://www.un.org/ldcportal)

(Special side event at IV UN Conference on LDCs, Istanbul)