UN-OHRLLS

STATE OF THE LEAST DEVELOPED COUNTRIES 2014

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

SPECIAL THEME

Extreme Poverty Eradication in the Least Developed Countries and the Post-2015 Development Agenda

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FOREWORD

The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) is presenting the *State of the Least Developed Countries 2014* as part of its mandated analytical activities on the eight priority areas of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020. The second of its type, the report is intended to substantively backstop follow-up in each area.

The current report builds on the first edition in 2013, which considered the issues of productive capacity building in the least developed countries (LDCs) and the post-2015 development agenda. That report proposed a conceptual and operational framework for productive capacity building in the context of the post-2015 agenda, particularly relating to LDC issues and the sustainable development goals (SDGs). This year's report is dedicated to the elimination of extreme poverty in the LDCs, which is at the centre of discussions about the SDGs and an area where most LDCs lag behind.

Part 1 of the report assesses progress towards achieving the goals and targets of the Istanbul Programme of Action, particularly in the eight priority areas; reviews efforts towards this end; identifies challenges ahead; and proposes some recommendations for further implementation. It argues that continued coordinated and targeted support to the LDCs in all areas of international development cooperation will remain critical to effectively implementing the Istanbul Programme of Action, and unlocking the LDCs' immense growth and development potentials.

Part 2 of the report builds on this assessment as well as last year's report, arguing that sustainable and inclusive growth through enhanced productive capacity is crucial for extreme poverty eradication in the LDCs. It provides an empirical analysis of the nexus between growth, inequality and poverty, and suggests actions by both the LDCs and their development partners to achieve extreme poverty eradication, with a view to contributing to and complementing the ongoing processes of formulating the post-2015 agenda and the SDGs.

The report also contains comprehensive statistical data on the implementation of the Istanbul Programme of Action.

It is my sincere hope that this report will be useful for policy formulation for full and effective implementation of the Istanbul Programme of Action as well as the continued articulation of the post-2015 agenda.

Gyan Chandra Acharya
United Nations Under-Secretary-General and High Representative for LDCs, LLDCs and SIDS (UN-OHRLLS)

ACRONYMS

DAC	Development Assistance Committee
EITI	Extractive Industries Transparency Initiative
FAO	Food and Agriculture Organization
FDI	Foreign direct investment
GDP	Gross domestic product
GNI	Gross national income
GPI	Gender Parity Index
HIPC	Heavily Indebted Poor Country Initiative
HIV/AIDS	Human immunodeficiency virus/acquired immunodeficiency syndrome
ICT	Information, communication and technology
IIED	International Institute for Environment and Development
IMF	International Monetary Fund
LDCs	Least developed countries
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NAPAs	National adaptation programmes of action
OECD	Organisation for Economic Co-operation and Development
ODA	Official development assistance
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Educational Quality
SDGs	Sustainable development goals
SIDS	Small island developing states
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNICEF	United Nations Children's Fund
UNISDR	United Nations Office for Disaster Risk Reduction
UNODC	United Nations Office on Drugs and Crime
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNU-WIDER	United Nations University
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

Progress in the implementation of the Istanbul Programme of Action

The moderate economic recovery that began in many LDCs in 2012 was sustained in 2013. Increased public spending, and stronger investment and activity in the mining, construction, manufacturing and services sectors, along with continued strong external private flows—in particular foreign direct investment (FDI) and remittances—contributed to economic revival. This modest recovery remained unevenly distributed, however. The number of LDCs growing at 7 per cent or more declined slightly, from 14 countries in 2012 to 11 in 2013.

Progress towards achieving the goals and targets of the Istanbul Programme of Action is mixed, varying within and across its eight priority areas. There have been some positive movements, such as in increasing access to the Internet and mobile telephony networks, expanding the stock of transport infrastructure and improving the regulatory environment for the private sector. Many LDCs have recorded improvements in human and social development—in particular in education, health and youth development—but these strides have not been sufficient to lift the LDCs entirely out of poverty and social deprivation. FDI and remittances to the LDCs have continued to grow, but the full developmental benefits of these have yet to be reaped. Access to modern, sustainable and affordable sources of energy is still very limited, as is the ability to generate, use, service and maintain technology and innovation.

Much needs to be done to build the LDCs' productive capacity in agriculture, manufacturing and services. The majority of the countries are moving towards a modern structural transformation of their economies at a very slow pace. Labour productivity—particularly in agriculture—remains persistently low, and there has been little in the way of diversification of production and export bases.

As a result of limited development, the LDCs remain the most vulnerable countries to shocks, including economic crises, climate-related events, natural disasters and health-related threats. The recent outbreak of Ebola and the challenges before affected countries—most of which are LDCs—in curbing the disease are symptomatic of acute vulnerability and the inability to respond effectively. Comprehensively addressing the LDCs' structural vulnerability is all the more important, requiring joint efforts by countries and their development partners.

Against this backdrop, the 2012 decline in official development assistance (ODA) to the LDCs from members of the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) has been steeper than reductions for other developing countries. This is particularly worrisome. Preliminary estimates for 2013 and the outlook for 2014 are mixed. Bilateral net ODA to the LDCs is estimated to have increased by 12.3 per cent in 2013 over 2012, probably due to the debt relief received by Myanmar. Country programmable aid—a good measure of aid effectively received by recipient countries—is forecast to abate by 5 per cent in 2014, owing to diminished access to grant resources on which the LDCs very much rely.

Continued coordinated and targeted support to the LDCs in all areas of international development cooperation will remain critical to effectively implementing the Istanbul Programme of Action, and unlocking the LDCs' immense growth and development potentials. Enabling more countries to meet the criteria for graduating from LDC status by 2020 requires the international community to persistently give due priority to their needs and concerns in the formulation of the post-2015 development agenda.

Poverty eradication in the LDCs

Limited headway has been made in eradicating extreme poverty, which, more than any other goal, provides a good measure of the overall success in implementing the entire Istanbul Programme of Action. Extreme poverty remains pervasive in the LDCs. The post-2015 development agenda and the SDGs offer a unique opportunity to advance actions to eradicate it.

Narrowly defined, extreme poverty refers to the inability to meet basic needs, including for food, safe drinking water, sanitation facilities, shelter, health, education and information. A broader definition of poverty accounts for other forms of capability, such as economic and political freedoms. Because of limited data availability, this report relies on money-metric measures of poverty, in particular headcount, poverty gap and poverty squared gap measures for 29 of the LDCs. Analysis of the three measures indicates that while extreme poverty has trended downward, the pace of progress remains well below what is required to make a significant dent in high initial levels across the LDCs.

The report, based on country level evidence, reveals the overwhelmingly positive contribution of economic growth—or income growth—to poverty reduction. It also shows, in some cases, how inequality can hinder extreme poverty reduction by slowing the positive impacts of economic growth. Inequality affects growth as well through reduced savings and investment rates as well as lower social capital, with implications for political and social stability. The report identifies four main determinants of the reduction of extreme poverty and the pursuit of inclusive, sustained and rapid economic growth: gender inequality, institutional frameworks, infrastructure development and service delivery, and external factors.

Eradicating extreme poverty, in short, requires accelerating and sustaining high levels of inclusive economic growth. This cannot be achieved without both meaningful structural transformation of economies, and the beneficial integration of the LDCs in the world economy and the international trading system. Actions are thus needed both at the national and global levels.

National policies should aim to enlarge the factors of production, in terms of capital accumulation (human as well as physical), as well as to enhance total factor productivity, including through the reduction of transaction costs. Complementary policies would be those that improve service delivery, address gender inequality and enable the poor to acquire investment assets that can improve their future income. The effectiveness of all policies, in their formulation and implementation, critically depends on sound national institutions.

Governments also need to ensure that efforts to increase domestic revenue are designed in ways that curb inequality. Domestic resource mobilization is crucial to finance infrastructure and social protection, and create an enabling environment for structural transformation and accelerated growth. Compared to ODA and FDI, domestic resources will provide a more sustainable and less volatile base to finance poverty alleviation and better service delivery. This will in turn enhance the tax base and create a virtuous cycle of growth and poverty reduction. In order to increase public resource mobilization, fiscal policy needs to promote public investment that is sustainable, including through clear, formal rules for allocating tax and non-tax revenue towards investment and recurrent expenditures (UN-OHRLLS, 2013).

Successfully eradicating extreme poverty depends as well on external factors, given the impacts of external resource flows. Actions by LDC development partners on trade, ODA, other forms of external finance, FDI, and technology transfer and acquisition will determine progress in ending poverty to a large degree. These actions are well spelled out in the Istanbul Programme of Action and reinforced by the Cotonou Agenda adopted at the Cotonou Ministerial Conference of the LDCs in July 2014, where donor countries were called upon to fulfil their ODA commitment and to allocate at least 50 per cent of ODA as well as the Aid for Trade disbursement to the LDCs. The operationalization of various proposed climate-related funds, along with giving due priority to the LDCs in the disbursements of resources from these as well as those already in place, will go a long way in addressing climate fallout on economic growth and poverty eradication.

Other international measures in support of extreme poverty eradication are: the provision of duty-free, quota-free market access, on a lasting basis, for all products originating from all LDCs; the adoption of simple, transparent and flexible preferential rules of origin applicable to imports from the LDCs; refraining from protectionist tendencies and adopting trade-corrective measures—including in agriculture—that are consistent with multilateral obligations; and the elimination of arbitrary or unjustified non-tariff and para-tariff barriers. The United Nations Secretary-General's proposal for a technology bank and an international investment support centre for the LDCs could play an important role in upgrading productive capacity, and leveraging the growth and poverty eradication effects of technology transfer and FDI inflows.

The availability of reliable data is critical for policy formulation, implementation and monitoring. Gaps in data meant that only 29 out of the 48 current LDCs could be analysed in this report, indicating the inadequacy of current data systems. It would be enormously beneficial to help LDC statistical agencies improve their capacities to collect, process, store and disseminate accurate and reliable data. Emphasis should be put on disaggregated data, including by geography, diverse social and economic groups, and gender.

Integrating extreme poverty eradication in the LDCs in the post-2015 development agenda and the SDGs assumes greater urgency since these countries will miss most of the Millennium Development Goals (MDGs). The report identifies ways in which the international community could support eradication, taking into account ongoing consultations and negotiations to define common future goals and aspirations.

RÉSUMÉ

Les progrès dans la mise en œuvre du Programme d'Action d'Istanbul

La reprise économique modeste qui a commencé en 2012 dans les PMA a continué en 2013. L'augmentation des dépenses publiques, l'accroissement de l'investissement et la forte activité dans les mines, la construction, l'industrie manufacturière et les services, parallèlement au maintien de flux de capitaux privés extérieurs importants – en particulier les IDE et transferts de fonds, ont contribué à cette relance économique. Cette reprise modeste continue d'être distribuée de manière inégale, cependant. Le nombre de PMA ayant connu une croissance à 7% ou plus a sensiblement baissé, passant de 14 pays en 2012 à 11 en 2013.

Les progrès dans la réalisation des objectifs et buts du PAI sont mitigés. Ces progrès varient entre et au sein même des huit domaines prioritaires du Programme. Des avancées certaines doivent être notées dans l'accroissement de l'accès à Internet et aux réseaux de téléphonie mobile, l'augmentation de la densité des infrastructures de transport et l'amélioration du cadre règlementaire dans lequel évolue le secteur privé. De nombreux PMA ont aussi montré des signes d'amélioration en matière de développement humain et social – en particulier dans l'éducation, la santé et le développement de la jeunesse – mais ces efforts n'ont pas été suffisants pour sortir entièrement les PMA de la pauvreté et du dénuement social. Les IDE et les transferts de fonds de migrants ont continué d'augmenter, mais les bénéficiaires de ces flux n'ont pas encore su en exploiter pleinement les potentiels. De plus, l'accès à des sources d'énergies modernes, durables et abordables est encore très limité. Il en est de même pour la capacité des PMA à générer, utiliser et assurer la maintenance de nouvelles technologies innovantes.

En somme, de nombreux efforts restent à faire pour développer la capacité productive des PMA dans l'agriculture, l'industrie manufacturière et les services. Un reflet de cette nécessité est la lenteur des progrès vers la transformation structurelle des PMA, avec une faible productivité du travail – en particulier dans l'agriculture – et une diversification insuffisante des bases productives et d'exportation.

En raison des points évoqués ci-dessus, les PMA restent particulièrement vulnérables aux chocs externes— en autres aux phénomènes climatiques, aux catastrophes naturelles et aux chocs sanitaires. La récente épidémie du virus Ebola et les défis auxquels les pays touchés doivent faire face – la majorité d'entre eux des PMA – pour enrayer cette épidémie sont symptomatiques de leur extrême vulnérabilité aux chocs et de leur faible capacité à y répondre efficacement. Apporter des réponses à la vulnérabilité structurelle des PMA dans son ensemble est d'autant plus importante et demande des efforts conjugués de la part des PMA et de leurs partenaires au développement. Dans ce contexte, la baisse en 2012 de l'Aide Publique au Développement (APD) en provenance des pays du Comité d'aide au Développement (CAD) et à destination des PMA, qui a été plus forte que celle allant vers les autres pays en développement, est d'autant plus alarmante. Les estimations préliminaires pour 2013 et les projections pour 2014 sont mitigées. L'APD bilatérale nette vers les PMA a enregistré une hausse estimée à 12.3 pour cent, probablement en raison de l'allègement de la dette du Myanmar en 2013. La baisse prévue de 5 pour cent en 2014 de l'Aide Programmable par Pays (APP) – une bonne mesure de l'aide effectivement reçue par les pays bénéficiaires - est plus inquiétante et est due à l'accès réduit aux subventions dont les PMA sont particulièrement tributaires.

Le soutien coordonné et continu aux PMA dans tous les domaines de la coopération internationale pour le développement reste crucial pour la mise en œuvre efficace du Programme d'Action d'Istanbul, et pour libérer le potentiel immense de croissance et de développement des PMA. Pour permettre à plus de PMA de répondre aux critères de sortie de la catégorie des PMA, la communauté internationale doit, de manière coordonnée, continuer de donner la priorité aux PMA, à leurs besoins et préoccupations, dans la formulation de l'Agenda Post-2015 pour le développement.

L'éradication de la pauvreté dans les PMA

L'un des objectifs pour lequel peu de progrès ont été enregistrés est celui de l'éradication de la pauvreté, qui plus que tout autre objectif, donne une bonne mesure du succès global dans la mise en œuvre du Programme d'Action d'Istanbul. En effet, la pauvreté extrême reste plus répandue dans les PMA qu'ailleurs. Les processus en cours de formulation de l'Agenda Post-2015 pour le Développement et des Objectifs du Développement Durable (ODD) offrent une opportunité unique

de promouvoir l'ordre du jour de l'éradication de la pauvreté dans les PMA. La définition étroite de la pauvreté extrême se réfère à l'incapacité de pourvoir aux besoins de base, y compris les besoins alimentaires, l'accès à l'eau potable, aux installations sanitaires, à la santé, à l'éducation et à l'information. Au sens large, la pauvreté tient aussi compte d'autres capabilités à l'instar de la liberté économique et politique. En raison du nombre limité de données, ce rapport se base sur des mesures monétaires de la pauvreté, en particulier le nombre de personnes vivant sous le seuil de pauvreté, l'écart de pauvreté et le carré du fossé de pauvreté, dans environ 29 PMA seulement. L'analyse dans le rapport de ces trois mesures indique que les tendances sont à la baisse pour l'extrême pauvreté dans beaucoup de PMA, mais que la vitesse à laquelle ces progrès sont enregistrés reste en-dessous de celle nécessaire pour apporter un changement significatif aux niveaux initiaux de pauvreté élevés dans les PMA.

Le rapport, sur la base d'observations faites dans les PMA, démontre un impact positif important de la croissance économique – et de la croissance des revenus – sur la réduction de la pauvreté. Il montre aussi, dans certains cas, que le rôle des inégalités a aussi un impact déterminant sur la réduction de la pauvreté. La présence d'inégalités de revenus détermine la réactivité de la pauvreté face à la croissance économique. Elles affectent également directement la croissance économique en raison de de leur impact sur les taux d'épargne et d'investissement, ainsi que sur le capital social, en particulier sur la stabilité sociale et politique. Le rapport identifie les déterminants suivants pour la baisse de l'extrême pauvreté et une croissance économique rapide, inclusive et durable : l'égalité des sexes, le cadre institutionnel, le développement des infrastructures et la prestation de services, et les facteurs externes.

Ainsi, l'éradication de l'extrême pauvreté requiert d'accélérer et de maintenir des niveaux de croissance économique élevés et inclusifs ce qui ne peut être atteint sans une réelle transformation structurelle des PMA et une intégration réussie de ces pays dans l'économie mondiale et les systèmes de commerce internationaux. A cet égard, des mesures sont nécessaires au niveau des politiques nationales et mondiales. Les politiques nationales doivent inclure non seulement des mesures visant à développer les facteurs de production, en termes d'accumulation du capital (physique et humain), mais également celles visant à augmenter la productivité totale des facteurs, y compris à travers la réduction des coûts de transaction.

Ces politiques doivent être appuyées par des programmes d'amélioration dans la fourniture de services, la lutte contre l'inégalité homme-femme et permettre aux plus pauvres d'acquérir des actifs productifs pour améliorer leurs revenus futurs. Ces politiques nationales ne peuvent pas être efficaces sans la présence d'institutions nationales solides.

Les gouvernements doivent également assurer que les efforts visant à accroître les revenus domestiques soient conçus de manière à réduire les inégalités. La mobilisation des ressources domestiques est cruciale pour financer les infrastructures et la protection sociale, et pour créer un environnement permettant la transformation structurelle et une croissance forte. Elles apporteront une base de ressources moins volatile que l'APD ou les IDE et créeront un environnement favorable à la réduction de la pauvreté et l'amélioration des services publics. Cela renforcera par la suite la base fiscale et permettra un cercle vertueux allant de la croissance économique à la réduction de la pauvreté. Afin d'augmenter la capacité des PMA à mobiliser leurs ressources domestiques, il est important d'adopter une politique fiscale qui favorise un investissement public durable, au travers de règles claires de répartition des revenus fiscaux et non-fiscaux entre les dépenses d'investissement et les dépenses courantes, tel que défini dans le Sustainable Budget Index (UN-OHRLLS, 2013).

Le succès du programme d'éradication de l'extrême pauvreté dépend de facteurs externes. Il y a également un impact direct et proportionnel des flux de ressources externes sur la réduction de la pauvreté. Les actions des partenaires du développement des PMA sur le commerce, l'APD, les autres formes de financement externe, les IDE et les transferts de technologies détermineront en grande partie les progrès réalisés pour l'éradication de la pauvreté extrême dans ces pays. Ces actions ont été clairement définies dans le Programme d'action d'Istanbul (PAI) et renforcées par l'Ordre du Jour de Cotonou adopté à l'issue de la Conférence Ministérielle de Cotonou pour les PMA en Juillet 2014, où les pays donateurs étaient appelés à respecter leurs engagements en matière d'APD et d'attribuer au moins 50% de l'APD et du programme d'Aide au Commerce aux PMA. La mise en œuvre de plusieurs programmes de financement liés au changement climatique et la priorité donnée aux PMA dans le déboursement de ressources provenant de ces fonds, ainsi que de ceux déjà en place, seront déterminants pour faire face aux problèmes liés au changement climatiques et ayant un impact sur la croissance économique et l'éradication de la pauvreté.

D’autres mesures internationales en soutien à l’éradication de la pauvreté incluent : un accès durable, pour tous les produits en provenance des PMA, à des marchés exempts de taxes et de quotas ; l’adoption de règles d’origine préférentielles simples, transparentes et flexibles pour toutes les importations en provenance des PMA ; le renoncement aux tendances protectionnistes et les mesures de correction des distorsions dans les échanges commerciaux, y compris dans l’agriculture, conformément aux accords multilatéraux ; et l’élimination de barrières tarifaire et non-tarifaires injustifiées et arbitraires. Dans les domaines des technologies et des IDE, l’Initiative de la Banque des Technologies et la proposition du Secrétaire Général pour la mise en place d’un centre de soutien à l’investissement international des PMA peuvent jouer un rôle important pour l’amélioration des capacités productives et tirer parti des effets des transferts de technologies et des IDE pour la croissance et l’éradication de la pauvreté dans les PMA.

La disponibilité de données fiables est cruciale pour la formulation, la mise en œuvre et le suivi de politiques publiques. En effet, en raison de données limitées, l’analyse contenue dans ce rapport ne porte que sur 29 des 48 PMA. Il serait donc très bénéfique de mettre l’accent sur les politiques visant à renforcer la capacité des agences statistiques des PMA pour la collecte, l’analyse, la conservation et la dissémination de données fiables et précises. Une attention particulière doit également être mise sur les données désagrégées, par exemple par groupes géographiques et sociaux, y compris par sexe.

L’intégration de la question de l’éradication de la pauvreté dans les PMA à l’Agenda Post-2015 pour le Développement et aux ODD est d’autant plus urgente au vu du fait que ces pays ont été largement oubliés dans la réalisation de la plupart des OMD. Le rapport identifie les moyens par lesquels la communauté internationale peut soutenir les efforts d’éradication de la pauvreté dans les PMA, en tenant compte des discussions et négociations actuelles, dans le but de contribuer et compléter la formulation de l’Agenda Post-2015 pour le Développement et des ODD.

ACKNOWLEDGEMENTS

This report was prepared under the overall guidance of Gyan Chandra Acharya, United Nations Under-Secretary-General and High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, and the general supervision of Heidi Schroderus-Fox, Director of the Office of the High Representative.

The report team was led by Khalil Rahman, Chief, Policy Coordination for the LDCs, Office of the High Representative. Team members comprised Susanna Wolf, Oumar Diallo, Abdul Alim, Margherita Musollino Berg and Rita Ruohonen. The team is grateful to Professor Augustin Fosu for his contribution to the thematic part of the report.

It also appreciates the support received from Ricardo Dunn and Louise Stoddard, who handled processing of the report and its media outreach, and from Gretchen Luchsinger for editing. Mbayang Mbengue, Phil Bastian and Youri Bless provided research assistance.

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PART 1

PROGRESS IN THE IMPLEMENTATION OF THE ISTANBUL POGRAMME OF ACTION

1.1 INTRODUCTION

The Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020 was adopted at the Fourth United Nations Conference on the Least Developed Countries in May 2011. It constitutes a global compact supporting the development of the world's most vulnerable countries. Eight priority areas of action aim at overcoming the economic structural challenges faced by these countries, eradicating poverty, achieving internationally agreed development goals and enabling half the countries to meet the criteria for graduation from the LDC category. Each area contains commitments by both the LDCs and their development partners, and a set of goals and targets.

Progress towards meeting the goals and targets is mixed, varying across and within the LDCs, and across and within the eight priority areas. Part 1 of *State of the Least Developed Countries 2014* sheds light on such varied performance by analysing underlying factors and challenges, and proposing needed responses.

One of the goals on which limited headway has been made is that of eradicating extreme poverty. More than any other goal, this one provides a good measure of overall success in the implementation of the Istanbul Programme of Action. Half of the population of the LDCs continues to live on less than US$1.25 per day.

Part 2 of the report explores the issue of extreme poverty in greater detail, considering measurements and trends in the LDCs. This background analysis is followed by an assessment of the determinants of extreme poverty, in which the growth-inequality-poverty nexus is discussed. Part 2 also analyses progress towards economic structural transformation, with implications for poverty reduction. It concludes with a set of policy recommendations, aimed at the national and international levels, on how the LDCs can move towards sustainable economic growth and poverty eradication.

1.2 RECENT ECONOMIC PERFORMANCE AND NEAR-TERM PROSPECTS

The moderate economic recovery that began in many LDCs in 2012 was sustained in 2013. Aggregate gross domestic product (GDP) for the group edged up to 5.6 per cent in 2013, from 4.3 per cent in 2012. Although displaying signs of strengthening, this performance has yet to match that of 2001-2010, when aggregate GDP rose by almost 7 per cent. The number of countries that grew at 7 per cent or more, the target set in the Istanbul Programme of Action, declined slightly, from 14 in 2012 to 11 in 2013, therefore suggesting an unevenly distributed recovery. Those countries that experienced robust and sustained economic expansion made gains in the reduction of extreme poverty and other development goals. For the group as a whole, however, the proportion of people living in poverty remained persistently high, with 50.8 per cent subsisting on less than US$1.25 per day from 2001-2012. Part 2 of the report will detail the driving factors behind the abnormally high poverty headcount in the LDCs and propose policy recommendations to turn this around.

Overall, the moderate economic upturn was attributable to a number of factors that were external, regional and domestic. Globally, slow economic revival and continued fiscal consolidation in many advanced economies resulted in volatile ODA flows to the LDCs, which in turn constrained domestic demand and economic growth, particularly in aid-dependent countries. Weak recovery in advanced economies together with the deceleration in economic growth in emerging market economies, towards which the LDCs' trade is gradually shifting, hampered the demand for primary commodities and led to less favourable prices. More regional and local circumstances exerting adverse effects included weather-driven supply shocks, political events and civil strife.

The ongoing moderate economic rebound in aggregate GDP growth was the sum of four growth stories across the LDCs. First, a number of LDCs recovered either strongly or moderately from the low or negative economic expansion in 2012. Second, other LDCs that did well are also the very few that have continued to sustain high economic growth over an extended period. At the other end of the spectrum lie the two somewhat less positive storylines: that of LDCs with persistently low economic growth, and that of LDCs with significant moderation in growth.

The economies of Mali, South Sudan and Yemen were on the mend in 2013, moving out of negative territory or picking up from a lacklustre pace. Economic activity expanded gradually in Mali, thanks in large part to improved security and the resumption of donor assistance. Output rose in the service sector. Better weather conditions increased agricultural production. South Sudan's GDP rose strongly until the outbreak of a civil conflict in December 2013, riding the rebound in oil production and exports. Growth also recovered in Yemen owing to robust non-hydrocarbon sector expansion.

The economies of Burkina Faso, Cambodia, Ethiopia, Lao People's Democratic Republic, Liberia, Mozambique, Myanmar, Sierra Leone, Uganda, the United Republic of Tanzania and Zambia continued to enlarge strongly, at speeds similar or close to those sustained since the adoption of the Istanbul Programme of Action. The growth momentum was underpinned to some extent by buoyant activity in the mining and construction sectors (Liberia and Sierra Leone); increased public spending, and robust construction and service activities (Ethiopia, Mozambique, Lao People's Democratic Republic, Myanmar, Uganda and Zambia); and higher outputs in the manufacturing and services sectors (Bangladesh, Cambodia and the United Republic of Tanzania).

The growth experience of the majority of the LDCs in 2013, however, presents a disquieting picture. An important dimension was persistently low GDP growth rates. Many LDCs continued to experience a slow pace of advance, partly because of narrow production and export bases, high transport costs and greater exposure to shocks. Remoteness and/or geographic dispersion and limited landmass, allowing only minimal economies of scale in production processes and public service delivery, compounded these effects in small island states. GDP growth rarely exceeded 3 per cent in Comoros, Kiribati, Tuvalu and Vanuatu.

The Third International Conference on Small Island Developing States in 2014 in Samoa provided an opportunity for the global community to commit to bold responses to the peculiar development challenges of the small island developing states (SIDS), including the unequivocal impact of global warning, which through sea rise and other effects threatens their very existence. Similar expectations also hold for the Second United Nations Conference on Landlocked Developing Countries in 2014 in Austria. Barriers to international trade, in the forms of cost, time and uncertainty, need to be addressed if these states, many of which are LDCs, are to effectively integrate in and benefit from global trade and prosperity.

Beyond geographical obstacles, growing domestic and regional insecurity and/or lower agricultural output took a heavy toll on the economies of Afghanistan, the Central African Republic and Niger, shutting down the recovery that took shape in 2012. Growth decelerated markedly, sometimes reaching negative values in the Central African Republic. Serious economic moderation occurred in Equatorial Guinea on the back of declining oil output.

Overall GDP growth for the LDCs is expected to reach 5.7 per cent in 2014, owing in part to continued strong public and private investment. The majority of countries sustaining relatively high economic growth are likely to expand briskly in 2014. One common feature of the growth patterns in these countries is likely to be the broadness of their economic expansion. Elsewhere, GDP growth is forecast to accelerate as a result of increased oil output (Chad), improved domestic and regional security (Mali and Niger), full resumption of donor support (Guinea), and buoyant activity in the tourism sector and greater private investment (Vanuatu).

Yet this improved outlook is subject to a number of risks, most of which are biased downward. These are international, regional and national in nature. On the international front, the phasing out of unconventional accommodative monetary policies and continued fiscal consolidation in advanced economies could reduce private flows and ODA, therefore impeding investment and growth. Also, a significant growth slowdown in the major emerging market countries would dampen demand and prices for primary commodities, dragging down LDC exports and economic growth.

Regionally, further deterioration in security in some LDCs would constrain economic activity in these countries and their neighbours. The outbreak of the Ebola virus in Guinea, Liberia and Sierra Leone is adversely affecting trade, mining, service industries and agriculture. If not contained rapidly, the disease may spread to other countries in the region, most of which are LDCs, and reverse the hard-won gains of recent years (box 1.1). Across the LDCs as a whole, social and political tensions could undermine GDP growth. Weather-related shocks could have negative impacts on rain-fed agriculture and potential spillover effects on other economic sectors.

Box 1.1: A deadly disease strikes three LDCs

The Ebola virus causes an acute and deadly haemorrhagic fever with a fatality rate of up to 90 per cent. It is transmitted through direct contact, and no cure or vaccine yet exists.

The recent outbreak of Ebola was first reported in Guinea and subsequently in Liberia and Sierra Leone, and then Nigeria, Senegal and the Democratic Republic of the Congo. By end September 2014, over 3,300 people had died, with the overwhelming majority in Guinea, Liberia and Sierra Leone. The World Health Organization (WHO) projected that 20,000 people will be affected before the outbreak is brought under control in six to nine months.

Beyond its human and social costs, Ebola is causing severe economic pain—reducing economic growth by up to 4 per cent and significantly pressuring public finances. Growth is expected to slow substantially as agricultural activity is paralysed, mining operations come to a grinding halt, domestic and cross-border trade are constrained by travel restrictions and the closing of borders, and negotiated or foreseeable investments are postponed or cancelled. Government revenues are dropping even as public spending, particularly to fight the disease, is rising.

If not eradicated, the disease could spread and turn into a regional and then global crisis, with attendant economic, social and human costs. The global response has been initially slow but is gaining momentum, with growing commitments from international and bilateral partners to support eradication of the disease.

The geography of Ebola and the challenges before affected countries—the overwhelmingly majority of which are LDCs—are symptomatic of the acute vulnerability of these countries to shocks and their limited ability to respond effectively. It is a further confirmation of their need for increased attention from international development cooperation.

Added together, these risks illustrate the challenge of maintaining a high level of growth over the long run and undergoing growth-enhancing structural transformation. High and sustainable economic growth is necessary for progress in human and social development to take firm root. The few countries that have made substantial inroads in reducing extreme poverty and meeting other development goals are those that have experienced robust growth, higher value addition and better integration into the global economy.

1.3 PROGRESS ON IMPLEMENTING KEY PRIORITIES OF THE ISTANBUL PROGRAMME OF ACTION

Addressing the disadvantages of the LDCs and helping them embark on a path towards sustainable growth and the reduction of extreme poverty requires major progress across all eight priority areas of the Istanbul Programme of Action. An overarching challenge has been limited movement towards more productive economic structures, since the relative weights of various economic sectors in most countries have not changed significantly compared with their decade averages. As argued in the *State of the Least Developed Countries 2013,* accelerating changes will require sustained progress in productive capacity building.

1.3.1 Productive capacity building

1.3.1.1 Infrastructure

Information, technology and communication

The share of people in the LDCs who entered the global information, communication and technology (ICT) society rose in 2012, sustaining momentum that started over a decade ago. Among various types of technology, mobile telephony continued to expand fastest in terms of access.

Almost 5 in 10 people in the LDCs subscribed to a mobile in 2012, up from over 4 in 10 people in 2011. In 2012, for the first time, three countries—Cambodia, Mauritania and Lao People's Democratic Republic—achieved or exceeded a 100 per cent subscription rate. Eritrea and Somalia displayed the lowest subscription rates, at single-digit levels. Even in countries that performed well, a gaping rural-urban divide persisted.

The use of Internet services, although growing, remained marginal. In 2012, only Bhutan, Sudan and Tuvalu had at least 2 out of 10 people as Internet users. The number of users per 100 people was around 1 in Burundi, Democratic Republic of the Congo, Eritrea, Ethiopia, Guinea, Myanmar, Niger, Sierra Leone, Somalia and Timor-Leste. Again, large differences existed between urban and rural areas.

Low use of the Internet overlaps with sub-par services and high access costs. In many LDCs, very few of those who use the Internet have high-speed services. Even the very limited number of people with access to high-speed connections face mismatches between proclaimed and effective speeds, particularly during peak hours.

New developments, in particular the roll-out of national fibre optic cable backbones and the emergence of mobile-broadband services, offer real opportunities to slash prices and boost Internet usage. Unlocking these potentials depends on improving the regulatory framework for ICT markets, and continued investment in ICT infrastructure and its maintenance. These interventions should be coupled with efforts to expand resources and capacities needed to fully harness ICT, including access to reliable energy, literacy and technical skills.

Railways

In recognition of the interconnection and interaction among all modes of transport, and their bearing on economic growth and development, the Istanbul Programme of Action sets a target for substantial increases in combined rail and paved road mileage, and sea and air networks by 2020.

After years of neglect, railway transportation has received greater attention recently. Commitments in favour of better railway connections within the LDCs and with neighbouring countries have resulted in many projects and plans to upgrade and expand existing infrastructure. A series of mega-railway projects that connect China, Lao People's Democratic Republic and Myanmar are underway. Similar projects are in the works to link Burkina Faso and Niger with Côte d'Ivoire, the main transit country for the other two nations, and to connect Rwanda with the United Republic of Tanzania and, eventually, Burundi.

A number of bilateral projects have made some headway. A major segment of the rail network that connects Uganda to its main transit port in Mombasa, Kenya was refurbished and operationalized in 2013, after 20 years of inactivity. Bangladesh has initiated a project to re-establish cross-border rail operations with India along the Shahbazpur-Mahisashan line. Ethiopia is planning the construction of 5,000 kilometres of railway lines by 2020 that among other benefits will boost connectivity with Djibouti.

A number of domestic rail links between major mining sites and deep-water ports are also planned or already being built in mineral rich LDCs, including in Guinea, Mozambique and Sierra Leone.

Even if all above projects were brought to fruition, the overall length and conditions of the railway networks in many LDCs will lag behind those of other developing countries. Non-functional networks persist, caused in large part by years of undercapitalization. Those that are operational or newly built face various challenges, including institutional and regulatory gaps, and missing intra- and inter-modal links that thwart operational readiness.

Roads

The lack of adequate road networks has not only limited the flows of goods within the LDCs, and curtailed regional and international trade, but also made these transactions onerous, therefore impairing competitiveness. Because of the poor conditions of some trading routes, transport costs represent, for instance, over 70 per cent of the total import/export bills of Burundi (UNECA et al., 2013). Cognizant of these challenges and in an attempt to improve inter-modal connectivity, many LDCs have mounted domestic and regional initiatives to extend and upgrade road networks.

Some recent examples include road projects under construction in Angola, Ethiopia, Nepal, Rwanda and Uganda. Also, regional highway initiatives have benefited many LDCs. The Asia Highway Network has helped improve flows of goods between some Asian LDCs and neighbouring countries. Progress is underway to operationalize the Trans-African Highway, a pan-African undertaking to extend the continent's highway network and construct many smaller connecting roads.

One major handicap involves missing links in road transport. Many segments of transport corridors within the LDCs and connecting them to neighbouring countries, particularly in Africa, are missing. Filling the gaps will not be enough. With increases in the length and intensity of use of the road network comes the challenge of maintaining new and older roads, especially given the record of low spending on road maintenance for freight transport in many LDCs. Addressing this challenge is key if these countries are to safeguard the quality of their road networks.

Institutional regulations are another major obstacle to transport and cross-border trade. Reforming these along with fostering better physical routes will go a long way in improving road connectivity.

Both physical and non-physical barriers to road connectivity will require greater funding to the sector, which has already started but has yet to match needs. Current financing modalities—mostly ODA but increasingly joined by multifaceted funding from the emerging countries—may need to be complemented by more public-private partnerships and innovative financing mechanisms.

Air transport

With many LDCs being landlocked, and given serious challenges among other modes of transport, air transport is a credible option to increase connectivity, particularly in those LDCs with a large landmass. Despite this potential, the level of air traffic in the LDCs, both in passenger flows and the volume of freight, is on average well below that of other developing countries.

Low air traffic is the confluence of a number of factors. First, there is relatively weak demand driven by low purchasing power and the high prices of air transport services. Per kilometre, many LDCs have the highest air fares and freight costs. High costs mirror limited competition, with very few domestic carriers operating nationally and regionally, and often none servicing international routes. High costs are also the by-product of steep user charges for infrastructure and an array of taxes.

There have been some new initiatives to bring down costs in some LDCs, including through low-cost carriers. One example is the recent launch of Fastjet in the United Republic of Tanzania. In some African LDCs, particularly those of West and Central Africa, there are efforts to implement the Yamoussoukro Declaration, signed by 44 African countries. It enables any carrier based in any African country to operate to, from or between any pair of cities in any other African country.

Looking forward, air transport could play a major role in expanding connectivity for many LDCs with further improvements in physical infrastructure, cost structure, institutional and regulatory frameworks underpinning air transport markets, and safety conditions.

Maritime transport

Maritime traffic constitutes the main transport mode through which most LDCs conduct international trade. Reflecting the relatively marginal size of these countries in global trade, however, shipping markets tend to be small and shallow. Low traffic implies limited opportunities for economies of scale, and results in high shipping costs. This is further compounded at ports by long delays due to overstretched quay capacity, and extended processing, administration and handling times. It is estimated that container dwell times in some African LDCs hover around 12-15 days—well above the international practice of 7 days.

A good measure of these logistical challenges is the scorecard of the Liner Shipping Connectivity Index. It ranks countries for how well connected they are to global shipping networks. Among the LDCs, Djibouti displays the highest value, with its Liner Shipping Connectivity Index reaching 16.6 in 2012, on a scale that runs from 0 to 100, with 100 assigned to the country with the most advanced shipping connectivity infrastructure.

Landlocked LDCs face even greater obstacles. The absence of an integrated and seamless multi-modal transportation network adds further delays in transit times and economic costs faced by these countries. Small island LDCs confront particular challenges due to their small populations, remoteness and geographic spread, as it becomes expensive to regularly supply domestic inter-island shipping services. Maritime traffic is low in most of these countries, impeding access to global markets and opportunities.

Beyond the structural challenges associated with maritime transport, maritime piracy, particularly off the coasts of East and West Africa, poses a growing threat. Increasing insecurity, for instance, caused a 70 per cent decline in Benin's maritime traffic during the third quarter of 2011, partly as insurance and shipping costs jumped.[1]

1.3.1.2 Energy

The LDCs have the lowest rates of access to modern energy. Less than a third of the total population is connected to a power supply, with levels of access being as little as 1.5 per cent in South Sudan. The situation is more daunting in rural areas, where, on average for the LDCs, only 18 per cent of the population is connected to a power supply. Limited access to electricity causes many people to rely heavily on solid combustibles for cooking and heating, with some adverse environmental and health consequences, especially for women. The dependence on wood or other biomass accelerates the rate of deforestation. It also causes indoor and outdoor pollution, which is responsible of many respiratory diseases and a staggering number of deaths.

Low access to electricity reflects both inadequate supply and prohibitively high prices. The power-generating capacities of many LDCs are among the lowest in the world, both in absolute terms and on a per capita basis. The installed capacity of Liberia's public utility stands at 22 megawatts, of which only 18 megawatts of power is delivered. Ageing plants and poor maintenance along with distribution and transmission losses account for much of the gap between installed capacity and effectively delivered power—in Liberia and many other LDCs. Insufficient capacity goes hand in hand with poor reliability. Even those with electricity often face severe power outages.

Power markets in most LDCs have very high prices. One kilowatt-hour averages US$0.54 in Liberia as opposed to only US$0.12 in the United States. High energy costs mirror tight supply but also the energy mix, with many LDCs relying on power generated through thermal plants that run on imported fuel. Although high, electricity tariffs in many LDCs are well below production costs. Public utilities in such countries as Burkina Faso, Guinea, Nepal and Senegal depend on government subsidies and lending to cover their financial losses.

Greater attention to access to sustainable energy and increased finance for it, particularly from emerging countries, have meant many LDCs are now embarking on large-scale investments in the refurbishment and expansion of power infrastructure. Much of the focus has been on renewable sources of energy, with which many LDCs are very well endowed. Guinea, Uganda and Zambia have recently initiated major hydropower projects, in addition to those already in motion in Bhutan, Ethiopia and Lao People's Democratic Republic. Other renewable energy projects are being planned or carried out in Ethiopia and Lesotho (wind), Ethiopia and Rwanda (geothermal), and Mauritania (solar).

Renewable energy is also at the core of various rural electrification programmes pursued in many LDCs. These programmes, of varying success, focus on small-scale projects such as micro-hydro plants and small photovoltaic systems for battery charging. The projects are appealing, particularly in remote and dispersed rural communities whose connection to already overstretched and ageing power grids could be very expensive. One success story is the construction and community-driven management of over 1,000 micro-hydro plants in 52 districts in Nepal.

Not all LDCs possess vast sources of renewable energy, hence the importance of facilitating electricity trade between those that are well endowed and those that are not. Many LDCs have joined power pool agreements that facilitate such trade.

Despite recent positive developments, a long road needs to be travelled to ensure universal access to reliable and affordable energy in the LDCs. Harnessing abundant sources of renewable energy in some, and maintaining existing and newly built power infrastructure, including power plants and national and regional grids, require additional capital directed into large and small projects. Appropriate policies are necessary to ensure broad public access to on-grid and off-grid energy.

Strong public-private partnerships are needed in this regard. Existing and potential vehicles, such as green bonds; the simultaneous use of concessional funding, private equity and multilateral investment guarantees; pension funds and sovereign funds could be leveraged to raise needed capital. Beyond that, achieving universal access to reliable and affordable energy requires bolstering sector planning and improving the management of public utilities, as well as

[1]See: www.unodc.org/documents/toc/Reports/TOCTAWestAfrica/West_Africa_TOC_PIRACY.pdf.

addressing the operational inefficiencies of power utilities, including distribution losses and revenue under-collection, which impede financial viability and deter private investment. One of the major developments in recent years has been strong support for the United Nations Secretary-General's Sustainable Energy for All initiative, which promotes partnerships among governments, businesses and civil society.

The energy sector in the LDCs needs to be bolstered by long-term national energy policies. These need to make links across sectors with the potential to transform energy supplies and use, and be grounded in action plans. The stability of policies and enabling regulatory measures will be critical. Appropriate and specific business models need to be supported by robust global partnerships so as to ensure, on a priority basis, long-term investment in the energy sector.

1.3.1.3 Science, technology and innovation

The LDCs consistently rank among countries with the lowest productivity. The World Economic Forum's *Global Competitiveness Report 2013-2014* indicates that all countries in the lowest decile of productivity are LDCs. Part of the reason for this is the low use of technology and innovation in production processes.

Traditional channels for diffusing technology and fostering innovation are not always effective. FDI inflows, capital goods imports, the payment of royalties and licensing fees, and trade in high-technology products are still too marginal to exert any significant influence in the LDCs. The cost of these transactions is a limiting factor. An environment that is not conducive to technological development and innovation compounds the debilitating effects.

The lack of resources and skills constrains the ability to use, service and maintain any transferred technology. Resources devoted to research and development and the number of scientists are limited as well. Many LDCs channel only 0.1-0.4 per cent of their GDP to research and development, while the ratio of researchers in research and development per million people ranges from 21 in Lesotho to 384 in Senegal.

The intellectual property rights regimes of the World International Property Organization and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the World Trade Organization (WTO) offer some flexibility to the LDCs in accessing technologies relevant to their development. The exemptions granted under these agreements were renewed in July 2013 for another eight years. Yet monitoring compliance is loose, which curtails the effectiveness of concessions extended to the LDCs.

Because of all the challenges associated with the acquisition and diffusion of technology, the United Nations Secretary-General has proposed creating a technology bank dedicated to the LDCs. It would include a patent bank to help access and use appropriate technologies; a science, technology and innovation mechanism to boost scientific research and the innovation base; and a science and technology research depository facility to promote the global networking of LDC researchers and research institutions. The technology bank could constitute an important step towards supporting technology transfer and innovation in the LDCs.

1.3.1.4 Private sector development

The expansion of economic infrastructure in many LDCs is part of efforts to improve the business environment and unlock private sector growth, employment generation and poverty eradication potentials. The improvement of road, railway and communication networks, in Angola, for instance, has reduced delays and transaction costs, increasing connectivity.

Another major component of reducing the cost of doing business involves institutional and regulatory reforms. Due largely to these, Burundi, Djibouti and Rwanda are among the 10 top countries that have eased obstacles associated with creating and running businesses (World Bank, 2013). Burundi and Rwanda have cut the amount of time required to obtain a registration certificate, while Djibouti has streamlined the registration process and eliminated capital requirements for limited liability companies. Afghanistan, Bangladesh, Bhutan and Nepal have made progress in increasing prospects for businesses as well. Important complementary reforms include those to improve the judicial system and simplify tax compliance.

Some institutional and regulatory policy changes are directed towards easing access to production factors, in particular, capital. Afghanistan has adopted a unified collateral registry, while Bhutan has devised new regulations underpinning the licencing and functioning of its credit bureau along with securing the right of borrowers to access credit information. These changes are likely to improve credit availability for small and medium-size firms.

Much still needs to be done, however, to address the structural constraints to private sector development, covering issues such as the missing middle in the enterprise structure, the large size of the informal sector and low productivity.

1.3.2 Agriculture, food security and rural development

Agriculture and the rural economy—the mainstay of most LDC economies—continue to be dominated by subsistence activities. As a result, output is not commensurate with the large number of people living and working in rural areas. Only 20 per cent of LDC aggregate GDP was generated in agriculture in 2011-2012. This was roughly the average size of the sector from 2001 to 2010. Yet rural areas are home to more than 70 per cent of people in the LDCs.

Low productivity and widespread underemployment are hallmarks of rural areas, and tantamount to low incomes and purchasing power for the majority of the population. Food is limited in terms of supply and affordability, so progress in eradicating hunger and malnutrition has been slow in most LDCs.

There has been a steady reduction in the proportion of undernourished people in these countries over the last decade. Their share decreased to 29 per cent in 2011-2013, down from 31 per cent in 2008-2010 (FAO, WFP and IFAD, 2013). Yet hunger is still pervasive when considering the absolute number of people affected by undernourishment. An estimated 252 million people lived with hunger in the LDCs in 2011-2013.

A disaggregated assessment provides a somewhat different picture. Some LDCs, although very few, have done relatively well. Bangladesh. Ethiopia, Nepal, Niger and Rwanda have cut both the relative and absolute sizes of their population suffering from hunger. Key contributing factors include increases in agricultural productivity, helped by rising public investment in the sector, and adoption of enhanced varieties of crops and some other yield-enhancing technologies; remittances from migrants; and the expansion of safety net programmes, with a focus on women and children.

In most cases, malnutrition and hunger patterns have moved together. Malnutrition among children, particularly, continues to have far-reaching effects on other human and social indicators. Stunted growth and micronutrient deficiencies are, for instance, responsible for a little over a third of all deaths among children under five years of age (WHO, 2013). Children who survive these conditions are more likely to bear irreversible impairment to their physical and cognitive development, which will put them at a disadvantage for life.

There are instances where relatively modest hunger prevalence coexists with high malnutrition, raising concerns about effective use of available food. The challenge then is to expand access to nutritious food and encourage dietary diversity, among other measures.

Hunger, malnutrition and extreme poverty can be addressed, and are best tackled together and through the pursuit of structural transformation. This requires articulating effective responses to new challenges—including globalized markets, multiple crises, volatile financial flows, the extreme weather impacts of climate change and the increasing monopolization of global food markets—and long-standing challenges—in particular, poor infrastructure, underdeveloped market linkages, land tenure insecurity and undercapitalization of agriculture.

1.3.3 Trade

The rate of trade expansion in the LDCs decelerated significantly in 2012, after sustaining very high speed in 2010 and 2011. The total value of exports of goods and services from the LDCs amounted to US$232.7 billion in 2012, a 0.7 per cent increase compared to the 24 per cent growth rate in 2011. The rate of growth of imports retreated, although not dramatically, with total value advancing by 3.6 per cent in 2012 compared to 26 per cent in 2011 (WTO, 2013).

Behind the retraction in value stood in part the substantial decline in commodity prices, although at varying paces. While prices of minerals and non-ferrous goods fell by 17 per cent, those of agricultural products decreased by 6 per cent.

Despite stagnation in the value of total LDC exports and imports, the share of these countries in total trade remained virtually the same as in 2011. The LDCs had 1.13 per cent of the world's exports of goods and services, a long way from the target of 2 per cent to be achieved by 2020.

The composition of exports continued to be dominated by primary commodities, which accounted for 79 per cent of exports of goods in 2012, slightly above 77 per cent in 2010. Exports of manufactured goods rose, but at a slower rate than that of primary commodities, therefore resulting in the declining share of these goods in total exports. Exports of manufactured goods are dominated by textiles and clothing at 64 per cent of the total.

In a continued shift that started more than a decade ago, a growing share of LDC exports went to developing countries. As a result, the market share of this group of countries in LDC total exports climbed to 52 per cent in 2012 from 40 per cent in 2000.

The rate of progress by developed countries in extending market access to the LDCs slowed somewhat in 2011 compared to previous years. The share of LDC exports benefitting from duty-free treatment edged up to 83 per cent in 2011, from an average of 80 per cent between 2005 and 2010. Part of the reason was that the majority of developed countries extended full or virtually full market access to all LDCs.

Developing and emerging economies continued to grant improved market access for LDC products. A number of these countries—including India and the Republic of Korea—granted trade preferences comparable to those extended by developed countries. China committed to offering duty-free and quota-free privileges to 97 per cent of LDC exports by 2015, up from the current level of 60 per cent.

At the Ninth Ministerial Conference of the WTO, held in Indonesia in 2013, WTO members reaffirmed their commitment to duty-free, quota-free market access for the LDCs. They agreed that the 15-year service waiver should be operationalized, and that the new Aid for Trade work programme should be informed by the post-2015 development agenda. An agreement on trade facilitation may also benefit the LDCs. All of these agreements, if implemented, will be an important step towards improving LDC market access.

1.3.4 Commodities

Although the full extent of economic diversification and structural transformation manifests only in the medium and long term, preliminary indications suggest that progress was slow and, sometimes, absent, in the majority of the LDCs. As indicated earlier, most LDC exports in 2012 included a limited set of traditional primary products. Almost 80 per cent of exports of goods involved primary commodities. This mirrors to a large extent the production base of the LDCs. Their economies are mostly dominated by natural resource-based sectors with limited technology spillovers or opportunities for productivity growth and quality upgrading. The share of these sectors has even grown over the last decade, moving from 67 per cent in 2001 to 79 per cent in 2012, bolstered in part by the commodity price boom. By contrast, manufacturing—a good measure of success for economic diversification and structural transformation—stagnated at less than 10 per cent of GDP in the LDCs.

There have been some successes, however. Bangladesh, Cambodia, Ethiopia, Rwanda and the United Republic of Tanzania have developed new sectors of their economies, and/or achieved a more balanced mix of existing ones in favour of higher value added, and/or upgraded the quality of products and services being produced. These changes have been accompanied by similar shifts in the composition of exports.

Successes also come with some challenges, particularly in countries where growth seems to have reached its limits after several years of remarkable gains. One challenge is to move to industries with higher value added in terms of technology.

1.3.5 Human and social development

1.3.5.1 Education and training

Due to sustained attention both at the national and global levels, primary school enrolment rates continued to rise in most LDCs. Net primary enrolment increased from 78 per cent in 2010 to 81 per cent from 2011-2012. Progress was all the more remarkable in Burkina Faso and Niger, both of which started off with very low percentages of children in primary school.

Improvements in primary school completion rates did not match the pace at which enrolment expanded. The aggregate scorecard on completion masks the significant achievements of a few countries, however. Lao People's Democratic Republic and Rwanda were among the three countries that recorded the strongest reduction in primary dropouts (UNESCO, 2013).

Aggregate completion rates also conceal wide variations across various socio-economic groups. Female students, students from poor households, those living in rural areas and those with disabilities were less likely to finish primary education.

Despite better primary enrolment rates and even the attainment of gender parity in primary education in some LDCs, the quality of education has not kept pace. The speed of teacher recruitment did not follow the influx of students, leading to an increased pupil/teacher ratio; the LDC average jumped from 33 pupils per teacher in 2005 to 43 in 2011-2012. Among existing teachers and those newly recruited, a limited number had been trained and possessed the minimum qualifications. The percentage of trained teachers out of the total was below 50 per cent in Guinea-Bissau, Sao Tome and Principe, Senegal and Sierra Leone. Insufficient textbooks and weak infrastructure also constrained learning. Only 3.5 per cent of all Tanzanian sixth-graders owned a reading textbook, for instance (SACMEQ, 2010). All in all, poor teacher qualifications, inadequate teaching equipment and increased class size conspired to hamper the quality of education.

Factors that hindered enrolment and learning in primary education were also common, albeit more pronounced in some instances, in secondary, vocational and technical, and tertiary education. As a result, enrolment rates were modest and declined sharply moving up the educational ladder. Combined with the limited quality of education, this situation has led to insufficient learning and skill development among students expected to enter the labour force.

1.3.5.2 Population and primary health

Child mortality rates declined in most LDCs, although often at paces below those required to achieve the MDG target reaffirmed in the Istanbul Programme of Action: to reduce under-five child mortality by two-thirds from 1990 to 2015. Average under-five child mortality in the LDCs was estimated at 85 deaths per 1,000 live births in 2012—a level far above the average in other developing countries.

Against generally low progress in reducing death during childhood, there were a few exceptions. A number of countries with initially high child mortality rates have made long strides in child survival, therefore showing that the MDG target is reachable with the right policies and interventions. Bangladesh, Ethiopia and Liberia have already met the target, while Bhutan, Madagascar, Malawi, Nepal, Niger and Rwanda have reduced their child mortality rates by 60 per cent or more (United Nations, 2013b). Factors behind these gains have varied but could be grouped into the following: stronger national health systems, better nutrition of children and mothers, greater access to reproductive health, expansion of immunization programmes, better health infrastructure, and improved basic health care for children and mothers.

Changes in maternal mortality rates paralleled under-five mortality rates, given similar drivers for both issues. All countries that did very well in increasing child survival—plus a few others—also made good progress in reducing maternal mortality. Only Bhutan, Equatorial Guinea and Nepal have already achieved the MDG target of cutting maternal mortality rates by three-quarters between 1990 and 2015, however (WHO, UNICEF, UNFPA and World Bank, 2012).

The prevalence of HIV has declined marginally, from 2.07 per cent of the population aged 15-49 in 2010 to 2 per cent in 2012. Virtually unchanged prevalence rates imply that the absolute number of people affected by HIV/AIDS continued to increase. A few LDCs—Lesotho, Malawi, Mozambique and Zambia—still record double-digit prevalence rates, among the highest in the world. Mortality rates among people living with HIV have fallen given greater access to antiretroviral drugs. Cambodia, Rwanda and Zambia secured access to antiretroviral therapy for at least 80 per cent of HIV patients. Malaria and tuberculosis trended downward, although not sufficiently; the LDCs continue to have some of the highest incidences of these two diseases.

1.3.5.3 Youth development

Significant improvements have been made in youth literacy as a result of sustained efforts to expand access to primary and secondary education. The literacy rate among persons aged 15-24 rose from 73 per cent in 2000-2002 to 81 per cent in 2010-2012. Although youth female and male literacy rates converged, following major strides towards gender balance in primary and secondary education, gender imbalances persisted in skills—other than basic reading and writing—needed for entering and performing effectively in job markets.

In general, limited progress in the acquisition of job-related skills by youth, irrespective of gender, resulted in increasing numbers of unemployed literate young people. Where youth were employed, they were not necessarily in productive and decent jobs. Low levels of education, the limited employment generation capacity of many economies and underdeveloped social protection meant that large swathes of youth were underemployed or involved in low-income self-employment, informal jobs or unpaid work.

Youth employment and empowerment have gained increased attention at the global, regional and country levels. The preparatory process for the International Conference on Population and Development Beyond 2014 has served as a platform for youth to provide perspectives on priorities to address gaps, challenges and new issues in relation to health (including sexual and reproductive health and rights); education (universal access, inclusivity, relevant and quality education, comprehensive sexuality education and safety in schools); employment (national policies and plans, access to education and training, non-discrimination and protection from abuse, and access to funding); and inclusive participation, governance, and peace and security (inclusivity, leadership and decision-making, participation in social development initiatives and labour force participation).

Some of these issues have been increasingly prominent in a growing number of the LDCs. Many have adopted action plans and some have earmarked resources for youth employment and empowerment.

1.3.5.4 Shelter

Rapid population growth in most LDCs has spurred increased demand for land and housing, particularly in urban areas. The pressure is even stronger in countries in conflict or emerging from conflict, where internally displaced people and returning refugees further widen the housing gap. The shortage of housing in Afghanistan, for example, is estimated at 1 million to 1.5 million units and is most severe in urban areas (World Bank, 2010).

Housing shortages reflect an insufficient supply of affordable dwellings. Principal reasons for this are high costs of construction, complex land tenure issues and poorly developed housing finance. Construction materials are expensive and mostly imported, adding to prohibitive land prices instigated by the insufficient and poorly regulated supply of land for housing.

Existing housing finance is either very underdeveloped or, when it exists, does not offer products that are accessible to low-income households. Features such as high down payment requirements, short loan periods and high interest rates exclude many households. Microfinance and community-based initiatives have emerged in a number of the LDCs, but they are generally handicapped by unfavourable institutional and regulatory frameworks.

As the supply of affordable housing does not cover demand, many people in the LDCs revert to the informal housing market, comprising mostly slums and informal settlements typically located on low-value land, such as areas prone to floods or landslides. They also lack full access to water, sanitation and energy, and therefore are rarely healthy and prosperous places. Reflecting low quality of life and infrastructure, all five cities that scored the lowest on UN-Habitat's City Prosperity Index are in the LDCs (UN-Habitat, 2013).

Through growing links with some emerging countries, a number of LDC governments have initiated vast housing projects, including slum upgrading and new housing, all carried out either through public-private partnerships or by governments only. Success has been so far mixed, with most initiatives being marginal in scale compared with demand and not reaching expected beneficiaries—low-income households and the poorest in particular.

1.3.5.5 Water and sanitation

While access to safe drinking water has improved globally, only limited progress has occurred in the LDCs. The proportion of people using an improved drinking water source increased slightly from 60.5 per cent in 2005 to 65.1 per cent in 2011. Major moves forward took place in Bhutan, Sao-Tome and Principe, and Tuvalu, however, where nearly universal access has been achieved. In general, large differences in access exist between urban and rural areas, and among various socio-economic groups.

By international standards, the figures on access to improved drinking water do not fully capture the challenges of water security in the LDCs. Service reliability is one issue—water may not be supplied 24 hours per day, 7 days per week. In some cases, a greater proportion of people using an improved source of drinking water does not necessarily imply a reduction of the burden to collect water, which falls disproportionally on girls and women.

Progress in access to improved sanitation was even more limited. Only about a third of people in the LDCs have access to basic sanitation facilities. The gap between rural and urban areas is on average 20 per cent in African LDCs and 15 per cent in Asia and Pacific LDCs.

Limited access to improved drinking water and sanitation facilities across the LDCs has implications for health and the environment, gender equality, economic empowerment, education and overall growth. The scarcity of potable water and contamination of surface and groundwater resources are responsible for the high prevalence of water-related and water-borne diseases. Inadequate access to water and sanitation accounts for an estimated 88 per cent of all diarrhoea cases worldwide (WHO, 2002). Insufficient sanitation facilities and waste disposal systems lead to raw discharges into rivers, lagoons and bays, causing environmental degradation, such as through groundwater pollution, and negative impacts on the number and variety of fish species.

Water insecurity and limited access to sanitation also affect girls' school enrolment, attendance and achievement. In many LDCs, children, mostly girls, are charged with the drudgery of fetching water, a time-consuming chore that reduces enrolment and performance, and is often the cause of high early dropout rates. Adult women who collect and carry water have fewer options to earn an income, develop themselves or participate in community decision-making.

1.3.5.6 Gender equality and empowerment

The drive towards universal primary education over the last decade has paid off, with more than a third of the LDCs having reached or being within a short distance of gender parity in primary schools. The target was even exceeded in 2011-2012 in the Gambia, Mauritania, Rwanda and Senegal, where a slight gender disparity favoured girls. The situation also improved in secondary education, drawing on achievements in primary education and campaigns to eliminate obstacles to girls attending and thriving in school. Female youth literacy has increased. Tertiary education, however, still requires more effort to achieve parity. The percentage of female students there rose slightly to 39 per cent in 2011-2012, up from 35 per cent in 2005.

Due to a host of factors, improved parity in education has not always translated into commensurate gains in paid employment. Limited demand for the training and skills in which most female students specialize, and inadequate regulations and practices guiding work and family life, among other issues, put women at a disadvantage in labour markets and result in unequal job opportunities. The majority of women end up in low-productivity jobs in the informal sector.

While progress in economic empowerment has been modest, the political representation of women, particularly in parliaments, has continued to improve. The share of women in parliaments more than doubled from 2001 to 2013, from 9.3 per cent to 19.3 per cent. A number of the LDCs continued to be in the vanguard of countries striving for gender parity in parliaments or that posted the highest electoral gains for women in 2012. A third or more parliamentary seats were held by women in Angola, Mozambique, Nepal, Rwanda, Senegal, Timor-Leste, Uganda and the United Republic of Tanzania. Of the three countries that posted the most outstanding increases in women's representation in parliaments, two were LDCs—Senegal and Timor-Leste. The use of legislated quotas for women contributed in part to this success.

1.3.5.7 Social protection

Until recently in most LDCs, social protection functions were carried out through formal social security and price-subsidy schemes as well as inter-household and community transfers.[2] This is changing with the design and operationalization of a large variety of formal safety net programmes, ranging from feeding initiatives to cash and in-kind transfer schemes. Most of these are designed to cushion shocks to well-being in vulnerable groups.[3] Bangladesh has established over 30 public safety net programmes to reduce poverty and promote inclusive growth. These complement private sector-led ones, in particular the Grameen Bank's microfinance programme.

The multiplication of safety net schemes across the LDCs coincides with increased interest in social protection at regional levels. One illustration is the Livingstone Call for Action, signed by 13 African leaders, mostly from the LDCs.

As the number of social protection schemes increases, some LDCs have sought to expand the coverage of existing programmes, some of which have operated on a pilot basis, and improve institutional frameworks. Examples of expanded coverage include school fee removal for all students attending primary schools and the adoption of a universal non-contributory pension for the elderly.

Institutional changes have also taken hold. Rwanda and the United Republic of Tanzania have designed sustainable and more institutionalized programmes—supported by key ministries such as finance, economy and planning. Ethiopia, Guinea, Mali, Mozambique, Niger and Senegal have embarked on designing flexible and predictable safety net systems (World Bank, 2014b).

Despite these reforms, most safety net programmes continue to be fragmented, donor-driven and administered on an ad hoc basis. Often, operating them requires a good number of ministries, such as those for employment, the family, social affairs and women, most of which lack political decision-making power and collaborate little among themselves. Liberia and Madagascar have, for instance, instituted more than five different public works programmes, each operated by different donors and government agencies.

In most LDCs, donors—in particular the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), and a number of bilateral and smaller relief organizations—constitute the main financiers of safety nets. Donors, for instance, account for 100 per cent of the funding of Ethiopia's Productive Safety Net Program. Excessive reliance on donor funding poses sustainability problems, given the possibility of changes in donor priorities. Some programmes, particularly subsidized old-age pensions, run the risk of becoming fiscally unsustainable given demographic changes and limited budgetary space.

Another shortcoming is that safety nets are not always designed as a continuous support tool to attend the needs of chronically vulnerable groups, but rather as a response to emergency situations. This reflects in part limits on a long-term, development-oriented perspective.

1.3.6 Multiple crises and other emerging challenges

1.3.6.1 Economic shocks

Two countervailing forces increasingly define how the LDCs face and withstand economic shocks. On the positive side, a good number of countries have rebuilt domestic policy buffers that had significantly declined following recent food, fuel, economic and financial crises. Fiscal, monetary and exchange rate policies have gradually shifted to a more tightening mode, although at varying paces, as economies recover.

Fiscal and current account balances have improved, and the stock of foreign reserves has expanded slightly. The gradual restoration of policy buffers was supported in part by continued debt relief efforts, under the Heavily Indebted

[2] These mechanisms take the form of inter-household and community transfers in cash or in kind, family support, migration and borrowing.

[3] These schemes include public works programmes, fee waiver programmes, microcredit or grant programmes targeting vulnerable groups, and general price subsidies.

Poor Countries (HIPC) initiative, which have helped many LDCs avoid rapid debt accumulation. The ratio of total foreign reserves to external debt in the LDCs rose from 54.64 per cent in 2010—in the aftermath of the economic and financial crisis—to 63.7 per cent in 2011-2012. During the same period, the debt service burden was unchanged, with total debt service relative to exports of goods, services and income, or relative to government expenditure maintained at virtually the same levels.

Improved domestic policy buffers have been accompanied by the development of new regional and global financing instruments, and the refinement of existing ones. The Executive Board of the International Monetary Fund (IMF) decided to allocate resources to its concessional financing windows, to which the majority of the LDCs have access, in order to sustain its concessional lending capacity well beyond 2014. Despite recent reforms, the effectiveness of most concessional facilities could be further improved by scaling up their resources and better targeting them to the needs of the poorest and most vulnerable countries. Increased flexibility in conditions of access to these resources would also ensure that they are delivered on time.

On the negative side, while both domestic and external buffers have improved, the majority of the LDCs have seen their structural vulnerability—the limited diversification of their production and export bases—increase. This implies greater exposure to exogenous shocks and an increased likelihood of growth volatility, as confirmed by the wide variations in GDP growth in recent years. Addressing this vulnerability will require renewed efforts to promote economic and structural transformation.

1.3.6.2 Climate change and environmental sustainability

Evidence of climate change has accumulated in recent years. Rising air and ocean temperatures, increased sea levels and the melting of glaciers have come with more frequent and extreme weather conditions that result in storm surges, droughts, tornadoes, cyclones, landslides and flash floods. The LDCs are less equipped to respond to these threats, have more limited adaptive capacity and are therefore disproportionately bearing the brunt of the fallout from climate change. From January 2010 to July 2013, two-thirds of the global human casualties associated with climate-related events occurred in the LDCs (IIED, 2013a), although they have just over one-tenth of world population.

The formulation and implementation of national adaptation programmes of action (NAPAs), under the United Nations Framework Convention on Climate Change (UNFCCC), are aimed at addressing this challenge. Forty-seven LDCs have formulated NAPAs, with the participation of all major stakeholders, and set priorities that require immediate action.

Implementation of the NAPAs is lagging, however, partly due to limited delivery of climate change finance. Only a tiny share of resources needed for immediate adaption needs have been disbursed to the Least Developed Countries Fund. The total contribution of donors to the fund stood at US$680 million as of the end of 2013, only 2 per cent of the ‘fast-start finance’ commitments made at the Copenhagen Climate Conference in 2009. Other forms of climate change finance favouring the LDCs are rarely new and additional to existing promises.

Despite limited delivery of climate change finance to the LDCs, Bangladesh, Bhutan, Cambodia, Ethiopia, the Gambia, Lao People’s Democratic Republic, Mozambique, Nepal and Rwanda have embarked on low-carbon, climate-resilient development paths—building on NAPAs and nationally appropriate mitigation actions. They have developed national low-carbon resilience plans and strategies, underpinned by time-bound priorities, financial mechanisms and supportive institutional architecture (IIED, 2013b).

1.3.6.3 Disaster risk reduction

The LDCs face some of the greatest risks of being hit by natural disasters and sustaining large losses. Much of the real and potential impact is due to limited capacity for disaster reduction planning, including to identify risks associated with hazards and the exposure of people and assets to these shocks, to stage awareness campaigns across all levels of society, to mount and implement preventive strategies, to respond effectively when hazards occur, and to deploy post-disaster management measures. On the United Nations International Disaster Reduction index, the six countries with the highest scores—meaning they compare less favourably—are all LDCs (UN-OHRLLS, 2013).

Strong exposure to natural hazards increases the likelihood of major damages to economies. Hydro-meteorological and other natural hazards caused Mozambique to lose the equivalent of 12 per cent of its gross fixed capital formation in 2011 (United Nations, 2013b). The damages are even more substantial in those LDCs that are also SIDS. Their small size and the geographical concentration of their population put them at a higher risk of sustaining substantial losses as a result of earthquakes, cyclones and tsunamis. Estimates from the *Global Assessment on Disaster Risk Reduction* report suggest, for instance, that the Solomon Islands and Vanuatu are likely to endure losses of over 30 per cent of the value of their produced capital in the case of a 1-in-250 years earthquake (United Nations, 2013a).

There has been some progress in institutionalizing disaster reduction management strategies and shifting focus from post-disaster responses to a much more comprehensive approach taking on board all elements before, during and after disaster. Ethiopia and Mozambique have built comprehensive risk profile databases that will enable planners to formulate appropriate responses based on better risk profiling. Many LDCs have designed and implemented national disaster reduction strategies, often embedded in national development plans. Bangladesh formulated its National Plan for Disaster Management in alignment with international conventions. Over the last 35 years, the country has channelled more than US$10 billion to disaster reduction management, becoming less vulnerable to natural threats.

Regional initiatives complement national ones, with a shift towards assessing multiple hazards. The Pacific Catastrophe Risk Assessment and Financing Initiative is one example.

Despite recent progress, national and subnational administrative systems in most LDCs lack expertise, in particular skills to assess hazards and manage monitoring. Resources allocated to disaster reduction management—often shifted from other development priorities—are not sufficient. Further, climate risks do not adequately feature in most disaster reduction strategies.

1.3.7 Mobilizing financial resources for development and capacity building

1.3.7.1 Domestic resource mobilization

Domestic savings in the LDCs reached 15-16 per cent of GDP in 2011 and 2012, slightly higher than the average in the previous decade. The rate reflected a continued strong showing in resource-rich LDCs and rising savings in a number of fast-growing LDCs, including Ethiopia and the United Republic of Tanzania.

Underneath increased domestic savings is improved government savings, which in turn partially reflects better government revenue collection, although from low bases. The ratio of government revenue, excluding grants, to GDP rose to almost 13 per cent in 2011, but was far behind levels in other developing countries.

Exceptionally low domestic resource mobilization by governments is the by-product of the economic structures of LDCs, their weak tax administration and the nature of their tax systems. When the share of agriculture and informal activities is high in the economy, tax collection can be low partly because of the difficulty in taxing these sectors, and the small degree of monetization of agriculture, in particular when dominated by subsistence activities. Most LDCs lack essential human capacities and infrastructure, including computer systems for tax administration, to promote tax compliance. A large share of taxes may rest on international trade, particularly customs duties, with a smaller contribution from direct taxes. The widespread use of tax exemptions, tax holidays and transfer pricing practices by transnational corporations erodes capacities to generate substantial additional revenues from natural resources.

Most LDCs have pursued reforms to strengthen revenue collection and administration. These feature three main components. The first is the adoption of the value-added tax, which has great tax collection potential, but is administratively challenging to execute. The second is the introduction of improved tax administration practices so as to ensure increased tax compliance. The third is more of an institutional reform, with tax administration being given greater autonomy from the political executive.

1.3.7.2 Official development assistance

The decline in ODA flows to the LDCs that started in 2011 further accelerated in 2012. Aid from OECD/DAC members dipped to US$40.56 billion, in real terms, which corresponded to a 9.4 per cent decrease from 2011. Such a decline was even more pronounced in the LDCs than in other developing countries. The LDC share of total ODA from DAC countries fell from 34 per cent in 2010 to 32 per cent in 2012.

Acute cuts hit aid budgets in Italy (-55.6 per cent), Spain (-54.7 per cent), Portugal (-46.3 per cent), Belgium (-32.7 per cent), Greece (-30.2 per cent) and France (-29 per cent). The number of OECD countries that meet or exceed the lower bound of the United Nations target of providing 0.15 per cent of gross national income (GNI) as aid to the LDCs eroded from 10 and 9 in 2010 and 2011, to 8 in 2012. The eight countries were Denmark, Finland, Ireland, Luxemburg, Norway, Sweden and the United Kingdom. A few other countries, namely Australia, Germany, Iceland, Japan and New Zealand, managed to increase, or, at least, keep their level of aid unchanged in spite of the inauspicious domestic and global economic environment.

Preliminary estimates for 2013 and the outlook for 2014 are mixed. Bilateral net ODA to the LDCs is estimated to have increased by 12.3 per cent in 2013 over 2012, probably due to the debt relief received by Myanmar. But country programmable aid—a good measure of aid effectively received by recipient countries—is forecast to abate by 5 per cent in 2014, owing to diminished access to grant resources on which the LDCs very much rely.

The persistent reduction in ODA constrains the ability of the LDCs to realize the aspirations of the Istanbul Programme of Action, given their heavy dependence on ODA as their primary source of external finance and their high poverty rates. Half of the total population of this group of countries lives on less than US$1.25 per day and an even higher proportion, over 70 per cent, is below the US$2 per day threshold. The median of the ratio of ODA from DAC countries to current account balances stood at 70 per cent in 2012, suggesting the difficulty most LDCs have in attracting financial flows outside ODA. The verdict is the same when the dependence is seen from the point of view of public finances. The median of the ratio of ODA to government revenues hovered around 60 per cent for all LDCs.

There has been some limited progress in better quality aid. The share of untied aid continued to rise in 2012, although it was below the level reached in 2009. Growing attention has been given to productive sectors in aid allocation as well as the use of recipients' public financial management systems. No major breakthroughs were achieved on aid fragmentation and predictability. Grant resources, a critical support for the LDCs, have been declining.

1.3.7.3 External debt

Following decade-long debt relief efforts for some of the most vulnerable countries, in particular the Enhanced HIPC and the Multilateral Debt Relief Initiative (MRDI), and many years of strong economic growth, the external debt burden of many LDCs has fallen to sustainable levels. External debt stock for the LDCs as a whole averaged 28 per cent of GNI in 2011 and 2012. This relatively low share is reflected in the ratio of debt service to exports of goods, services and income, which stood at 4 per cent in 2012.

Not all LDCs benefited from or are eligible for the HIPC and MRDI schemes. Not all countries that qualified for these initiatives have actually derived full debt relief. Chad, Eritrea, Somalia and Sudan are in the latter category, having not met the HIPC and MDRI conditions. Some beneficiary LDCs have not reaped all potential benefits as some smaller multilateral institutions, non-Paris Club official bilateral creditors and commercial creditors—which make up a non-negligible share of their outstanding debt stock—have only granted part of the expected cancelation. Factors such as the continued strong dependence of LDC economies on developments in commodity prices put a few nations at a high risk of debt distress.

Although HIPC and MDRI have helped alleviate debt burdens, they have not fully offered solutions to debt overhang in vulnerable countries. The discourse on sovereign debt restructuring has resulted in agreement on broad principles underpinning such restructuring, including fair burden sharing between debtors and creditors, and legal predictability. But this consensus has not yet been translated into concrete changes.

1.3.7.4 Foreign direct investment

Benefiting from an increased appetite among global investors for assets in developing countries—amid low returns in developed countries—the LDCs recorded unprecedented levels of FDI inflows in 2012. Flows rose to US$26 billion, a 20 per cent increase over 2011 (UNCTAD, 2013). FDI outflows from the LDCs reached US$5 billion. More than

20 LDCs experienced negative net flows.

Against this positive backdrop, the volume of greenfield investment projects in the LDCs receded in 2012 to its lowest level in six years. The decline reflected significant reduction in planned projects in the primary sector and related processing industries.

Consistent with previous patterns, FDI continued to be geographically and sectorally concentrated. Resource-rich LDCs accounted for the largest share, with the Democratic Republic of the Congo, Equatorial Guinea, Mozambique, Myanmar and Sudan attracting over US$2 billion each. Not surprisingly, FDI mostly targeted natural resource-based sectors, although their share in total FDI flows was eroding. This may bode well for the LDCs if the growing share of non-natural resource sectors, including manufacturing and services, is accompanied by greater value addition and job creation as well as increased technology transfer and the accumulation of capabilities.

1.3.7.5 Remittances

Officially recorded remittance flows to all LDCs stood at US$30.5 billion in 2012, an 11 per cent increase over 2011. The sustained growth reflected the continued rise in remittances in some of the largest recipients, in particular, Bangladesh and Nepal. The diasporas of these countries remitted US$14.08 billion to Bangladesh and US$4.8 billion to Nepal in 2012. These resources constitute a major source of foreign exchange earnings and have fuelled consumption. This is also the case in the Gambia and Lesotho, where flows represented the equivalent of 15.4 per cent and 22.6 per cent of GDP in 2012, respectively. Some of these countries, Bangladesh in particular, have put in place incentives aimed at attracting higher volumes of remittances.

Despite some innovations in the financial industry, including international remittance services by mobile banking operators, the United Republic of Tanzania being a case in point, the costs of remitting to the LDCs continued to be prohibitive—in some cases, the highest in the world. Part of the reason is that most transfers are made in cash by money transfer firms or bank agents of these firms. By contrast, account-to-account or cash-account vehicles, which are cheaper, were used for only a small share of total flows remitted.

The challenge is not only one of reducing the costs of remitting, but also of leveraging the development impacts of these flows, in particular to build productive capacities in the LDCs.

1.3.8 Governance at all levels

Many LDCs continued to consolidate political reforms initiated two decades ago. In most countries, multipartite elections have become the favoured way of selecting leaders. Checks and balances on the executive power have gradually been built. Yet progress has been delicate, as shown by temporary relapses to undemocratic systems. Achievements made so far need to be nurtured and expanded. Many LDCs have taken important strides towards the full political participation of women, as mentioned earlier.

The majority of the LDCs have committed to fighting corruption. By 2013, 41 had accepted, signed or ratified the United Nations Convention against Corruption, up from 40 in 2012. In 2013, Guinea and Kiribati ratified the Convention and five LDCs completed their reviews as part of its implementation review mechanism. The issues of transfer pricing and illicit capital flows have gained increased attention in discussions of the Group of 8 and the Group of 20. Most of these discussions have yet to translate into concrete and effective plans of action, however. For the LDCs, these could reverse a major drain on savings that could otherwise be used for growth and development.

A growing number of the LDCs have complied with the principles of the Extractive Industries Transparency Initiative (EITI), therefore publicly disclosing information on industry revenues accruing to governments. As of April 2014, 10 LDCs were EITI compliant, meeting all requirements, while 7 others were EITI candidates that do not yet meet all requirements.

Many LDCs have continued to make steady progress in strengthening budget preparation, execution and monitoring, hence improving the transparency of public spending, expenditure control, fiscal management and the efficiency of public spending. Other efforts have upgraded tax and customs administrations, and broadened tax bases, including through streamlining tax and customs procedures, and providing these administrations with additional staff and equipment. Sustaining and accelerating progress will hinge in part on continued donor support, which many of these interventions have heavily relied on.

No significant progress has been made in reforming global governance structures. A set of reforms to reflect the growing weight of developing countries in the global economy resulted in increased representation on the World Bank's Executive Board and an additional seat for sub-Saharan Africa, where two-thirds of the LDCs are located. Reforms of the IMF Executive Board and countries' quotas at the IMF were also proposed. As of April 2014, the reforms have not entered into force, as they lack sufficient votes. Even if passed, the representation of the LDCs will not match their demographic size and the sheer magnitude of IMF activities in these countries.

1. 4 CONCLUSIONS AND RECOMMENDATIONS

Three years into the implementation of the Istanbul Programme of Action, the LDCs have continued to make progress towards achieving its goals and targets. Both the LDCs and their development partners have intensified efforts to mainstream it into national development and development cooperation strategies. Yet many LDCs are unlikely to reach either the MDGs or the Istanbul goals and targets. Timely achievement of the later requires strengthened and coherent actions by the LDCs and their development partners in the eight priority areas. Equally, the interests and concerns of these countries should be at the centre of actions during the remaining time before the endpoint of the MDGs in 2015.

The Istanbul Programme of Action needs to be firmly integrated in the post-2015 development agenda and the SDGs, since the Programme of Action captures, in its eight priority areas, important aspects of the three dimensions of sustainable development, with a special focus on the most marginalized people of the world. As stated in the United Nations Secretary-General's report, "A life of dignity for all: accelerating progress towards the Millennium Development Goals and advancing the United Nations development agenda beyond 2015,"[4] the sustainable development agenda in the post-2015 framework should leave no one behind. It should be transformative, so that a life of dignity for all can be ensured.

The focus on building robust and sustainable productive capacity in agriculture, manufacturing and services in the LDCs must continue. Progress is key to achieving economic transformation and social progress, to reducing dependence on external assistance, and to easing integration into global value chains in particular, and the globalized world economy and trade in general. Development partners should strengthen their support for the LDCs in these areas.

Government revenues in the LDCs have been increasing, albeit slowly. This trend and actions by countries to combat corruption and increase transparency need to be strengthened. Several LDCs are among the top performers with respect to lowering obstacles to the creation and running of businesses. Further efforts are needed, and support—for capacity building in tax and customs administration, for example—should be stepped up. All stakeholders need to maintain focus on efforts to achieve gender equality and women's empowerment.

Moderate progress made towards achieving the goals and targets of the Istanbul Programme of Action, and serious new challenges faced by the LDCs, including the most recent outbreak of the Ebola virus, underline the critical need for development partners and other stakeholders to give these countries due priority. This is not only an imperative in and of itself, but also a means to promote a stable and peaceful global order. The recent decline in ODA to the LDCs, which has been steeper than for other developing countries, is particularly worrisome. Unless corrective actions are taken, this decline is expected to continue (OECD/DAC, 2013). It must be reversed through important steps to live up to the ODA commitments of the Istanbul Programme of Action. More priority should be given to the LDCs in the allocation of assistance and other resources at a level commensurate with their needs and complex challenges.

With respect to mutual accountability, a more structured dialogue between the LDCs and their development partners on the roles and responsibilities of each stakeholder in the aid relationship is vitally important. Providing appropriate space and platforms for such dialogue is essential. The national voluntary presentations under the Annual Ministerial

[4] A/68/202 and Corr.1.

Review of the Economic and Social Council should include a focus on the fulfilment of commitments by the LDCs and their development partners in implementing the Istanbul Programme of Action. The Council's Development Cooperation Forum should serve as a universal platform for mutual accountability on aid effectiveness. The High-level Political Forum on Sustainable Development should also constantly review progress made by the LDCs in fulfilling Istanbul and other internationally agreed development goals.

Since enhancing mutual and domestic accountability depends on timely and accurate data, capacity building for data collection and processing must be developed, especially in areas likely to be covered by the SDGs and related targets and indicators.

The LDC package agreed upon at the Ninth Ministerial Conference of the WTO has the potential to advance the LDCs in the multilateral trading system, especially with respect to duty-free, quota-free market access; guidelines for simplified and flexible preferential rules of origin; the possibility of preferential treatment in trade in services through a waiver; and enhanced transparency and monitoring of the trade-related aspects of cotton.

These agreements, if implemented, would represent important steps towards improving market access for the products of the LDCs. They should, however, be complemented by a significant reduction in non-tariff barriers, which constitute a major impediment to market access. Concrete follow-up actions are also required to implement these decisions. For example, the LDCs should identify markets where rules of origin are a significant obstacle to exporting. All partners should simplify and harmonize the rules of origin for the LDCs in order to facilitate better market access for their products. Trading partners should indicate in what areas and modes of supply the service waiver could be implemented.

Channelling a larger share of Aid for Trade resources to the LDCs would assist these countries in removing their production and supply bottlenecks, enabling them to better utilize market access opportunities. More resources with longer-term predictability should be ensured for the Enhanced Integrated Framework in order to help bolster trading capacities.

One of the positive developments in the implementation of the Istanbul Programme of Action is the unprecedented 20 per cent increase in FDI inflows to the LDCs between 2011 and 2012. Even though this investment is concentrated in some sectors and countries, stronger policies and actions by both these countries and FDI source countries can play a crucial role in steering flows towards inclusive and rapid growth and structural transformation. The Office of the High Representative has prepared a report, in line with the request made by the United Nations General Assembly,[5] that provides useful guidance on national policies and regulatory frameworks for stimulating FDI in the LDCs, and outlines options and modalities for investment promotion regimes. The timely operationalization of the technology bank and its mechanism for supporting science, technology and innovation in the LDCs would constitute an important milestone.

Given the deepening relationships between the LDCs and emerging economies, and the significant potential for further expansion, South-South and triangular cooperation should be extended in all areas of the Istanbul Programme of Action, with a more institutionalized approach to collaborative effort. Resources from innovative financing should be made available for the development of the LDCs.

Support by the United Nations system and some regional and international organizations continues to focus on the LDCs and their specific needs, as evidenced by the many activities noted above. More entities should now integrate the Istanbul Programme of Action into their work plans. Building on progress in this area, the Office of the High Representative should continue to make efforts to harmonize the agenda of the Inter-agency Consultative Group on Small Island Developing States with that of the United Nations Chief Executives Board, with a view to assisting the latter in its work on LDC issues.

Continued coordinated support for the LDCs, led by the Office of the High Representative, will remain critical in order for these countries to effectively articulate their needs and concerns in the formulation of the post-2015 development agenda and the SDGs. Financial contributions by a number of development partner countries from both

[5] A/67/220.

North and South have helped in undertaking this important task, and all stakeholders are invited to enhance their support. Annual workshops of the national focal points of the LDCs need to focus further on sharing experiences, with the view to accelerating progress towards achieving the Istanbul and other internationally agreed goals.

It is encouraging that the number of LDCs announcing their intention to graduate from LDC status by 2020 is increasing. These countries should start to prepare their transition strategy as early as possible and request specific support. Development partners should back smooth transition measures in a flexible manner. As requested by the United Nations General Assembly,[6] relevant organizations of the United Nations system, led by the Office of the High Representative, should also step up their assistance to graduating countries.

The midterm review of the Istanbul Programme of Action will provide an important opportunity to assess its effective implementation, highlight progress made and address continuing challenges. It is crucial that preparations at the national, regional and global levels start early in order to allow for meaningful deliberations. It is also important that the United Nations system, especially the relevant regional commissions, as well as all concerned stakeholders, be fully engaged in preparations. The midterm review is expected to be a central element of mutual accountability with respect to the Istanbul Programme of Action and will help guide the United Nations system towards its effective implementation.

[6] A/68/224.

PART 2

EXTREME POVERTY ERADICATION IN THE LDCs AND THE POST-2015 DEVELOPMENT AGENDA

2.1 INTRODUCTION: THE LDCS AND THE POST-2015 DEVELOPMENT AGENDA

The objective of eradicating extreme poverty is enshrined in the first MDG. With more than 75 per cent of their citizens living on less than US$2 a day, and nearly 51 per cent on less than US$1.25 a day, the LDCs are the poorest and the most vulnerable countries in the world.[7] These countries are generally characterized by low per capita income, low human capital development, and structural bottlenecks that hinder economic growth and human development. They tend to be susceptible to external shocks, such as in terms of trade and financial flows, and internal shocks, including those related to climate and conflict, given their inability to prevent or ensure against these.

Achieving the MDGs and graduating from the LDC category require particular attention to growth sustainability and poverty eradication, which call for meaningful structural transformation of LDC economies. External support is a critical complement to internal reforms aimed at eradicating extreme poverty, which should constitute an overarching goal of the post-2015 agenda.

This part of the report first discusses extreme poverty in terms of its measurement and trends in the LDCs, followed by an analysis of the determinants of extreme poverty. The growth-inequality-poverty nexus is revisited, where inequality and growth-poverty dynamics are explored. Special attention is paid to gender inequality, the institutional environment, and infrastructure and service delivery.

The report then assesses progress towards structural transformation as well as external factors with implications for extreme poverty reduction, and highlights policy implications. It illuminates some key policy areas that could be addressed in the post-2015 development agenda and the SDGs.

2.2 THE CONCEPT, MEASUREMENTS AND TRENDS OF EXTREME POVERTY IN THE LDCs

'Extreme poverty' refers to the deprivation of basic human needs, including food, safe drinking water, sanitation facilities, shelter and health, often accompanied by individuals lacking education or information to change his/her condition. A more general concept of multidimensional poverty is the 'capability approach' of economist Amartya Sen, where other forms of capability, including economic and political freedoms, would also be accounted for. Due to limited data availability, however, the present analysis is confined to the money-metric measure of poverty, under the assumption that for the very poor most of the basic needs for survival entail economic elements that could be met by access to money. For the extreme poverty line, the widely used value of US$1.25 per day is applied, based on World Bank data (see Ravallion et al., 2009). The discussion in the present chapter will have to be limited to the 29 LDCs for which data are available (see annex table B1).[8]

Poverty data are presented in three measures of poverty:[9] the poverty *headcount,* poverty *gap* and poverty *squared gap.* The poverty headcount, which is the proportion of the population with incomes below the poverty line, is arguably the most popular measure of poverty; for instance, the first MDG is based on this. It is the most easily computed and easily understood of the three. Nevertheless, it has a significant shortcoming, since it does not reflect the extent to which the poor are worse off in income terms. The poverty gap attempts to correct this defect by providing a measure of the poverty *spread,* that is, how far on average poor incomes fall below the poverty line. It provides a rough indication of the minimum amount of resources required to eradicate poverty, provided that these resources are efficiently channelled to the right beneficiaries. The squared poverty gap captures the *severity* of poverty and provides a better reflection of the income of the very poor.

All available poverty statistics for the three poverty measures are reported in annex table B2. They are drawn from the World Bank's PovcalNet database and are the same as those from the United Nations Statistics Division. Poverty trends are difficult to compare as periods for which data are available are not uniform across countries. Putting

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[7] United Nations 2011.

[8] Note that higher frequencies of country data are obtainable by combining household consumption survey data with national income accounts statistics (see, e.g., Bhalla, 2002; Bourguignon and Morrison, 2002; Chotikapanich et al., 1997, 2007; Pinkovskiy and Salai-i-Martin, 2009; Quah, 2002). However, given the usual problems with national accounts data (see, e.g., Jerven, 2013), it is generally advisable to focus on the World Bank data, which exhibit relatively high inter-country comparability (see Ravallion et al., 2009).

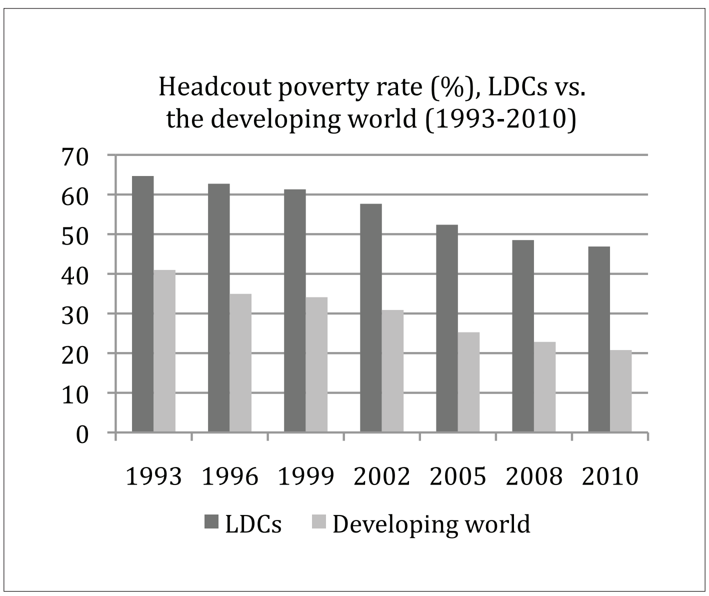
[9] These are referred to as Foster-Greer-Thorbecke measures of poverty.

aside this limitation, existing data indicate that in most cases, the three poverty rates have been trending downward, especially since the 1990s.[10]

To provide an overall picture of poverty, income and inequality for the LDCs, annex table B3 reports summary statistics on the headcount ratio (latest year), average income and inequality (both initial and latest year). The poverty rate ranges from as low as 1.6 per cent in Bhutan to as high as 81.3 per cent in Burundi and Madagascar, and averages 44.2 per cent (mean). Average monthly income is as high as US$124.6 (2005 purchasing power parity) in Bhutan and as low as US$26.4 in Burundi; the mean is US$53.2. Measuring inequality, the Gini coefficient is highest in the Central African Republic in both the initial and final years at 61.3 per cent and 56.3 per cent, respectively; the mean in the initial year is 42.9 per cent and 40.4 per cent in the final year.

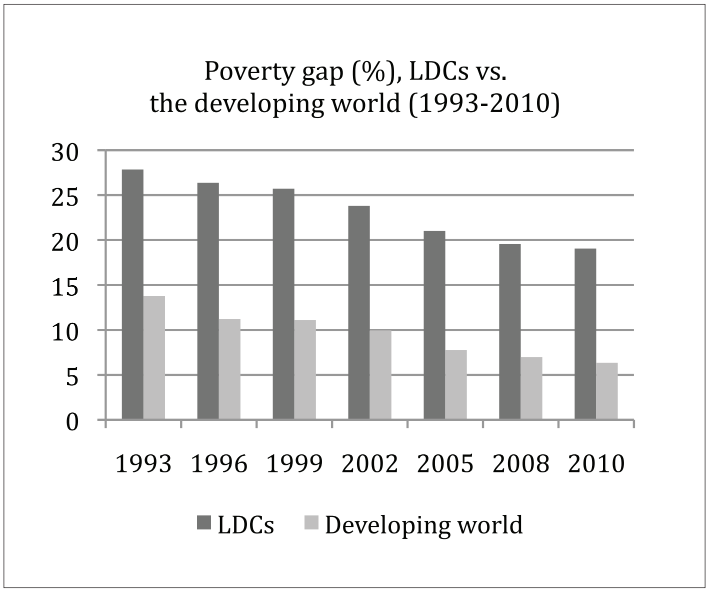
Despite the heterogeneity in the incidence of poverty and inequality in the LDCs, these countries have a much lower per capita income and higher poverty headcount compared to other developing countries and the rest of world. For instance, the global sample mean poverty rate for all developing countries is 20.4 per cent, about half that of the LDC sample at 44.2 per cent. The Gini coefficient is roughly the same at 42.6 per cent for the global sample as compared with 40.4 per cent for the LDCs. Mean monthly income is US$176.04 for the global sample, however, more than three times that of the LDC sample at US$53.18 dollars. In sum, the evidence presents a rough statistical indication that the LDC sample exhibits on average both much higher poverty rates and substantially lower incomes, though similar levels of inequality, as the global sample. These comparative statistics suggest that poverty responsiveness to changes in income growth and inequality would be lower in the LDCs than in other countries, and that the difference is likely the result of differences in income, rather than in inequality, between the LDCs and other developing countries.[11]

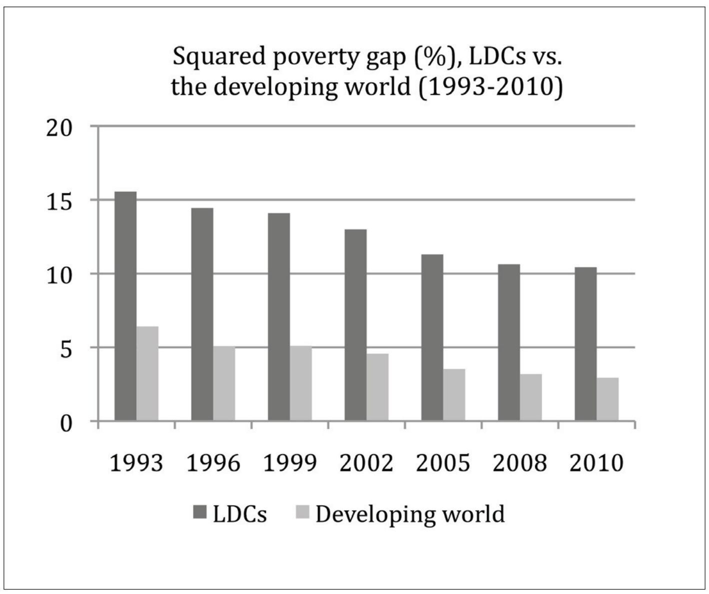
Figure 2.1: Trends in poverty measures: the LDCs vs. all developing countries



[10] The country data are derived from (occasional) surveys and therefore are available as frequently as the country surveys are conducted. There are, for instance, as many as eight data observations for Bangladesh and Zambia each, but only two each for Angola, Gambia and Timor-Leste (annex table B2). The data series also begin as early as 1980 for Madagascar and as late as 2006 for Togo. The data are, however, quite current, with most series ending in the late 2000s. Verdicts on poverty ratios, hence poverty trends, may also vary according to the considered poverty lines.

[11] Fosu (2011) estimates the (absolute) income elasticity and inequality elasticity of poverty to be both positive functions of the level of income and negative functions of initial inequality, so that the lower income in LDCs would imply less responsiveness of poverty to changes in income or inequality.





Source: World Bank, 2014a.

Figure 2.1 highlights progress on poverty in the LDCs vis-à-vis developing countries generally. Annex table B4 presents additional empirical analysis of the performance on poverty reduction. Several observations can be made. First, there has been steady progress since the 1990s for both groups of countries, and on all three poverty measures. Second, the poverty rate of the LDCs relative to developing countries is lowest for the headcount ratio, followed by the poverty gap and then by the squared poverty gap. This result holds in both 1993 and 2010, and suggests that the use of the popular headcount measure actually understates the spread and depth of poverty in the LDCs. Third, the comparative poverty rate has actually increased between 1993 and 2010, at a rate in excess of 40 per cent for each of the measures. These results are consistent with the higher rates of poverty reduction reported in table B4. While the LDCs have generally made substantial progress on poverty reduction, they are nonetheless further behind developing countries as a whole today than they were about two decades ago.

2.3 EXTREME POVERTY: FACTORS THAT INFLUENCE ITS PERSISTENCE OR DECLINE

2.3.1 The growth-inequality-poverty nexus

The critical role of income distribution in poverty reduction is spelled out in great detail in the seminal studies of Datt and Ravallion (1992) and Kakwani (1993), among others. These are country-specific studies, which do not lend themselves to comparison with those from other countries. A number of authors have, however, extended the analysis to measure inter-country differences in the transformation of income growth to poverty reduction. Using cross-country African data, Ali and Thorbecke (2000), for example, find that poverty is more sensitive to income inequality than to income.

A subset of such inter-country studies underscores the important role of inequality in determining the *responsiveness* of poverty to economic growth (e.g., Adams, 2004; Easterly, 2000; Ravallion, 1997). These authors were especially concerned with the role of inequality in the effectiveness of specific policies. Ravallion (1997), for instance, econometrically tested the growth-elasticity argument that while low inequality helps the poor share in the benefits of growth, it also exposes them to the risk of contraction. Likewise, assessing the effectiveness of the programmes of the Bretton Woods institutions, Easterly (2000) specified that growth interacts with the level of inequality in the poverty-growth equation, and observed that the impact of the programmes was enhanced by lower levels of inequality. Finally, Adams (2004) emphasized the importance of properly defining growth, but also presented elasticity estimates showing that the responsiveness of poverty to income growth is larger for the group with the lower level of inequality.

To further underscore the crucial nature of inequality in the poverty-growth relationship, Fosu (2008b, 2009, 2010a, 2010b, 2010c) has more recently derived and estimated analysis-of-covariance and other interactive models. The first four of these studies are on African economies, while the last one employs a global sample of developing countries. The results provide further support for the important role of inequality in the poverty-growth transformation.

Evidence of poverty reduction

Table 2.1 presents evidence on progress in poverty reduction, as well as on per capita GDP, income and inequality (the Gini coefficient).[12] Due to limited data availability, different periods are specified for the various countries. As apparent from the table, almost all LDCs in the sample exhibit positive progress on poverty.

[12] For comparability across countries, the growth rates were annualized by dividing the difference across years by the number of intervening years.

Table 2.1: Annual growth of poverty, per capita GDP, income and inequality

Country	Period	Poverty growth, US$1.25	Poverty gap growth, US$1.25	Squared poverty gap growth, US$1.25	Per capita GDP growth	Income growth	Inequality growth (Gini coefficient)
Angola	2000-2009	-2.50	-6.65	-10.25	8.13	-0.56	-3.54
Bangladesh	1992-2010	-2.69	-4.21	-5.56	3.65	2.25	0.84
Bhutan	2003-2012	-30.67	-36.56	-37.97	6.28	6.11	-2.11
Burkina Faso	1994-2009	-3.12	-5.75	-7.60	3.03	2.13	-1.62
Burundi	1992-2006	-0.25	-0.71	-1.26	-2.93	0.76	-0.01
Cambodia	1994-2009	-5.82	-8.17	-9.98	5.48	2.35	-0.40
Central African Republic	1992-2008	-1.75	-3.80	-5.22	0.95	4.55	-0.53
Ethiopia	1995-2011	-4.25	-5.95	-7.26	4.05	1.82	-1.08
Gambia	1998-2003	-13.37	-21.24	-27.57	1.08	13.32	-1.21
Guinea	1991-2007	-4.74	-9.02	-12.29	0.58	8.35	-1.09
Guinea-Bissau	1993-2002	-0.71	-2.41	-3.62	-1.64	-1.64	-3.31
Lao People's Democratic Republic	1992-2008	-3.10	-3.72	-3.90	4.54	2.34	1.18
Lesotho	1993-2003	-2.62	-3.73	-4.20	2.12	1.49	-0.99
Madagascar	1993-2010	0.67	1.28	1.67	-0.31	-1.52	-0.26
Malawi	1998-2010	-2.49	-4.69	-6.20	-0.17	3.34	-1.13
Mali	1994-2010	-3.34	-7.36	-10.44	2.66	4.15	-2.66
Mauritania	1993-2008	-4.02	-5.03	-5.71	1.34	1.16	-1.42
Mozambique	1996-2003	-2.52	-4.11	-5.04	5.08	3.66	0.22
Nepal	1996-2010	-7.20	-10.91	-13.85	2.33	4.25	-0.51
Niger	1992-2008	-3.20	-5.44	-7.35	0.10	2.67	-0.27
Rwanda	2000-2011	-1.51	-2.95	-4.08	5.14	2.37	-0.12
Senegal	1991-2011	-3.99	-6.62	-8.78	0.79	2.52	-1.48
Sierra Leone	2003-2011	-0.39	-2.49	-4.20	2.45	-0.90	-2.31
Timor-Leste	2001-2007	-5.77	-12.79	-18.63	-2.15	1.99	-3.55
Togo	2006-2011	-6.31	-5.10	-3.93	0.71	5.97	2.65
Uganda	1992-2009	-3.59	-5.35	-6.62	3.80	3.47	0.23
United Republic of Tanzania	1992-2007	-0.45	-0.36	-0.31	2.25	0.71	0.70
Yemen	1998-2005	4.40	4.74	5.31	1.54	-1.04	1.71
Zambia	1993-2010	0.77	0.97	-0.70	0.67	-0.47	0.52
Mean		-3.95	-6.14	-7.78	2.06	2.61	-0.74
Median		-3.10	-5.03	-5.71	1.54	2.34	-0.53
Standard deviation		6.01	7.54	8.49	2.56	3.13	1.51

Note: Data are from the PovcalNet database (World Bank, 2014a). The figures are annualized by taking the difference in the log of the latest year and the beginning year values, and dividing by the number of years between the periods, x 100 per cent.

Since changes in income and inequality are crucial determinants of the progress on poverty, the annualized growth rates of these variables are also presented in table 2.1. Income increased for all sample countries, except for Angola, Guinea-Bissau, Madagascar, Sierra Leone, Yemen and Zambia. Similarly, inequality fell for the majority of the countries, with Bangladesh, Lao People's Democratic Republic, Mozambique, Togo, the United Republic of Tanzania, Yemen and Zambia the exceptions. In most of the 29 LDCs in the sample, income increased while inequality fell, with favourable implications for poverty reduction.

As is clear from table 2.1, per capita *GDP* growth may not always accurately reflect per capita *income* growth, which measures income (consumption) at the household level, and is therefore the more relevant variable in explaining poverty reduction. For example, Angola experienced a large annualized per capita GDP growth of 8.1 per cent, yet its income actually fell slightly during the same period. Similarly, per capita GDP growth was positive while income growth was negative for Yemen and Zambia. In contrast, though per capita GDP fell for Burundi, Malawi and Timor-Leste, the respective incomes of these countries rose. The implication, then, is that per capita GDP data, which are more easily obtainable, may not actually reflect income (consumption) data at the household level, which are based on occasional surveys and are more difficult to come by.

The Angola case is particularly noteworthy, with a substantial increase in GDP but a decrease in income at the household level. This outcome is likely explained in great part by the fact that most of the country's GDP is driven by the oil industry. The distribution of export revenues is very likely skewed towards capital and relatively high-skilled labour. Moreover, much of the country's infrastructure is still damaged or undeveloped from the 27-year-long civil war. Progress towards poverty reduction may thus be impeded by the limited scope of economic activities. It may take more time to build infrastructure before rising GDP will have an impact on poverty.

Nevertheless, Angola has made some progress on poverty reduction through a decrease in income inequality, from a Gini coefficient of as high as 58.6 per cent in 2000 to 42.7 per cent in 2009 (annex table B3). Strikingly, through the improvement in income distribution, Angola has succeeded in substantially reducing the extent and depth of poverty, both of which tend to be relatively sensitive to changes in inequality, even though progress on the headcount ratio is mediocre.

Overall, the verdicts on poverty as measured through the poverty gap and squared poverty gap are very much similar to that of the headcount ratio, though there are notable exceptions.[13] The rest of this section will focus on the headcount ratio, with the understanding that the main conclusions likely pertain to the other poverty measures as well, subject to the above caveat.

To better understand the relative performance on poverty, the relative roles of income growth and inequality changes in poverty reduction are assessed. Table 2.2 reports the results of decomposing poverty reduction during the respective recent periods shown in table 2.1. The first column in the table reproduces the actual observed poverty reduction presented in table 2.1. Column A reports the estimated amount of poverty reduction attributable to income growth, column B that attributable to inequality changes, while the last column (A+B) is the sum of both.

[13] For example, Togo performs well on the headcount ratio but moderately on the poverty gap and squared poverty gap measures, mainly as a result of limited income distribution. In contrast, Angola's progress is limited for the headcount ratio, but outstanding for the gap and gap squared, due to improving income distribution.

Table 2.2: Contributions of growth in income and inequality to poverty reduction

		A	B	A+B
Country	**Povg**	**EY*dlnY**	**EG*dlnG**	**Pred Povg**
Angola	-2.5	0.55	-3	-2.44
Bangladesh	-2.69	-5.34	2.35	-2.99
Bhutan	-30.67	-14.99	-7.63	-22.62
Burkina Faso	-3.12	-2.04	-0.98	-3.02
Burundi	-0.25	-0.89	-0.01	-0.9
Cambodia	-5.82	-5.16	-1.15	-6.31
Central African Republic	-1.75	-1.34	0.29	-1.05
Ethiopia	-4.25	-3.69	-2.51	-6.2
Gambia	-13.37	-18.16	-1.74	-19.9
Guinea	-4.74	-7.86	-0.53	-8.39
Guinea-Bissau	-0.71	1.44	-1.88	-0.43
Lao People's Democratic Republic	-3.1	-5.32	3.26	-2.06
Lesotho	-2.62	-2.12	-1.65	-3.77
Madagascar	0.67	0.99	0.03	1.02
Malawi	-2.49	-2.12	0.08	-2.04
Mali	-3.34	-3.22	-0.61	-3.83
Mauritania	-4.02	-2.29	-3.59	-5.88
Mozambique	-2.52	-3.59	0.11	-3.48
Nepal	-7.2	-9.34	-1.31	-10.65
Niger	-3.2	-4.1	-0.39	-4.49
Rwanda	-1.51	-5.07	-0.3	-5.36
Senegal	-3.99	-2.83	-1.51	-4.34
Sierra Leone	-0.39	1.26	-2.64	-1.37
Timor-Leste	-5.77	-3.36	-6.57	-9.93
Togo	-6.31	-13.87	7.94	-5.93
Uganda	-3.59	-4.47	0.26	-4.21
United Republic of Tanzania	-0.45	-0.98	0.73	-0.25
Yemen	4.4	2.86	6.6	9.46
Zambia	0.77	0.63	0.6	1.23
Mean	-3.95	-3.95	-0.54	-4.49

Notes: A: predicted poverty growth by income; B: predicted poverty growth by inequality; A+B: predicted poverty growth by both income and inequality. Computed as based on the formula $p = yE_y + gE_g$, where p is the predicted poverty rate, y the income growth, E_y the income elasticity, g the Gini (inequality) growth, and E_g the inequality elasticity, with the elasticities computed in annex table B6; A= yE_y and B= gE_g. For details of the procedure, see Fosu (2011).

Povg stands for changes in poverty headcount (positive if poverty headcount increases and negative, otherwise). EY is the income elasticity, meaning the percentage change in poverty caused by a one per cent increase in income. dlnY refers to the percentage change in income. EG denotes the Gini (inequality) elasticity, meaning the percentage change in poverty instigated by a one per cent increase in Gini (inequality). dlnG denotes the percentage change in Gini (inequality).

In nearly all of the 29 LDCs in the sample, income growth reduced poverty; the only exceptions were Angola, Guinea-Bissau and Sierra Leone. While inequality changes are also estimated to have resulted in poverty reduction in most of the countries, in eight of them (Bangladesh, Central African Republic, Lao People's Democratic Republic, Malawi, Mozambique, Togo, Uganda and the United Republic of Tanzania), this had limited impact. In most of the countries, changes in income and inequality reinforced each other to reduce poverty. In Angola, Guinea-Bissau and Sierra Leone, reductions in poverty were entirely the result of favourable changes in inequality. Income growth was solely responsible for poverty reduction in Bangladesh, Central African Republic, Lao People's Democratic Republic, Malawi, Mozambique, Togo, Uganda and the United Republic of Tanzania. Among the LDCs that have reduced poverty, income growth has by far been the main contributor to progress, consistent with the extant literature for developing countries generally (Dollar and Kraay, 2002; Fosu, 2011).

Also shown in table 2.2 are the three countries where poverty increased: Madagascar, Yemen and Zambia.[14] In all cases, both income and inequality contributed to the rise. The model, though, appears to considerably overestimate poverty increases in Yemen, perhaps explaining the overall overestimation for the three counties as a group.

Despite appreciable country differences, income growth appears to be the dominant variable explaining progress on poverty in the LDCs, but the role of inequality is not inconsequential.

The crucial role of inequality

The crucial role of inequality in poverty reduction has two parts: first, declining levels of inequality tend to decrease poverty by redistributing income growth more favourably (relatively inclusive growth); and second, lower initial inequality raises the rate at which income growth is transformed to poverty reduction, even if the level of inequality does not change.

Yet inequality can also influence growth. According to the classical approach (the Kuznets inverted-U hypothesis; see for instance Aghion and Bolton, 1997), growth is enhanced by a rising level of inequality. This is because a higher concentration of income, in a relatively undeveloped country where most people are poor, tends to raise savings and the rate of investment, as the rich tend to save more than the poor. It is only when the country reaches a higher level of development that growth is enhanced by falling inequality, as most income groups are at sufficiently high standards of living, so that spreading income more equally would allow for greater participation in saving and investment. The extant literature suggests that whether or not this hypothesis holds depends on country-specific circumstances. For example, many of the East Asian countries have historically been able to achieve higher growth via lower inequality.

The more recent competing political-economy hypothesis suggests, however, that higher inequality levels might reduce growth by fomenting greater political and social instability. Such instability would in turn result in higher uncertainty and lower investment, more unproductive rent-seeking activities, higher transaction costs and heightened insecurity of property rights (Thorbecke and Charumilind, 2002).

Higher inequality that fosters a larger initial rate of poverty may in turn lead to even higher levels of poverty, resulting in poverty persistence. Ravallion (2012), for instance, finds that a larger level of initial poverty tends to beget more poverty. This finding may be explained by the tendency of the poor to experience unique conditions that tend to trap them into becoming even poorer. Many of these conditions, including the ownership of minimal capital (human, physical and/or financial), are the result of the initial unequal distribution of assets (Birdsall and Londono, 1997; Deninger and Squire, 1998).

Determinants of growth, inequality and poverty

Much of the economic literature is about economic growth. A growth-enhancing environment is usually defined as that which exhibits 'political stability with reasonably market-friendly policies' (Fosu and O'Connell, 2006). The Economic Freedom Index is an indicative measure of the market-friendliness of the economic environment necessary

[14] For instance, rising poverty in Zambia from 1991 to 2010 may seem paradoxical given recent strong GDP growth. Such a paradox is the result of changes in per capita GDP trends over the last two decades and in growth patterns. Because of the steep economic decline of the 1990s, the recovery of per capita GDP to the 1991 level was reached only towards the end of the 2000s. Growth recovery in the 2000s was not inclusive enough, given that it was sustained by the enclave, capital-intensive industry sector, in particular, mining, which has very limited backward and forward linkages with the rest of the economy. Rising per capita GDP was accompanied by falling income on average at the household level, hence rising inequality. As a consequence, poverty increased.

for the growth process (see the technical note in the annexes).[15] Unfortunately, many of the LDCs lack data for the index. Based on the 16 LDCs with data, the zero-order correlation coefficients between economic freedom and per capita GDP growth, income growth, inequality growth and poverty growth are computed, as shown in table 2.3.

Table 2.3: Zero-order correlation coefficients: economic freedom vs. the growth of per capita GDP, income, inequality and poverty

	Economic freedom
Per capita GDP growth	0.693
	(3.60)
	[0.0029]
Income growth	0.1906
	(0.73)
	[0.4796]
Inequality growth	0.39
	(1.59)
	[0.1349]
Poverty growth	-0.072
	(-0.27)
	[0.7912]

Notes: t-values and p-values are in parentheses and brackets, respectively. The data on economic freedom are for 16 LDCs from Gwartney et al., 2012; data are missing for the remaining 13 countries out of the 29 in the sample for this report. The Economic Freedom Index ranges from 0 (lowest) to 10 (highest). Average values were computed using data from the early and mid-1990s to the latest year with available data, and correspond generally to periods over which poverty progress is assessed. Note that generally these coefficients measure association, but do not necessarily imply causality from economic freedom to the economic outcomes. Arguably, a better business environment represented by higher economic freedom would encourage greater production and hence higher economic growth.

As anticipated, there is a strong positive relationship between economic freedom and per capita GDP growth. Economic freedom does not appear to be related to the other variables, however: income growth, inequality growth or poverty growth. This suggests that promoting economic freedom alone may not lead to the growth inclusiveness that is necessary for poverty eradication.

Attenuating inequality would, however, usually enhance growth inclusiveness and, therefore, poverty reduction. But what are the determinants of inequality in the first place? The level of inequality in a given country tends to depend on the mode of development. From a conceptual perspective, one would expect income distribution to be worse in a market economy than in a centrally planned economy. The latter tends to rely on government as the dominant allocator of resources, with greater empowerment to redistribute resources more equitably. The potential downside, however, is the tendency for the economic outcome to be inefficient, often with adverse implications for economic growth. In practice, though, most economies are rather mixed, and policies matter. Whether in market economies or not, tax policies could be made more progressive to provide support for the poor, for example.

The following pages present three modalities that may determine the scope of inequality and poverty: gender inequality, institutional frameworks, and infrastructure and service delivery. See box 2.1 for on-the-ground experiences in three countries.

[15] The Economic Freedom Index rests on 10 quantitative and qualitative factors, grouped into four broad categories: limited government (fiscal freedom, government spending), regulatory efficiency (business freedom, labour freedom, monetary freedom), open markets (trade freedom, investment freedom, financial freedom) and rule of law (property rights, freedom from corruption). Higher values indicate higher economic freedom.

2.3.2 Gender equality

Women represent a disproportionally large share of the world's poorest people. Eradicating extreme poverty entails a great focus on gender inequality in education, health and employment. In recent years, increasing attention has shifted to the importance of gender equality to growth and poverty reduction in developing countries (Blackden, 1999; Klasen, 2000; Morrison et al., 2007). Morrison et al. (2007) find a positive correlation between poverty reduction and gender equality, measured by the female-to-male ratio of human development indices for 73 countries, and also between per capita GDP growth and gender equality. They provide evidence that gender equality enhances women's decision-making, improves children's health and educational achievements, and boosts women's access to markets and employment opportunities, which in turn affects income growth and poverty reduction in the long run.

Women's empowerment in the LDCs has been limited by several constraints, such as the lack of formal education; discrimination in the credit, land and technology markets; market imperfections; wage gaps in the labour market; and other longstanding socio-cultural barriers. The last encompass, among others, attaching less importance to the education of girls compared to boys; the high prevalence of child marriage; the tendency for women to cultivate land for producing food crops and men for cash crops; and women and girls inheriting fewer assets such as land. Gender inequality can result in poverty traps, where discriminatory cultural practices result in higher gender-related poverty, leading to a less inclusive growth process and, in turn, to greater poverty.

The majority of women in the LDCs work in agriculture. Women's employment outside this sector remains modest due to the lack of education and skills, wage gaps and gender discrimination in the labour market. In terms of education, however, there has been overall a significant improvement in girls' primary and secondary school enrolment rates, and in gender parity at both levels. The ratio of girls to boys at the secondary level in the LDCs increased from 0.58 in 1991 to 0.81 in 2008 (United Nations, 2011).

In Bhutan, for example, where poverty reduction has been exemplary, according to the data presented in table 2.1, the ratio of girls to boys increased from 0.83 in 1998 to 1.02 in 2012 for primary enrolment, and from 0.76 to 1.06 for secondary enrolment. At the tertiary level, though, disparities persist. The ratio of females to males in tertiary education was 0.68 in 2011 in Bhutan, 0.93 in 2012 in Madagascar and 0.51 in 2010 in Burundi (UNSD, 2014).

Economic conditions and women's prospects are affected by certain social practices. For instance, 9 out of the 10 countries with the highest rates of child marriage are LDCs. In countries such as Bangladesh, Chad and Niger, more than 30 per cent of women aged 20 to 49 years were married or in union before the age of 15. Child brides tend to have lower levels of education, more children, and are less likely to receive medical care during pregnancy than women who marry as adults, leading to increasing poverty (UNICEF, 2014).

Progress towards eliminating disparities in the labour market has been slow. The average ratio of the female-to-male labour force participation rate in the LDCs increased only slightly from 73.3 per cent in 1990 to 78.0 per cent in 2012,[16] translating to an annual growth rate of 0.28 per cent over the last two decades. One of the major barriers to women's labour force participation is the amount of time and effort women spend carrying out domestic activities (Barwell, 1996; Morrison el al., 2007). Due to the lack of adequate infrastructure in the LDCs, especially for water and energy, women and girls devote substantial effort and time to providing fuel and water for households, and, therefore, are unable to concentrate on education and income-generating activities (Barwell, 1996).

In order to achieve gender parity as part of the push for the MDGs, many LDCs have given special attention to gender equity in their poverty reduction strategies and development plans. For instance, in Bhutan, a country that has reduced poverty phenomenally, the Government has made progress in reducing gender disparities by providing economic opportunities for women, especially those in rural areas, through enhanced access to credit facilities, markets and social services (IMF, 2010a). In 2012, Bhutan was ranked 92 out of 148 on the Gender Inequality Index (GII).[17] Cambodia and Nepal, also successful countries in poverty reduction, were ranked 96 and 102, respectively. The GII value was about 0.46 for Bhutan, 0.47 for Cambodia and 0.48 for Nepal. As countries making marginal progress on poverty, on the other hand, the United Republic of Tanzania and Sierra Leone were ranked 119 and 139, with GII

[16] Ibid.

[17] The GII measures gender inequalities in reproductive health, empowerment and economic activity. A higher value connotes a higher level of inequality (UNDP, 2013).

values of 0.56 and 0.64, respectively. Yemen was last in the 29 sample LDCs on progress on poverty as well as on the GII, where it ranked at 148 out of 148 (UNDP, 2013).

2.3.3 Institutional frameworks

Attempts to assess the impact of institutions on growth and development trajectories mostly rest on the concept of institutions outlined by North (1990, p. 3), who defined them as "the rules of the game in a society or, more formally…the humanly devised constraints that shape human interaction."

Three major features transpire from North's definition. First, institutions are not a given but are shaped by societies. Second, they constitute 'the rules of the game' that regulate interaction among people in a society, therefore resulting in a predictable structure and a reduction of uncertainty. Third, they shape incentives. The sum of the last two is that institutions exert decisive impacts on development outcomes, including economic growth, inequality and poverty.

As institutions are intangible in nature, they tend to be measured through ex-post outcomes, which are highly interrelated with development. The list of ex-post outcomes is long, but those on which there seems to be a consensus include: the rule of law, government effectiveness, control of corruption and political stability (Williamson, 1995; Aron, 2000; Acemoglu et al., 2001; Kaufman et al., 2007).

Since North's seminal work, policy makers and international institutions, including the United Nations, have underlined the importance of good governance (UNCTAD, 2005). Good institutions are seen as key to better economic performance. A burgeoning literature has shown, for instance, that trade in general, and trade liberalization in particular, tend to be positively related to economic growth only within a good institutional environment. Good institutions also positively contribute to the establishment of a favourable environment for doing business. This is expected to enhance domestic supply capacity through, for instance, the transfer of technology and know-how (ibid.). Not all studies demonstrate a positive and statistically significant association between institutions and development outcomes, however. Glaeser et al. (2004) uncover no correlation between a selected number of institutional variables and growth. One of the explanations for such diverging findings is the difficulty in measuring the quality of institutions, which depends on a subjective construction of the measures of their various dimensions. The correlation between institutions and development outcomes may depend on the choice of these dimensions. Bardhan (2004) raises concern over the focus on dimensions such as securing property rights and those that prevent coordination failures.[18]

Shedding some light on possible associations between institutions and development outcomes[19] requires conducting a quantitative analysis. Assessing institutional quality and governance and their relationship with growth, inequality and poverty is inherently difficult due to the definitional issues mentioned above, but also given limited data availability on the LDCs. Nonetheless, this report attempted to find a potential association between poverty, growth and inequality, and four dimensions of institutions, namely the rule of law, government effectiveness, control of corruption and political stability.

Weak institutional quality is likely to constitute a major hindrance to the LDCs' progress on poverty. What is the overall distribution for institutional quality that could better inform understanding of its relationship with poverty reduction? To answer this question, zero-order correlation coefficients between each of the following institutional quality measures and the growth in poverty were computed: 'rule of law', 'government effectiveness', 'control of corruption' and 'political stability'. These coefficients, calculated with available data for 29 LDCs, are presented in table 2.4.

Growth in poverty is significantly and negatively related to all the measures,[20] suggesting that higher institutional quality is associated with greater progress on poverty. In an attempt to identify possible channels that might transmit this influence, table 2.4 presents the correlation coefficients measuring the possible respective relationships between the institutional quality measures, and income growth and changes in inequality. Although nearly all the estimated coefficients exhibit the correct signs—positive for income and negative for inequality—as expected, none of them are statistically significant. It appears, therefore, that the significant positive relationship between institutional quality and

[18] Another source for the divergence in findings is the way in which potential problems of simultaneity and endogenity are addressed.
[19] The analysis and conclusions are indicative and not definitive, and should be treated with due caution.
[20] The correlation coefficients are negative and are highly significant according to the respective t-ratios.

progress on poverty may be attributable to a more complicated interactive relationship involving income growth and inequality changes. It is a well-established fact, however, that participation of the poor in decision-making is a key factor in poverty reduction. State responsiveness requires openness, transparency and accountability to the poor and excluded (UNDP, 2014).

Table 2.4: Zero-order correlation coefficients: governance variables vs. the growth of poverty, income and inequality (Gini coefficient)

	Poverty growth	Income growth	Inequality growth
Rule of law	**-0.48**	**0.28**	**0.01**
	(-2.87)	(1.51)	(0.04)
	[0.008]	[0.142]	[0.968]
Government effectiveness	**-0.55**	**0.18**	**-0.03**
	(-3.40)	(0.98)	(-0.17)
	[0.002]	[0.338]	[0.864]
Control of corruption	**-0.55**	**0.17**	**-0.13**
	(-3.45)	(0.92)	(-0.68)
	[0.002]	[0.366]	[0.504]
Political stability	**-0.45**	**0.18**	**-0.16**
	(-2.59)	(0.97)	(-0.85)
	[0.015]	[0.341]	[0.402]

Notes: t-values and p-values are in parentheses ( ) and brackets [ ], respectively. The sample includes the 29 LDCs. Generally these coefficients measure association, but do not necessarily imply causality from institutional quality to economic outcomes. That institutional quality is related to poverty reduction but not to the other outcome variables suggests that the direction is likely to go from institutional quality to poverty reduction.

2.3.4 Infrastructure and service delivery

The lack of adequate infrastructure is a major constraint to economic growth and poverty reduction. Several empirical and theoretical studies support the view that infrastructure development is a key to achieving economic development and eradicating poverty, through growth, but also by reducing inequality (Estache, Foster and Wodon 2002; Estache and Wodon, 2011; Ogun, 2010).

Inadequate transport networks limit access to regional and global markets, and therefore hamper the competitiveness of countries' exports. The performance of the agricultural sector is highly affected by transportation costs for agricultural inputs and outputs. Farmers in rural areas often experience great difficulties in conveying fertilizers to their farms, and their produce from the farm to the market, especially in the rainy season due to the poor state of roads. A huge amount of time, effort and income that could have been employed for improving crop yield and marketing is expended on circumventing transportation impediments. The problem is compounded by the lack of storage facilities. In this situation, government policies that subsidize fertilizers for producing perishable products are doomed to fail, mainly because much of the increased yield rots due to limited market access and the lack of storage. Poor access to transport also isolates rural inhabitants from social services such as education and health care. Poverty traps are, therefore, likely in such rural settings, stymying any progress towards the reduction of spatial inequality and curtailing poverty reduction in areas where the majority of people live.

In developing countries generally, a considerable proportion of the overall budget for the transport sector is allocated for infrastructure investments. In the majority of the LDCs, however, little or inadequate investment is made in constructing roads, railways and ports.[21] Existing transport infrastructure is in a poor state of disrepair, due to lack of maintenance and/or destruction resulting from civil wars. During the 2003-2007 post-war period, Sierra Leone's power sector deficiencies and poor roads significantly held back per capita growth (Pushak and Foster, 2011). As discussed in the first part of this report, access to modern energy is also very restricted in the LDCs, a block to greater productive capacity and GDP growth.

Adequate water, electricity and sanitation services, especially for the rural poor, make major contributions to sustainable development and poverty reduction. Sufficient and reliable electricity and water infrastructure enhance the living conditions of households by cutting time otherwise spent on procuring these services, and reduce pollution.

The majority of the LDCs face many challenges in providing equitable and efficient public services. Inadequate infrastructure and inefficient distribution inhibit progress on inequality and poverty. Most rural communities have minimal access to water and electricity, sanitation, social services such as education and health care, and banking services, due mainly to long distances and costly transport. Improvement in public service delivery would enhance household incomes by allowing time currently spent on domestic activities to be used for generating income (Barwell, 1996).

[21] The present situation is gradually reversing, with rising investment in physical infrastructure in many LDCs, financed in part through growing economic ties with China. See also part 1, sections 1.3.1 and 1.3.2.

Box 2.1: The dynamics of inequality, growth and poverty: three country experiences

The following country narratives illustrate diverse experiences with the dynamics of inequality, growth and poverty, especially as related to institutional frameworks, and infrastructure and service delivery. The stories highlight both successes and challenges.

Bhutan: a development success story

Among the countries assessed in this part of the report, Bhutan is the most successful on all three measures of poverty reduction, and on per capita GDP growth, income growth and reduction in inequality. The explanation for this feat seems to lie in various factors: effective five-year plans; decentralization, and improved political and administrative capacities; and enhanced public service delivery (IMF, 2010a). Since the 1960s, Bhutan has implemented five-year plans with the support of various donors and development partners. Under the first five plans (1961-1987), the country made significant progress in agriculture, irrigation and forestry, as well as electric power generation and road transportation. From the mid-1970s, the Bhutanese Government embarked on numerous hydropower projects with the technical and financial assistance of India, the main importer of hydropower from Bhutan. With the revenues generated, the country was able to finance a large part of its five-year plans.

During the 8th five-year plan (1998-2002), the decentralization of political and administrative functions commenced. The Gewog Yargay Tshogchung and the Dzongkhag Yargay Tshogchung acts of 2002 created local governments for the development, management and administration of communities, districts and sub-districts (Royal Government of Bhutan, 2011). Decentralization was implemented with a key emphasis on community participation in decision-making, and the planning and implementation of socio-economic programmes in order to ensure these would be sustainable and equitable. The Local Government Act of 2009 advanced the decentralization process (ibid.).

The 9th five-year plan (2003-2008) was based on improving domestic tax revenue and intensifying rural development. Under the 10th five-year plan (2008-2013), targeted poverty reduction programmes included the Rural Economy Advancement Programme, which focused on extreme poverty reduction, and the National Rehabilitation Programme (Royal Government of Bhutan, 2013). The 11th five-year plan (2013-2018) is currently underway, aimed at further reducing poverty and inequalities.

United Republic of Tanzania: growth with greater inequality and limited progress on poverty

The United Republic of Tanzania has fairly good per capita GDP growth, but has made limited progress on reducing poverty per all three poverty measures. This performance is essentially explained by limited income growth and exacerbated inequality.

The United Republic of Tanzania's high economic growth began in 2000, following economic reforms, with GDP growth averaging 6.8 per cent between 2000 and 2012, compared to 3.3 per cent for 1990-1999 (World Bank, 2014c). High economic growth has been driven mainly by relatively capital-intensive sectors generating little in the way of employment, such as communications, financial services, construction, manufacturing, mining, tourism and retail trade.

With little change in the agricultural sector, the source of livelihoods for 80 per cent of Tanzanians, household income did not experience the same rise (United Nations, 2014; World Bank, 2014c). Even though agriculture accounts for 80 per cent of the country's export earnings, production remains traditional and mainly based on smallholder production (World Bank, 2014c; Nangale, 2012). The many challenges include the lack of adequate infrastructure, technology, inputs and credit, and a heavy dependence on rainfall. Investment remains sluggish as a result of low productivity (United Nations, 2014), with the agricultural contribution to GDP declining from 33.8 per cent in 1998 to 27.7 per cent in 2012 (World Bank, 2014c).

In contrast, the contribution of the industrial sector increased from 20.1 per cent to 25 per cent of GDP between 1998 and 2012, powered largely by FDI inflows; the sector was the largest recipient. On average, about 43.3 per cent of total FDI inflows went to mining and quarrying during 2008-2011, followed by the manufacturing sector, at about 17.4 per cent over the same period (Bank of Tanzania, 2012). Employment generation in the industrial sector remains low, with only 4 per cent of the total workforce employed there in 2006 (World Bank, 2014c). Services, the largest contributor to GDP, employed only about 19 per cent of the workforce in 2006 (ibid.).

More inclusive growth would have a much stronger impact on poverty reduction. Towards that end, the Tanzanian Government has adopted and implemented various policies and programmes, such as the National Employment Policy in 1997, the National Youth Development Policy 2007, the Youth Action Plan 2011-2015 and the Youth Entrepreneurship Facility Programme. These initiatives focus on raising financial support for microcredit schemes for youth, women, entrepreneurs and other vulnerable groups, improving skills through vocational education and training, offering management and business training and counselling, and the review of labour and employment-related laws (Nangale, 2012).

Uganda: growth and notable progress on poverty, with persistent inequality

Uganda is a case of good growth in GDP and income, but with a considerable exacerbation of inequality. This is explained by the Government's focus on improving conditions in urban areas and certain regions, leading to increased spatial disparities.

Until 1986, internal tensions and economic mismanagement created an unstable politico-economic environment, resulting in low growth and macroeconomic imbalances. In 1987, the Government, with the support of international institutions, embarked on economic reforms that entailed mainly price and trade liberalization, and fiscal and currency reforms (IMF, 2010b). Consequently, growth accelerated and has been sustained, accompanied by improvements in macroeconomic indicators. Exports and economic activities have diversified (ibid.).

Household livelihoods have also diversified through the strong growth of private wage and salary employment, and non-farm household enterprises, as well as increased agricultural productivity. While agriculture remains a source of income for 75 per cent of households in Uganda, many draw additional income from other activities that are often more productive. Diversification has increased household incomes directly through an expanded income base and indirectly through increased investments in agriculture that have boosted productivity and income (World Bank, 2011).

The reforms resulted in substantial GDP and income growth, and appreciable declines in poverty (table 2.1). But progress has been faster on the headcount ratio than on the poverty gap and squared gap measures, given increasing inequality (ibid.). There are notable income disparities between rural and urban populations, and among various regions. The Eastern and Northern regions are home to two-thirds of the poorest people (World Bank, 2011). This situation is partly attributable to conflict and insecurity, especially in the Northern region, but also to inadequate public service delivery, which may not be unrelated to instability.

While access to primary education is relatively equal across regions, the same is not true for secondary education and electricity. About 62 per cent of households in Kampala have access to electricity, but a mere 1 per cent and 2 per cent do in the Northern and Eastern regions, respectively. At 9 per cent and 14 per cent, respectively, the Northern and Eastern regions have the lowest net secondary school enrolment. In Kampala and the Central region, secondary enrolment is 44 per cent and 27 per cent, respectively. Urban areas in general have better access to all public services except sanitation (World Bank, 2011). To the extent that public investment crowds in private investment, areas with less of the former face extra disadvantages. It is not surprising that poverty in Uganda is higher where access to public services is lowest.

2.4 PROGRESS TOWARDS STRUCTURAL TRANSFORMATION

Annex figure B1 presents some evidence of structural transformation in the 29 sample LDCs, in terms of the contributions of agriculture, industry and services to GDP. Unfortunately, such a distribution is rather gross. For instance, industry comprises both mining and manufacturing, with the former known to produce relatively few jobs and to have minimal implications for poverty reduction. The service sector is likely to be heterogeneous, including both high-value information technology services and relatively low-value restaurant and retail services. By far the majority of workers in the sector are in low-value, informal employment. Structural transformation thus provides only a rough picture of the development process.

Data show that among the good performers on poverty reduction—Bhutan, Cambodia, the Gambia, Nepal, Timor-Leste and Togo[22]—Bhutan and Timor-Leste have each had a major structural change, with a significant decline in

[22]Even though the Gambia and Togo performed very well on poverty progress, the periods of analysis are rather short: 1998-2003 and 2006-2011. These countries are not typical of others with outstanding poverty reduction records over sufficiently long periods for a more statistically meaningful analysis.

the share of the agricultural sector and an increase in the share of the industrial sector. This pattern holds, to a lesser degree, for Cambodia. In Ethiopia, in contrast, there has been a rise in the share of the agricultural sector accompanied by a decline in services, coincidental with the 1995-2011 period of significant poverty reduction.

In Bhutan, the share of agriculture has decreased substantially since the 1990s, from 34.9 per cent in 1994 to 25.9 per cent in 2003 to 15.9 per cent in 2011. Meanwhile, the industrial sector grew remarkably, from 39.4 per cent in 2003 to 43.9 in 2011, even though there has been a slight decline since 2007, with a shift to a growing service sector. The structural shifts towards industry and services have been accompanied by substantial increases in income growth and reductions in inequality, which have in turn been translated into considerable poverty reduction. This progress can, at least in part, be attributed to the Government's commitment to socio-economic transformation through the development of economic and physical infrastructure, coupled with the country's sustained allocation of resources to the social sector (IMF, 2010a).

In Cambodia, agriculture's share of GDP has declined, while the shares of industry and services increased from the early 1990s to the mid-2000s. From 2006, the share of agriculture began to increase, from 31.6 per cent to 35.6 per cent in 2012, due to agricultural and rural development reforms implemented by the Cambodian Government as part of its poverty reduction strategies. There has been significant progress in health, education and agricultural production over the last decade, which has contributed to major poverty reduction (United Nations Conference on Sustainable Development, 2012a). The share of industry fell from 27.6 per cent to 24.3 per cent over the same period, as the agricultural share grew.

Ethiopia has had a structural shift from services to agriculture in recent years. The country experienced significant poverty reduction from 1995-2011. The share of the service sector, which had risen since the 1990s, declined from its crest of 45 per cent in 2004 to 41.1 per cent in 2012. This fall was accompanied by an increase in the share of agriculture, from 40.9 per cent to 48.8 per cent over the same period. The agricultural sector, encouraged by a concerted policy emphasis, has apparently contributed significantly to both income growth and decreases in inequality, and to considerable poverty reduction (see box 2.2).

Box 2.2: In Ethiopia: agriculture takes the lead

In Ethiopia, aulture employs 85 per cent of the population, and accounts for almost 50 per cent of GDP and 90 per cent of exports. It is the primary source of livelihoods in rural areas, where the majority of people live. Since the 1990s, the Government has been committed to agricultural development to foster socio-economic growth, and reduce poverty and food insecurity.

The Agriculture Development Led Industrialization strategy adopted by the Ethiopian Government in 1994 became the basis of more than a decade of reforms, policies and strategies. It prioritized greater productivity on smallholder farms and labour-intensive industrialization through the improvement of agricultural research, agriculture extension services, and access to markets and financial services. Agricultural extension services, for example, were improved through the Participatory Demonstration and Training Extension System, which provided combined packages of credit, fertilizers, improved seeds, veterinary services and better management practices (Diao, 2010).

Between 2005 and 2010, the Plan for Accelerated and Sustained Development to End Poverty was implemented. The Government increased its investment in rural infrastructure, irrigation and enhanced land tenure security. The strategy included the diversification and commercialization of agricultural production through broadening the range of products and a gradual shift to high-value crops for domestic consumption and export.

The Government has also encouraged research by investing in the National Agricultural Research System, including the Ethiopian Institute for Agricultural Research, the Regional Agricultural Research Institutes and affiliates of the Consortium of International Agricultural Research (Ministry of Agriculture and Rural Development, Government of Ethiopia, 2010). Farmer training centres and facilities for vocational education and training offer education on crop production, water use and management, and the building of community-level institutions for coordinated activities (Berhanu, 2012).

Differences in structural change are also notable among countries that have not done well on poverty: Burundi, Madagascar, Sierra Leone, the United Republic of Tanzania, Yemen and Zambia. In the United Republic of Tanzania, for example, progress on income inequality and poverty has been rather slow despite a significant structural shift away from agriculture towards industry and services, a pattern similar to that of Bhutan. The share of agriculture fell from 46.8 per cent in 1997 to 27.6 per cent in 2012, while over the same period, the shares of industry and services rose from 14.3 per cent to 25 per cent, and from 38.9 per cent to 47.4 per cent, respectively. Industry significantly contributed to GDP growth, with per capita GDP growing by an average of 2.3 per cent annually during 1992-2007. As already noted, however, this increase was not felt in household income, which increased at an annualized rate of only 0.7 per cent (table 2.1). Moreover, income inequality climbed during this period. Poverty therefore fell only slightly.

Sierra Leone has not achieved any form of structural transformation. Following 11 years of civil war, the contribution of agriculture to GDP increased from 48.7 per cent in 2001 to 56.7 per cent in 2011, given the stimulation of subsistence and commercial farming as part of the National Agriculture Development Program (African Development Bank, 2011a). The industrial contribution has been stagnant at roughly 8.4 per cent, with the mining sector constituting the main component (Lancaster, 2007). The service sector declined from 42.7 per cent in 2001 to 35 per cent in 2011. Post-war reconstruction has produced significant per capita GDP growth, but it has yet to translate into appreciable income growth and poverty reduction. On the positive side, inequality has declined dramatically (table 2.1).

Among those countries with limited progress in poverty reduction, there are varying levels of structural transformation. This suggests that it is not just structural change that matters. A more meaningful transformation increases productivity in sectors where most citizens earn their living, and reallocates resources to sectors with higher and increasing productivity.

2.5 EXTERNAL FACTORS KEEP LDCs ON THE MARGINS

The external environment remains crucial to the LDCs' ability to achieve sustained growth and eradicate extreme poverty. The current phase of globalization—with the rising economic prominence of emerging and other countries from the South—has not fully benefited all LDCs. Contrary to emerging and other countries from the South, the LDCs face certain initial disadvantages, such as high export concentrations and low-value exports, as well as severely limited financial, physical, human, technological and institutional endowments. Their inability to derive substantial gains from global economic integration and trade openness is seen in weak growth and limited poverty reduction.

Integration remains incomplete for two main reasons: the gradual erosion of the marginal trade preferences extended to the LDCs, and structural difficulties that prevent them from fully tapping into these preferences, and impede access to external finance and investment. As exports play a significant role in growth and employment generation, which in turn are crucial for poverty reduction, these issues need to be addressed.

In terms of declining marginal preferences, while tariffs fell significantly over the past two decades as a result of trade liberalization, they remain significant, particularly in areas of export interest to the LDCs, including agriculture and labour-intensive industrial products, especially clothing. In developed country markets, tariff peaks and escalation in sectors such as agriculture continue to pose significant barriers to many developing countries. Between 2000 and 2011, the average tariffs imposed by developed countries on agriculture and clothing fell only gradually, and still remain at around 8 per cent, compared to the average tariffs on other industries, which are around 1 per cent.[23]

Market access in international trade is no longer primarily determined by tariffs alone. Non-tariff measures increasingly restrict export flows from the LDCs. As much as two-fifths of LDC exports face substantial non-tariff barriers such as import quotas and licensing, domestic content requirements, sanitary and phytosanitary requirements, customs procedures in developed country markets, and contingency measures. Agricultural exports from low-income countries, most of which are LDCs, face an average tariff of 5 per cent in developed economies. When the trade-restrictiveness of non-tariff measures is incorporated in the form of a tariff equivalent, the average import barrier for a product group goes up to 27 per cent.

[23]See: http://unctad.org/meetings/en/SessionalDocuments/cid33_en.pdf.

The need to effectively navigate through a complex array of technical requirements and administrative procedures makes it extremely difficult, if not outright impossible, for many LDC agricultural exporters to compete with counterparts from developed or advanced developing countries. A mere reduction in tariffs will not be meaningful to the LDCs unless accompanied by effective measures to address non-tariff barriers.

Another major concern relates to agricultural support and subsidies in OECD countries that depress agricultural production in the LDCs. While these policies may help net food-importing LDCs to meet food deficits in the short run, phasing them out will encourage domestic production and eventually reduce dependence on food imports.

Even those LDCs that have benefited from the recent commodity boom face a downside—increased dependence on a few primary commodities with low-value addition, productivity and technology content. This has compounded potential exposure to external shocks, such as those related to terms of trade (UN-OHRLLS, 2013), which in turn adversely affects the ability to sustain strong and sustainable economic growth (e.g., Broda and Tille, 2003; Cavalcanti et al., 2011) and make progress in eradicating extreme poverty.

Since commodity production is not associated with the technological externalities and 'learning by doing' that characterize much of manufacturing and the technology-oriented service industries, the commodity boom did not result in an increase in labour productivity or real incomes. The challenge for the LDCs is therefore one of accelerating the momentum of growth over the coming years by gaining ground in more knowledge-based activities, while simultaneously upgrading and diversifying production and export bases. The timely operationalization of the proposed technology bank, and science, technology and innovation supporting mechanism for the LDCs would constitute an important step towards supporting technology transfer and innovation, and the promotion of knowledge-based activities.

Besides trade, financial flows to the LDCs, although having increased, remain modest by international standards, and in view of the needs and complex challenges of these countries. This holds true for ODA, FDI and new sources of innovative finance. ODA continues to be the largest and most critical source of external financing, with a strong focus on poverty reduction and the provision of health and education. There is growing consensus that aid has over the past 40 years stimulated growth, promoted structural change, improved social indicators and reduced poverty (UNU-WIDER/ReCom 2014). Aid provides a buffer to weather the impacts of the unstable and volatile global economic environment. The fall in ODA to the LDCs by 9.4 per cent in real terms in 2012 is a serious concern, although it is encouraging that bilateral net ODA to the LDCs is estimated to have increased by 12.3 per cent in 2013, as per preliminary estimates of the OECD. This positive trend should further accelerate.

FDI, nearly exclusive in terms of private flows to the LDCs, has risen steadily since the turn of the century.[24] Average annual flows amounted to US$25 billion in 2011-2013, more than three times the average flows of US$8 billion in 2001-2003. Yet the LDCs, with their relatively low GDP per capita and still poorly developed human assets, are at a relative disadvantage in attracting FDI. They are in the first stage of what has been called the investment-development path. A lack of economy-wide linkages to FDI is another key issue.

Greater and more beneficial FDI flows require actions by the LDCs, originating countries, international organizations, transnational corporations and other stakeholders. To this end, the United Nations Secretary-General's report to the General Assembly on strengthening investment promotion regimes for foreign direct investment in the least developed countries[25] recommends the establishment of an international investment support centre for the LDCs under the auspices of the United Nations. It would have the following functions: a common information depository containing all relevant information on regulatory, promotion, and protection policies and measures by the LDCs, countries that are sources of FDI and other stakeholders; rapid-response negotiations support to assist the LDCs in negotiating complex large-scale contracts with foreign investors; technical support for treaty-based investment disputes to aid the LDCs in handling them; and risk insurance and guarantees for investment in the LDCs in close collaboration with the Multilateral Investment Guarantee Agency and the OECD.

Remittances are also directly reducing poverty as shown by the International Labour Organization (ILO). Households receiving remittances are less likely to fall below the poverty line. There is also evidence that remittances improve the

[24] See part 1 of this report, section 1.3.7 for further details on FDI to the LDCs.
[25] A/69/270.

health and education of children, and contribute to reducing child mortality. The positive effect of remittances on local development seems to be higher in non-LDCs, however. And households that are extremely poor do not have access to migration or its benefits. Transaction costs of remittances can be high and need to be reduced (ILO, 2014).

Lack of or low levels of skills and productivity characterize much of the migrant labour from the LDCs. But global labour markets are increasingly demanding skilled workers who are highly mobile and earn many times more than the typical LDC migrant. Further mobility of low-skilled labour, where the LDCs have a comparative advantage, along with the promotion of education and the skills of workers are therefore central in capturing greater benefits from globalization, and directing these in part towards eradicating extreme poverty.

2.6 ERADICATING POVERTY: A POLICY FOUNDATION FOR SUSTAINABLE PROGRESS

A plethora of factors directly and indirectly affect extreme poverty, even beyond the ones mentioned in this report. While their precise impacts are country specific, the evidence presented in this report suggests that both raising income growth and reducing income inequality are critical elements in the quest to eradicate extreme poverty in the LDCs.[26] Redistributive strategies, with careful attention to each national context, should therefore be a primary tool of policy makers.

On average, income growth is the main contributor to poverty reduction, despite significant differences across countries with respect to the relative roles of income and inequality. Policies likely to accelerate and sustain growth would comprise not only those that enlarge and effectively use the factors of production, in terms of capital accumulation (human as well as physical), but also those that enhance total factor productivity, including through improving the external environment. Among African countries, most of which are LDCs, total factor productivity is the main driver behind both dismal historical growth as well the more recent growth resurgence (Fosu, 2013b). Infrastructure (physical, human and institutional) is critical, and most likely to attract both domestic and foreign direct investment (Fosu, 2013a).

Policies that increase growth alone, however, may not lead to significant poverty reduction. Enhancing economic freedom appears to be positively correlated with growth, but not with poverty reduction, because the resulting growth is not necessarily sufficiently inclusive. Institutional quality seems to be positively associated with poverty reduction, suggesting that better emphasis be placed on improving it in tandem with any enhancement of economic freedom.

As Banerjee and Duflo (2011, p. 320) point out, “we are largely incapable of predicting where growth will happen and we don’t understand very well why things suddenly fire up.” This notwithstanding, they argue that “the case for doing everything possible in order to improve the lives of the poor now…remains overwhelming.”

Cumulative evidence from developed and developing countries suggests that a developmental State is important in producing requisite conditions and capabilities for sustained growth (Fosu, 2013b). The LDCs, characteristically vulnerable to external and internal shocks, tend to require substantial efforts to develop capacities to play this role.

In policy terms, addressing all the issues discussed in this report should translate into a broad set of actions involving economic, social, and environmental policies and actions tailored to specific country circumstances. These need to be applied coherently and consistently. Design, formulation and implementation of such a framework should engage all stakeholders for it to work effectively and durably.

An important dimension of policy should be to reduce market imperfections and improve service delivery for sustaining growth and reducing inequality, especially to bridge the rural-urban gap and the gender divide. Reducing gender inequality is critical to diminishing overall inequality. Efforts should not be limited to gender parity in primary and secondary education, where much progress has been made. Women and girls also need better access to economic opportunities through vocational and managerial skills, and access to land, technology and finance. Child marriage and sexual violence need to be reduced through the adoption and enforcement of adequate laws. Equal leadership of women in decision-making at all levels needs to be ensured. Targeted policies and gender-responsive budgeting are crucial measures.

[26] Unless accompanied by significant income growth, redistributing income to decrease inequality in very low income countries such as the LDCs could actually be perverse, as such redistribution could render more people poor.

Meaningful structural transformation can be good for poverty reduction. The emphasis should be on resource allocation into higher and increasingly productive sub-sectors, irrespective of the broad category in which they might fall. Requirements include specific skills, infrastructure and capital.

Poverty traps are likely to require special policies, such as to assist the poor in acquiring assets that can improve their future income and mitigate the risk of intergenerational poverty. These policies would likely include social protection programmes, such as contingency cash transfers, as well as health and other forms of insurance (Thorbecke, 2013).

Governments need to ensure that efforts to enhance domestic revenue are designed in ways that reduce inequality. Domestic resource mobilization is crucial to financing infrastructure and social protection, and creating an enabling environment for structural transformation and accelerated growth. It will provide a more sustainable and less volatile resource base compared to ODA and FDI, particularly to finance poverty alleviation and better service delivery. This will in turn enhance the tax base and create a virtuous cycle of growth and poverty reduction. To increase public resource mobilization, fiscal policy must promote public investment that is sustainable through clear, formal rules on the allocation of tax and non-tax revenue towards investment expenditure versus recurrent expenditure (UN-OHRLLS, 2013).

The availability of reliable data is critical for policy formulation, implementation and monitoring. Due to limited data availability, only 29 of the 48 current LDCs could be analysed in the second part of this report. It would, therefore, be enormously beneficial to improve the capacity of LDC statistical agencies to collect, process, store and disseminate accurate and reliable data. Emphasis should also be put on disaggregated data, such as by geographical location, social and economic groups, and gender.

The high exposure of the LDCs to climate vulnerability and its disproportionate effects on them in terms of their locations, low income, low institutional capacity and greater reliance on climate-sensitive sectors like agriculture have serious implications for the fight against extreme poverty. Desertification, land degradation, melting glaciers, droughts, floods, cyclones, coastal degradation and other natural and man-made disasters call for national and international actions to help 'climate proof' the LDCs, with a focus on people who are extremely poor.

International development cooperation will remain critical to the ability of the LDCs to effectively fight extreme poverty. Actions by development partners on trade, ODA, other forms of external finance, FDI, and technology transfer and acquisition will determine progress to a large degree. At the Cotonou Ministerial Conference of the LDCs, donor countries were called upon to fulfil their ODA commitments and allocate at least 50 per cent of ODA as well as the Aid for Trade disbursement to the LDCs. The operationalization of the Green Climate Fund, with a goal of mobilizing US$100 billion per year by 2020, and the promotion and facilitation of clean development mechanism projects in the LDCs could be critical in addressing climate-related challenges.

While ODA plays a central and catalytic role, additional resources are needed, including through innovative financing mechanisms that can provide more stable and predictable resources for development, and are based on new partnerships between countries at different levels of development, and between public and private actors. Specific mechanisms could be suggested and operationalized in the post-2015 development agenda to mobilize additional resources for sustainable development.

Development partners can support channelling more investment to the LDCs. The international community could consider operationalizing an international investment support centre for the LDCs as proposed in the Cotonou Agenda and endorsed by the United Nations Secretary-General.[27] It would serve as a one-stop service by facilitating access to insurance, guarantees, negotiating skills and preferential financing programmes, such as those related to export credits, risk management, co-financing, venture capital and other lending instruments, and private enterprise funds for investment in the LDCs.

LDC debt problems need to be addressed on a sustainable basis, including through the cancellation of multilateral and bilateral debt owed to public and private creditors, debt restructuring and improved debt management capacities.

[27] See the report of the Secretary-General on strengthening investment promotion regimes for foreign direct investment in the least developed countries (A/69/270).

The Cotonou Agenda called upon WTO Member States to provide duty-free, quota-free market access, on a lasting basis, for all products originating from all LDCs; to adopt simple, transparent and flexible preferential rules of origin applicable to imports from the LDCs; to resist protectionist tendencies and rectify trade-distorting measures, including in agriculture, that are inconsistent with multilateral obligations; and to eliminate arbitrary or unjustified non-tariff and para-tariff barriers.

The state of science, technology and innovation in the LDCs remains extremely poor. Limited endogenous research and development capabilities render these countries dependent on new technologies from abroad. With modern technologies, the LDCs can reverse the current trend of 'exporting wealth and importing poverty'. A greater focus on a dedicated technology transfer mechanism for the LDCs is vitally important; in this regard, the technology bank for the LDCs should be operationalized by 2017.

2.7 TOP PRIORITIES FOR THE LDCs IN THE POST-2015 DEVELOPMENT AGENDA

The ongoing process of elaborating the post-2015 development agenda and the SDGs provides major opportunities to accord high priority to the eradication of extreme poverty in the LDCs. Important progress has been made. For example, the recommendations of the Open Working Group on Sustainable Development Goals build significantly on the MDGs and address a broad range of development issues. The recommendations recognize that poverty eradication is the greatest global challenge facing the world today and an indispensable requirement for sustainable development.

The Rio+20 agreement reiterated the commitment to freeing humanity from poverty and hunger as a matter of urgency. The Intergovernmental Committee of Experts on Sustainable Development Financing, in its report to the United Nations General Assembly,[28] provided an analytical framework for financing sustainable development, proposed a basket of policy options and suggested areas for advancing the global partnership for sustainable development. Despite a broad range of subjects covered in various documents, there are still many issues that need to be further strengthened in the post-2015 development agenda.

For full and timely implementation of the eight priority areas of the Istanbul Programme of Action, the LDCs need additional, preferential, concessional and most favourable treatment in relation to access to markets, finance, technologies, know-how and other resources, and differential and flexible treatment in undertaking international commitments and obligations that are not commensurate with their capacities, needs and stage of development. In the Cotonou Agenda, the LDCs put forward the principle of 'differential and preferential treatment for the LDCs', and called for its application in the post-2015 development agenda and the sustainable development goals.

A number of issues critical to extreme poverty eradication in the LDCs are already being considered for the post-2015 development agenda. The following need to be given added focus in devising goals and targets, with appropriate attention to gender dimensions.

a. ***Productive capacity building, including through infrastructure, energy, industrialization and sustainable agriculture.*** This will help deal with under-employment, increase productivity and capital formation, and set the stage for structural transformation. It can also enable countries to mobilize more resources domestically, thereby reducing their over-reliance on external sources of finance. It could cut exposure to external shocks while improving capacities to deal with them.

b. ***Food security and nutrition.*** The vast majority of people in the LDCs, particularly those who are food insecure, live in rural areas and rely on agriculture as a primary source of subsistence. The state of the rural economy, which is intrinsically linked to improvement in agricultural productivity, determines the pace at which these countries reduce hunger. Greater focus on food security, agriculture and rural development is therefore vitally important. It is also essential to further explore the feasibility, effectiveness and administrative modalities of a system of stockholding in dealing with humanitarian food emergencies or as a means to limit price volatility, as agreed in the Istanbul Programme of Action.

[28] Report of the Intergovernmental Committee of Experts on Sustainable Development Financing, final draft, 8 August 2014. See: http://sustainabledevelopment.un.org/content/documents/4588FINAL%20REPORT%20ICESDF.pdf.

c. ***Enhancing agricultural productivity.*** Low agricultural productivity is a major challenge in the LDCs. Productivity needs to increase by at least three times, as proposed by the LDCs to the Open Working Group on Sustainable Development Goals, with a focus on sustainably increasing smallholder yields and access to irrigation. Establishing or strengthening safety nets such as through access to agricultural finance, insurance and other risk mitigation tools is critical. The LDCs need to be able to access high-yielding, climate-resilient crop varieties, including saline-, drought- and submersion-compatible species. International support could help them establish and upgrade their own national testing and certification institutions.

d. ***Health and sanitation.*** With a view to achieving universal health coverage by 2030, the LDCs need full access to essential medicines for all at an affordable cost. The recent outbreak of Ebola and the challenges faced by affected LDCs in eradicating this disease highlight the need for a global emergency public health mechanism to respond to health-related emergencies in these countries. They also need financial and technological support to derive maximum development benefits from the waivers granted under the WTO TRIPS agreement. Equally important is international cooperation and support for water and sanitation infrastructure and facilities, including water pipelines; sanitation system and sewage networks; and technologies, such as for water harvesting, desalination, wastewater treatment, and recycling and reuse. Regional and subregional cooperation is crucial in this regard.

e. ***Access to education.*** The LDCs need enhanced financial and technical support to build and upgrade education facilities and infrastructure, including modern buildings and equipment that are child and gender sensitive, and provide safe and inclusive learning environments, with a view to achieving universal free, high-quality primary and secondary education.

f. ***Energy services.*** The LDCs lag far behind other developing countries in access to modern energy services. They need to make rapid progress to extend access to modern energy services to all by 2030. A higher level of investment, including through advances in renewable energy, is crucial. Infrastructure related to supply, transmission and distribution of technology for supplying modern and sustainable energy services for all will need to be significantly upgraded.

g. ***Institutions for development.*** Promoting a developmental state, good governance and institutions that guarantee the rule of law, human rights, gender equality, free speech, and open and accountable government should also be key aspects of the next development agenda.

h. ***Climate change.*** Since the LDCs are among the countries most affected by climate change, mitigating fallout, and building resilience and adaptive capacity should feature prominently in the post-2015 agenda. Realizing the commitment of developed countries to mobilize US$100 billion annually by 2020 for these purposes, and fully operationalizing the Green Climate Fund through its capitalization are vitally important to addressing LDC adaptation needs.

i. ***International development cooperation.*** International development cooperation for the LDCs needs to be strengthened, including through greater engagement with traditional and emerging partners in the arenas of trade, finance, investment and technology. Specific actions have been indicated earlier in this report. Moreover, the international economic system and architecture should be inclusive and responsive to the special development needs of the LDCs, and ensure their equitable and effective participation, voice and representation at all levels.

ANNEXES

STATISTICAL ANNEXES

Table A1 Economic growth and poverty

	Annual growth rate of GDP (percentage)						Percentage of population below international poverty line
	2009	2010	2011	2012	2013	2014	2001-2012
Africa							
Angola	2.4	3.5	3.9	6.8	7.0	6.9	43.4
Benin	2.7	2.6	3.5	5.4	4.6	4.4	47.3
Burkina Faso	3.0	8.4	5.1	6.2	6.6	6.8	50.6
Burundi	28.9	3.8	4.0	4.0	4.3	4.7	81.3
Central African Republic	1.7	3.0	3.3	4.0	-18.5	-2.2	62.6
Chad	4.1	14.6	3.6	5.9	3.6	8.0	61.9
Comoros	1.1	2.0	2.0	2.5	3.4	3.7	46.1
Democratic Republic of the Congo	2.8	7.2	6.9	7.2	8.4	8.7	87.7
Djibouti	5.1	10.8	6.2	4.8	5.3	5.9	18.8
Equatorial Guinea	4.1	1.3	-0.6	5.7	-1.5	-0.7	—
Eritrea	3.9	2.2	8.7	7.0	5.0	5.1	—
Ethiopia	8.8	12.6	11.2	8.5	7.6	7.0	34.8
Gambia	6.4	6.5	-4.6	6.2	6.5	7.3	33.6
Guinea	-0.1	1.9	3.9	3.9	2.7	4.5	49.8
Guinea-Bissau	3.4	4.4	5.3	-2.9	1.9	2.4	48.9
Lesotho	3.6	7.9	3.7	4.0	4.6	5.4	43.4
Liberia	7.8	7.3	8.2	11.3	7.5	7.3	83.8
Madagascar	-4.0	0.4	1.3	2.7	2.5	3.6	75.2
Malawi	-2.7	5.6	7.0	1.8	4.1	4.3	67.8
Mali	4.5	5.8	2.7	-1.2	5.0	6.8	54.3
Mauritania	0.1	5.6	5.1	7.0	6.1	5.9	24.4
Mozambique	6.3	7.1	7.3	7.4	7.0	7.3	67.1
Niger	-0.7	8.4	2.3	10.8	3.6	5.9	54.8
Rwanda	6.2	7.2	8.2	8.0	4.6	6.4	67.6
Sao Tome and Principe	3.9	4.6	4.5	6.5	3.9	4.2	28.2
Senegal	2.4	4.3	2.1	3.7	4.1	4.6	35.8
Sierra Leone	3.2	5.3	6.0	32.4	12.8	11.9	52.5
Somalia	2.6	2.6	2.6	2.0	2.0	3.0	—
South Sudan	4.3	4.2	1.6	-47.6	24.4	7.1	—
Sudan	8.2	4.5	-2.2	-3.5	2.8	2.6	19.8

Togo	3.4	4.0	4.9	5.8	5.1	5.4	33.5
Uganda	4.1	6.2	6.1	2.8	5.7	6.4	49.0
United Republic of Tanzania	6.0	7.0	6.4	6.9	7.1	7.4	67.9
Zambia	6.4	7.6	6.8	7.3	6.7	7.0	68.0
Average, Africa	4.5	5.6	4.0	3.2	5.7	5.9	55.0
Asia and the Pacific							
Afghanistan	21.0	8.4	6.1	14.4	3.6	3.2	—
Bangladesh	5.8	6.3	6.7	6.2	5.9	5.9	46.9
Bhutan	6.7	11.7	8.5	9.4	5.0	6.4	12.7
Cambodia	0.1	6.0	7.1	7.3	7.0	7.2	27.8
Kiribati	-0.7	-0.5	2.7	2.8	2.9	2.7	—
Lao People's Democratic Republic	7.5	8.5	8.0	8.2	8.2	7.5	38.9
Myanmar	10.6	10.4	5.5	6.3	5.5	6.5	—
Nepal	4.6	4.5	4.1	3.9	4.0	4.1	39.0
Solomon Islands	-1.2	7.0	9.0	3.9	2.9	4.0	—
Timor-Leste	12.8	9.5	12.0	0.6	8.4	9.0	—
Tuvalu	-4.4	-2.7	8.5	0.2	1.1	1.6	—
Vanuatu	3.3	1.6	1.4	2.3	2.8	3.5	—
Yemen	4.1	5.7	-12.8	2.0	3.9	2.6	17.5
Average, Asia and the Pacific	6.7	6.9	3.6	6.1	5.5	5.4	41.5
Latin America and the Caribbean							
Haiti	2.9	-5.4	5.6	2.8	4.3	4.5	61.7
Average, all LDCs	**5.3**	**5.9**	**3.9**	**4.3**	**5.6**	**5.7**	**50.8**

Source: United Nations Statistics Division (http://unstats.un.org/unsd/databases.htm) and World Bank, Development Research Group (http://iresearch.worldbank.org/PovcalNet/index.htm).

Note: Figures for the proportion of the population below the poverty line are averages of all available observations between 2001 and 2012.

Table A2.1 Productive capacity

Value added share of manufacturing, agriculture and services

	Value added share of manufacturing (percentage of GDP)		Value added share of agriculture (percentage of GDP)		Value added share of services (percentage of GDP)		Gross capital formation (percentage of GDP)	
	2001-2010	2011-2012	2001-2010	2011-2012	2001-2010	2011-2012	2001-2010	2011-2012
Africa								
Angola	4.77	6.15	8.69	9.66	27.74	29.45	12.85	11.56
Benin	7.84	—	32.58	—	54.21	—	20.15	17.64
Burkina Faso	11.20	6.73	36.69	33.81	44.27	41.91	21.67	23.55
Burundi	11.53	9.40	43.18	40.46	39.78	42.64	17.50	27.98
Central African Republic	6.42	6.51	54.86	54.59	31.15	31.66	10.00	14.76
Chad	3.66	1.92	46.30	54.47	37.09	32.63	32.64	27.67
Comoros	4.33	—	48.36	—	39.75	—	10.84	—
Democratic Republic of the Congo	5.15	4.54	49.18	45.16	29.04	32.93	15.63	23.69
Djibouti	2.59	—	3.61	—	80.07	—	19.98	—
Equatorial Guinea	6.25	—	5.16	—	4.25	—	50.40	41.39
Eritrea	7.85	—	18.15	—	60.25	—	18.96	10.00
Ethiopia	5.08	3.72	45.64	47.16	41.86	42.50	26.30	31.26
Gambia	6.08	5.16	25.29	18.89	60.75	67.65	17.41	19.21
Guinea	6.18	7.24	24.02	21.30	38.33	33.10	16.39	17.60
Guinea-Bissau	—	—	42.38	43.38	—	—	8.53	8.81
Lesotho	19.52	12.34	9.38	8.09	56.31	57.76	27.86	28.95
Liberia	5.58	3.44	66.36	41.68	27.67	45.94	16.81	25.28
Madagascar	13.79	—	28.11	—	56.26	—	25.21	—
Malawi	11.23	11.94	33.50	30.17	48.72	50.49	22.47	15.51
Mali	3.12	—	37.40	—	38.65	—	22.44	22.80
Mauritania	8.60	3.53	27.88	16.25	37.48	35.66	33.06	33.84
Mozambique	14.92	13.52	27.23	30.58	48.17	47.15	20.01	42.15
Niger	5.73	5.40	37.12	38.20	47.52	43.57	23.20	36.18
Rwanda	6.72	6.27	36.05	32.50	49.87	51.34	17.11	22.15
Sao Tome and Principe	5.98	—	19.68	—	62.33	—	—	—
Senegal	15.19	14.48	16.33	16.19	59.62	59.26	23.45	27.53
Sierra Leone	2.81	2.35	53.06	56.69	37.13	35.02	11.89	40.28
Somalia	—	—	—	—	—	—	—	—
South Sudan	—	—	—	—	—	—	12.54	11.25
Sudan	6.79	6.47	32.35	26.07	41.76	44.24	26.40	22.99
Togo	8.64	8.24	36.38	31.35	46.00	52.82	16.26	18.61
Uganda	7.63	8.23	25.13	23.39	50.10	51.20	21.68	24.62

United Republic of Tanzania	8.94	10.20	30.99	27.63	46.38	47.33	24.95	38.03
Zambia	10.79	8.39	21.86	19.51	47.70	43.24	22.35	24.97
Average, Africa	7.44	6.93	28.10	25.50	40.83	40.09	21.54	23.16
Asia and the Pacific								
Afghanistan	16.68	13.53	31.20	24.56	43.38	52.78	18.60	16.69
Bangladesh	16.86	17.60	20.49	17.98	52.07	53.68	24.03	25.85
Bhutan	8.10	9.31	22.24	15.94	37.02	40.15	50.63	56.10
Cambodia	17.96	16.08	33.63	36.14	41.04	39.96	19.07	17.10
Kiribati	5.29	—	25.01	—	65.91	—	—	—
Lao People's Democratic Republic	8.46	7.96	37.69	28.75	37.84	35.76	24.51	29.16
Myanmar	9.59	—	52.64	—	33.84	—	11.20	—
Nepal	7.99	6.46	35.88	37.54	46.80	46.77	27.09	36.61
Solomon Islands	5.61	—	36.35	—	55.03	—	10.18	—
Timor-Leste	3.15	2.50	26.62	16.72	59.10	56.94	27.20	64.81
Tuvalu	1.05	1.12	23.35	26.49	67.03	65.86	—	—
Vanuatu	4.25	4.76	24.87	25.24	64.95	64.07	27.71	26.94
Yemen	7.06	—	10.97	—	48.16	—	17.18	—
Average, Asia and the Pacific	14.13	15.13	22.38	22.68	49.24	50.86	22.75	26.09
Latin America and the Caribbean								
Haiti	—	—	—	—	—	—	27.79	28.53
Average, all LDCs	**9.91**	**9.54**	**25.99**	**24.60**	**43.94**	**43.52**	**22.03**	**24.06**

Source: World Bank national accounts data (http://databank.worldbank.org/data/home.aspx).

Note: For value added share of agriculture, a negative sign indicates that the share has decreased over 2001-2010 and in 2011.

Table A2.2 Productive capacity

Internet and mobile cellular subscriptions, and shipping connectivity

	Internet users (per 100 people)		Mobile cellular subscriptions (per 100 people)		Liner shipping connectivity index	
	2011	2012	2011	2012	2011	2012
Africa						
Angola	14.8	16.9	48.4	48.6	11.3	14.0
Benin	3.5	3.8	85.3	89.9	12.7	15.0
Burkina Faso	3.0	3.7	45.3	57.1	—	—
Burundi	1.1	1.2	22.3	25.7	—	—
Central African Republic	2.2	3.0	22.1	23.4	—	—
Chad	1.9	2.1	31.8	35.5	—	—
Comoros	5.5	6.0	28.7	32.3	7.1	5.2
Democratic Republic of the Congo	1.2	1.7	23.1	28.0	3.7	4.1
Djibouti	7.0	8.3	21.3	22.7	21.0	16.6
Equatorial Guinea	11.5	13.9	66.5	67.7	3.7	4.5
Eritrea	0.7	0.8	4.5	5.5	4.0	4.2
Ethiopia	1.1	1.5	16.7	23.7	—	—
Gambia	10.9	12.4	78.9	83.6	5.2	7.8
Guinea	1.3	1.5	44.0	45.6	6.2	7.4
Guinea-Bissau	2.7	2.9	56.2	69.4	4.1	4.3
Lesotho	4.2	4.6	56.2	59.2	—	—
Liberia	3.0	3.8	49.2	56.4	6.2	8.1
Madagascar	1.9	2.1	40.7	39.1	7.7	11.8
Malawi	3.3	4.4	25.7	27.8	—	—
Mali	2.0	2.2	68.3	89.5	—	—
Mauritania	4.5	5.4	93.6	111.1	5.6	8.2
Mozambique	4.3	4.8	32.8	33.1	10.1	9.8
Niger	1.3	1.4	29.5	32.4	—	—
Rwanda	7.0	8.0	40.6	50.5	—	—
Sao Tome and Principe	20.2	21.6	68.3	71.0	2.1	2.3
Senegal	17.5	19.2	73.3	87.5	12.3	13.6
Sierra Leone	0.9	1.3	35.6	36.1	5.4	7.4
Somalia	1.3	1.4	6.9	6.7	4.2	4.3
South Sudan	—	—	—	18.8	—	—
Sudan	19.0	21.0	56.1	60.5	9.3	—
Togo	3.5	4.0	50.4	56.0	14.1	14.1
Uganda	13.0	14.7	48.4	45.9	—	—

United Republic of Tanzania	12.0	13.1	55.5	57.1	11.5	11.1
Zambia	11.5	13.5	60.6	75.8	—	—
Average, Africa	6.0	6.8	38.6	43.3	8.0	8.7
Asia and the Pacific						
Afghanistan	5.0	5.5	54.3	53.9	—	—
Bangladesh	5.0	6.3	56.1	63.8	8.2	8.0
Bhutan	21.0	25.4	65.6	74.7	—	—
Cambodia	3.1	4.9	96.2	132.0	5.4	3.5
Kiribati	10.0	10.7	13.6	15.6	3.1	2.9
Lao People's Democratic Republic	9.0	10.7	87.2	101.9	—	—
Myanmar	1.0	1.1	2.6	11.2	3.2	4.2
Nepal	9.0	11.1	43.8	52.8	—	—
Solomon Islands	6.0	7.0	49.8	53.3	5.9	6.1
Timor-Leste	0.9	0.9	53.2	52.3	—	—
Tuvalu	30.0	35.0	21.6	28.4	—	—
Vanuatu	9.2	10.6	55.8	54.4	3.7	3.9
Yemen	14.9	17.4	47.0	54.4	11.9	13.2
Average, Asia and the Pacific	5.4	6.7	47.6	56.3	5.9	6.0
Latin America and the Caribbean						
Haiti	9.5	10.9	41.5	59.4	4.8	5.1
Average, all LDCs	**5.8**	**6.8**	**41.9**	**48.2**	**7.4**	**7.9**

Source: ITU 2014, World Bank estimates, UNCTAD 2014.

Table A2.3 Productive capacity

Energy

	Access to electricity (percentage of population)						Share of renewable capacity in total capacity (percentage)		Change in total installed generation capacity per capita
	Total		Urban		Rural				
	2000	2010	2000	2010	2000	2010	2000	2010	2000-2010
Africa									
Angola	31.1	34.6	62.8	82.5	0.6	5.5	49.5	43.1	40.4
Benin	25.4	27.9	50.0	52.3	5.5	8.5	1.9	1.6	-15.9
Burkina Faso	6.9	13.1	37.7	47.0	0.2	1.4	26.4	12.7	55.6
Burundi	3.9	5.3	37.3	49.0	0.9	1.0	78.2	98.1	-31.7
Central African Republic	6.0	9.5	14.8	15.8	0.7	5.4	47.2	56.8	-7.4
Chad	2.3	3.5	9.0	15.0	0.1	0.3	0.0	0.0	-24.3
Comoros	44.8	48.3	75.0	77.0	32.5	37.2	20.0	16.7	-7.2
Democratic Republic of the Congo	6.7	15.2	20.2	39.2	1.1	3.0	98.7	98.6	-25.6
Djibouti	46.2	49.7	58.6	61.5	5.5	10.2	0.0	0.0	2.4
Equatorial Guinea	25.9	29.1	48.9	51.8	11.3	14.5	16.7	2.6	135.7
Eritrea	32.2	32.5	100.0	100.0	3.0	9.2	0.0	1.3	61.0
Ethiopia	12.7	23.0	83.9	85.0	0.4	4.8	90.4	90.1	201.7
Gambia	34.3	31.0	51.2	37.1	18.2	22.9	0.0	0.0	56.3
Guinea	16.4	20.2	54.0	52.6	1.5	2.8	40.1	31.6	-8.5
Guinea-Bissau	53.5	57.0	100.0	100.0	14.0	18.7	0.0	0.0	-0.6
Lesotho	5.0	17.0	14.3	43.2	2.7	7.4	100.0	100.0	-7.2
Liberia	0.6	4.1	0.6	7.5	0.5	1.0	0.0	0.0	-23.4
Madagascar	11.4	14.3	24.3	61.5	6.6	9.4	46.3	34.4	41.5
Malawi	4.8	8.7	27.0	37.0	1.0	3.5	91.3	99.7	-10.6
Mali	16.7	16.6	53.8	42.3	2.2	3.2	47.4	51.6	17.4
Mauritania	14.7	18.2	35.1	41.9	1.0	1.6	56.6	36.9	36.1
Mozambique	7.1	15.0	24.2	44.7	0.1	1.7	91.5	89.7	-22.3
Niger	6.7	9.3	37.0	45.8	0.2	1.5	0.0	0.0	-36.1
Rwanda	6.2	10.8	39.4	40.2	0.9	4.0	81.4	47.6	3.1
Sao Tome and Principe	52.9	56.9	65.0	69.8	39.0	44.2	43.9	42.9	-23.1
Senegal	36.8	56.5	74.0	87.8	9.6	26.6	0.4	0.3	71.7
Sierra Leone	8.6	12.1	23.7	33.1	0.1	1.4	7.3	52.9	33.5
Somalia	25.9	29.1	55.2	53.8	11.3	14.5	0.0	0.0	2.2
South Sudan	0.1	1.5	—	5.2	0.1	0.7	—	—	—
Sudan	25.5	29.0	57.0	57.3	10.3	15.0	44.9	69.3	116.0
Togo	17.0	27.9	41.0	64.2	2.4	6.1	72.8	78.8	-28.7
Uganda	8.6	14.6	44.0	55.4	2.4	5.3	98.6	68.5	37.5

United Republic of Tanzania	8.8	14.8	38.0	45.9	1.7	3.7	65.0	66.8	-26.2
Zambia	17.4	18.5	44.6	47.8	2.9	3.0	99.1	99.6	-23.8
Average, Africa	13.1	19.1	45.0	54.4	2.4	5.3	74.9	70.9	6.3
Asia and the Pacific									
Afghanistan	37.5	41.0	80.0	80.6	24.3	29.0	71.7	76.5	-12.9
Bangladesh	32.0	55.2	81.0	88.0	20.5	42.5	6.4	4.0	62.3
Bhutan	68.5	72.0	100.0	100.0	45.3	50.0	97.2	98.9	178.3
Cambodia	16.6	31.1	61.0	91.3	9.0	18.8	7.7	5.2	135.6
Kiribati	52.5	55.8	69.8	72.5	39.5	42.7	0.0	0.0	5.9
Lao People's Democratic Republic	46.3	66.0	68.7	94.3	40.0	52.0	97.3	97.4	149.8
Myanmar	47.0	48.8	100.0	92.0	23.7	28.4	29.5	46.7	38.9
Nepal	72.8	76.3	100.0	97.0	17.4	71.6	85.9	92.1	60.1
Solomon Islands	15.7	19.2	72.1	56.9	5.1	9.8	—	—	101.4
Timor-Leste	34.5	38.0	81.8	83.4	19.3	24.0	0.0	0.0	—
Tuvalu	37.5	41.0	52.9	52.9	24.3	29.0	—	—	—
Vanuatu	19.1	23.5	51.0	49.6	10.3	15.0	—	10.7	37.1
Yemen	41.3	44.8	84.2	75.2	26.0	30.7	0.0	0.0	16.4
Average, Asia and the Pacific	39.1	52.8	85.3	87.8	21.3	39.9	29.4	37.1	65.7
Latin America and the Caribbean									
Haiti	31.4	33.9	82.0	54.4	5.2	11.7	25.8	20.7	-5.5
Average, all LDCs	**23.59**	**31.51**	**60.93**	**66.13**	**10.00**	**18.08**	**57.05**	**55.08**	**27.26**

Source: Sustainable Energy for All Global Tracking Framework (www.se4all.org/tracking-progress/).

Table A3 Agriculture, food security and rural development

	Malnutrition prevalence, weight for age (percentage of children under five)		Malnutrition prevalence, height for age (percentage of children under five)		Agricultural irrigated land (percentage of total agricultural land)	Value added share of agriculture, percentage difference	
	2006-2008	2009-2012	2006-2008	2009-2012	2006-2009	2001-2010	2011-2012
Africa							
Angola	15.6	—	29.2	—	—	3.6	1.1
Benin	20.2	—	44.7	—	—	-0.7	—
Burkina Faso	26.0	26.2	35.1	35.1	—	0.0	-4.4
Burundi	—	29.1	—	57.5	—	-1.3	0.2
Central African Republic	28.0	—	45.1	—	—	0.2	0.1
Chad	—	—	—	—	—	9.1	2.3
Comoros	—	—	—	—	—	-0.9	—
Democratic Republic of the Congo	28.2	24.2	45.8	43.5	—	-2.7	-1.4
Djibouti	29.6	29.8	32.6	33.5	—	1.5	—
Equatorial Guinea	—	—	—	—	—	-21.8	—
Eritrea	—	—	—	—	—	4.3	—
Ethiopia	—	29.2	—	44.2	0.5	-0.1	3.4
Gambia	15.8	—	27.6	—	—	2.1	-34.8
Guinea	20.8	16.3	40.0	35.8	—	-0.3	-3.4
Guinea-Bissau	16.6	—	27.7	—	—	0.5	0.7
Lesotho	13.5	—	39.0	—	—	-2.3	-13.1
Liberia	20.4	—	39.4	—	—	-5.5	-6.7
Madagascar	—	—	49.2	—	2.2	0.9	—
Malawi	12.1	13.8	48.8	47.8	0.5	-2.7	0.1
Mali	27.9	—	38.5	—	—	0.5	—
Mauritania	15.9	19.5	23.0	22.0	—	-6.5	-0.6
Mozambique	18.3	15.6	43.7	43.1	—	3.6	0.0
Niger	39.9	—	54.8	—	0.2	4.7	-3.3
Rwanda	—	11.7	—	44.3	—	-1.5	1.1
Sao Tome and Principe	14.4	—	31.6	—	—	-3.8	—
Senegal	—	14.4	—	15.5	0.7	0.1	-2.3
Sierra Leone	21.3	21.1	37.4	44.9	—	1.6	1.1
Somalia	32.8	—	42.1	—	—	—	—
South Sudan	32.5	—	36.2	—	—	—	—
Sudan	27.0	—	38.3	—	1.4	-5.7	5.6
Togo	20.5	16.5	26.9	29.8	—	-1.7	1.0
Uganda	16.4	14.1	38.7	33.7	—	-1.8	-3.6

United Republic of Tanzania	—	16.2	—	42.5	—	-1.7	-1.0
Zambia	14.9	—	45.8	—	—	-0.8	-4.6
Average, Africa	21.8	19.4	41.8	39.8	1.1	-0.6	0.9
Asia and the Pacific							
Afghanistan	—	—	—	—	5.4	-3.6	-4.6
Bangladesh	41.3	36.8	43.2	41.4	52.6	-2.8	-2.5
Bhutan	10.4	12.8	34.9	33.6	6.7	-4.3	-8.9
Cambodia	28.8	29.0	39.5	40.9	—	0.1	-0.6
Kiribati	—	—	—	—	—	1.4	—
Lao People's Democratic Republic	31.6	—	47.6	—	—	-3.2	-7.5
Myanmar	22.6	—	35.1	—	24.8	-5.4	—
Nepal	38.8	29.1	49.3	40.5	27.4	-0.3	0.7
Solomon Islands	11.5	—	32.8	—	—	7.4	—
Timor-Leste	45.3	—	57.7	—	—	-1.4	-17.5
Tuvalu	1.6	—	10.0	—	—	3.6	-5.9
Vanuatu	11.7	—	25.9	—	—	-1.6	4.7
Yemen	—	—	—	—	3.3	-6.1	—
Average, Asia and the Pacific	39.8	34.9	43.9	41.2	13.6	-2.3	-2.4
Latin America and the Caribbean							
Haiti	18.9	—	29.7	—	5.4	—	—
Average, all LDCs	**29.2**	**25.3**	**42.6**	**40.3**	**4.2**	**-1.1**	**-0.1**

Source: WHO Global Database on Child Growth and Malnutrition (www.who.int/nutgrowthdb/en/), FAO (www.fao.org/statistics/en/), World Bank national accounts data (http://databank.worldbank.org/data/home.aspx).

Table A4 Trade and commodities

	Percentage of exports in world total exports				Exports of primary commodities, percentage of total exports			
	2001	2005	2010	2012	2001	2005	2010	2012
Africa								
Angola	0.1066	0.2308	0.3324	0.4032	99.7	99.7	99.2	99.7
Benin	0.0061	0.0055	0.0084	0.0076	89.4	91.1	92.0	89.0
Burkina Faso	0.0036	0.0045	0.0104	0.0117	79.6	92.4	93.2	94.1
Burundi	0.0007	0.0006	0.0007	0.0007	92.0	95.2	93.7	79.1
Central African Republic	0.0023	0.0012	0.0009	0.0011	93.2	93.8	90.2	90.8
Chad	0.0031	0.0295	0.0230	0.0240	95.4	97.4	98.3	99.2
Comoros	0.0003	0.0001	0.0001	0.0001	91.0	73.4	38.9	45.2
Democratic Republic of the Congo	0.0144	0.0230	0.0348	0.0343	97.9	95.7	93.4	96.6
Djibouti	0.0005	0.0004	0.0006	0.0005	36.0	40.7	73.9	64.6
Equatorial Guinea	0.0283	0.0676	0.0657	0.0845	96.0	95.5	95.6	96.0
Eritrea	0.0003	0.0001	0.0001	0.0025	42.1	41.2	48.7	98.0
Ethiopia	0.0074	0.0089	0.0153	0.0149	76.7	94.5	90.2	89.7
Gambia	0.0002	0.0001	0.0002	0.0005	78.6	72.3	91.9	84.5
Guinea	0.0119	0.0076	0.0103	0.0076	94.0	98.2	97.7	96.7
Guinea-Bissau	0.0010	0.0009	0.0008	0.0007	98.3	98.6	98.7	98.7
Lesotho	0.0046	0.0062	0.0058	0.0060	10.1	10.0	29.8	46.4
Liberia	0.0021	0.0013	0.0015	0.0025	19.4	15.0	65.0	76.1
Madagascar	0.0155	0.0080	0.0071	0.0082	55.9	44.6	52.1	63.6
Malawi	0.0073	0.0047	0.0070	0.0065	89.1	84.3	88.6	86.4
Mali	0.0116	0.0103	0.0131	0.0118	84.2	91.7	92.1	87.6
Mauritania	0.0057	0.0053	0.0136	0.0144	93.9	94.2	97.2	99.1
Mozambique	0.0115	0.0167	0.0197	0.0223	94.6	96.8	95.9	91.3
Niger	0.0044	0.0046	0.0076	0.0082	72.5	59.6	72.6	69.2
Rwanda	0.0014	0.0012	0.0020	0.0032	94.2	87.1	87.9	91.3
Sao Tome and Principe	0.0000	0.0001	0.0001	0.0001	45.7	68.4	41.8	54.8
Senegal	0.0164	0.0141	0.0142	0.0138	67.3	58.3	67.7	64.0
Sierra Leone	0.0005	0.0015	0.0022	0.0061	63.3	70.4	70.6	79.2
Somalia	0.0046	0.0024	0.0030	0.0028	92.2	85.7	98.7	88.7
South Sudan	—	—	—	—	—	—	—	—
Sudan	—	—	—	0.0184	—	—	—	93.6
Togo	0.0058	0.0063	0.0059	0.0049	58.8	62.7	65.9	62.0
Uganda	0.0073	0.0078	0.0106	0.0128	94.4	84.4	70.7	63.3
United Republic of Tanzania	0.0124	0.0160	0.0266	0.0302	91.1	89.5	83.1	81.6
Zambia	0.0161	0.0173	0.0473	0.0469	87.5	88.0	88.9	86.9
Total/Average, Africa	0.3139	0.5046	0.6910	0.7946	88.6	92.7	93.4	93.9

Asia and the Pacific								
Afghanistan	0.0011	0.0037	0.0026	0.0020	76.3	72.2	55.2	56.3
Bangladesh	0.0992	0.0893	0.1331	0.1444	7.4	7.8	8.5	7.8
Bhutan	0.0017	0.0025	0.0042	0.0033	45.9	48.4	32.8	43.5
Cambodia	0.0244	0.0289	0.0367	0.0427	5.3	7.4	10.6	14.7
Kiribati	0.0001	0.0000	0.0000	0.0000	86.1	77.1	81.8	91.1
Lao People's Democratic Republic	0.0052	0.0053	0.0115	0.0124	46.9	62.5	82.5	83.4
Myanmar	0.0388	0.0380	0.0569	0.0485	65.0	77.2	82.9	90.6
Nepal	0.0120	0.0085	0.0057	0.0049	26.0	31.6	28.1	29.9
Solomon Islands	0.0008	0.0010	0.0014	0.0027	92.9	98.1	88.8	98.3
Timor-Leste	—	0.0001	0.0001	0.0001	—	92.4	83.4	99.3
Tuvalu	0.0000	0.0000	0.0000	0.0000	11.3	3.0	37.0	66.3
Vanuatu	0.0003	0.0004	0.0003	0.0003	61.2	76.3	68.8	57.4
Yemen	0.0504	0.0537	0.0552	0.0469	98.5	98.3	96.3	97.6
Average, Asia and the Pacific	0.2341	0.2312	0.3077	0.3081	39.2	44.3	42.6	40.4
Latin America and the Caribbean								
Haiti	0.0045	0.0045	0.0038	0.0045	8.8	7.6	11.0	10.0
Average, all LDCs	**0.5525**	**0.7403**	**1.0025**	**1.1072**	**67.0**	**77.0**	**77.5**	**78.7**

Source: UNCTAD (http://unctadstat.unctad.org).

Table A5.1 Human development

Education and training

	Net enrolment in primary education (percentage)		Pupil/teacher ratio in primary education		Net enrolment in secondary education (percentage)		Pupil/teacher ratio in secondary education	
	2010	2011-2012	2010	2011-2012	2010	2011-2012	2010	2011-2012
Africa								
Angola	86	86	46	—	13	—	36	27
Benin	—	95	46	44	—	—	—	—
Burkina Faso	60	66	52	48	16	20	30	26
Burundi	94	—	51	47	15	18	30	30
Central African Republic	71	72	84	80	—	14	—	68
Chad	—	63	62	61	—	—	32	30
Comoros	—	—	—	28	—	—	—	—
Democratic Republic of the Congo	—	—	37	35	—	—	16	15
Djibouti	—	61	—	35	—	—	—	27
Equatorial Guinea	57	61	27	26	—	—	—	—
Eritrea	30	33	38	41	26	26	39	38
Ethiopia	74	79	54	54	—	—	43	40
Gambia	68	71	—	34	—	—	—	—
Guinea	70	74	42	44	—	32	—	31
Guinea-Bissau	70	—	52	—	—	—	—	—
Lesotho	78	82	34	34	32	34	24	25
Liberia	—	41	—	27	—	—	—	—
Madagascar	—	—	40	43	—	—	—	28
Malawi	—	—	79	74	28	30	43	42
Mali	70	69	50	48	33	34	—	25
Mauritania	71	70	37	40	—	—	—	—
Mozambique	89	86	58	55	16	18	34	33
Niger	56	63	39	39	12	12	31	35
Rwanda	89	99	65	59	—	—	—	23
Sao Tome and Principe	98	—	26	29	—	—	—	20
Senegal	73	73	34	32	—	—	—	27
Sierra Leone	—	—	—	33	—	—	—	—
Somalia	—	—	—	—	—	—	—	—
South Sudan	—	—	—	—	—	—	—	—
Sudan	—	—	—	—	—	—	—	—
Togo	—	—	41	42	—	—	—	26
Uganda	88	91	49	48	—	—	—	—

United Republic of Tanzania	—	—	51	46	—	—	—	26
Zambia	88	94	53	49	—	—	—	—
Average, Africa	77	80	51	46	20	22	33	31
Asia and the Pacific								
Afghanistan	—	—	44	44	—	—	—	—
Bangladesh	92	—	43	40	46	46	28	31
Bhutan	88	91	26	24	52	57	21	20
Cambodia	98	98	48	46	—	—	—	—
Kiribati	—	—	—	—	—	—	—	—
Lao People's Democratic Republic	94	96	29	27	38	41	20	20
Myanmar	—	—	28	—	47	—	34	—
Nepal	—	97	32	28	52	59	32	30
Solomon Islands	72	93	25	24	43	42	28	26
Timor-Leste	85	91	30	31	36	38	23	24
Tuvalu	—	—	—	—	—	—	—	—
Vanuatu	—	—	22	—	52	—	—	—
Yemen	82	86	31	30	40	42	—	16
Average, Asia and the Pacific	88	91	39	37	46	47	27	24
Latin America and the Caribbean								
Haiti	—	—	—	—	—	—	—	—
Average, all LDCs	**78**	**81**	**47**	**43**	**37**	**38**	**30**	**29**

Source: UNESCO Institute for Statistics (www.uis.unesco.org).

Table A5.2 Human development

Population and primary health

	Under-five mortality rate (deaths per 1,000 live births)		Infant mortality rate (deaths per 1,000 live births)		Maternal mortality rate (deaths per 100,000 births)		Contraceptive prevalence (percentage of women aged 15-49)	HIV prevalence (percentage of population aged 15-49)		
	2005	2012	2005	2012	2005	2010	2001-2011	2005	2010	2012
Africa										
Angola	194	164	116	100	650	450	6	2.0	2.2	2.3
Benin	120	90	76	59	430	350	18	1.4	1.2	1.1
Burkina Faso	160	102	86	66	370	300	16	1.4	1.0	1.0
Burundi	134	104	84	67	910	800	17	1.8	1.3	1.3
Central African Republic	157	129	105	91	1000	890	17	—	—	—
Chad	176	150	100	89	1100	1100	4	3.5	2.9	2.7
Comoros	94	78	68	58	310	280	—	0.1	0.2	2.1
Democratic Republic of the Congo	171	146	112	100	660	540	23	1.4	1.2	1.1
Djibouti	99	81	78	66	220	200	16	2.4	1.5	1.2
Equatorial Guinea	125	100	88	72	270	240	—	4.9	6.1	6.2
Eritrea	70	52	47	37	300	240	8	1.3	0.8	0.7
Ethiopia	110	68	70	47	510	350	22	2.6	1.6	1.3
Gambia	95	73	56	49	430	360	16	1.3	1.3	1.3
Guinea	135	101	84	65	800	610	8	1.5	1.7	1.7
Guinea-Bissau	156	129	95	81	890	790	12	3.7	3.9	3.9
Lesotho	123	100	84	74	720	620	41	22.7	23.0	23.1
Liberia	119	75	84	56	1100	770	11	1.9	1.1	0.9
Madagascar	81	58	54	41	310	240	34	0.7	0.6	0.5
Malawi	120	71	73	46	630	460	40	13.4	11.2	10.8
Mali	173	128	97	80	620	540	8	1.3	1.0	0.9
Mauritania	102	84	72	65	560	510	9	0.7	0.5	0.4
Mozambique	132	90	89	63	630	490	15	11.3	11.4	11.1
Niger	174	114	83	63	720	590	15	0.9	0.6	0.5
Rwanda	107	55	67	39	550	340	35	3.3	3.0	2.9
Sao Tome and Principe	70	53	47	38	87	70	35	1.5	1.2	1.0
Senegal	99	60	57	45	430	370	12	0.6	0.6	0.5
Sierra Leone	216	182	134	117	1000	890	8	1.6	1.6	1.5
Somalia	171	147	103	91	1000	1000	15	0.6	0.6	0.5
South Sudan	140	104	87	67	—	—	4	3.2	2.9	2.7
Sudan	91	73	59	49	800	730	8	—	—	—

Togo	112	96	71	62	370	300	16	4.3	3.3	2.9
Uganda	109	69	68	45	420	310	24	6.2	7.0	7.2
United Republic of Tanzania	90	54	57	38	610	460	30	6.3	5.4	5.1
Zambia	127	89	77	56	500	440	38	13.8	13.1	12.7
Average, Africa	130	95	81	63	611	493	20	3.8	3.4	3.3
Asia and the Pacific										
Afghanistan	118	99	83	71	710	460	17	0.1	0.1	0.1
Bangladesh	68	41	51	33	330	240	57	0.1	0.1	0.1
Bhutan	61	45	47	36	270	180	51	0.1	0.2	0.2
Cambodia	63	40	52	34	340	250	45	1.1	0.8	0.8
Kiribati	66	60	50	46	—	—	22	—	—	—
Lao People's Democratic Republic	98	72	71	54	650	470	38	0.2	0.3	0.3
Myanmar	67	52	51	41	230	200	40	0.8	0.6	0.6
Nepal	61	42	47	34	250	170	44	0.5	0.3	0.3
Solomon Islands	36	31	29	26	110	93	21	—	—	—
Timor-Leste	80	57	65	48	410	300	15	—	—	—
Tuvalu	37	30	30	25	—	—	31	—	—	—
Vanuatu	22	18	19	15	110	110	38	—	—	—
Yemen	78	60	58	46	270	200	25	0.1	0.1	0.1
Average, Asia and the Pacific	76	54	57	42	368	264	46	0.3	0.2	0.2
Latin America and the Caribbean										
Haiti	91	76	66	57	410	350	32	2.4	2.1	2.1
Average, all LDCs	**115**	**85**	**74**	**58**	**541**	**433**	**31**	**2.3**	**2.1**	**2.0**

Source: Inter-agency Group for Child Mortality Estimation (www.childmortality.org), Maternal Mortality Estimation Inter-agency Group (www.maternalmortalitydata.org), World Development Indicators (http://databank.worldbank.org), UNAIDS estimates (www.unaids.org/en/dataanalysis/datatools/aidsinfo).

Table A5.3 Human development

	Youth literacy (percentage of population aged 15-24)		Female youth literacy (percentage of females aged 15-24)		Gross enrolment in tertiary education (percentage)	
	2000-2002	2010-2012	2000-2002	2010-2012	2010	2011-2012
Africa						
Angola	72	73	63	66	—	7
Benin	45	—	33	—	—	12
Burkina Faso	—	—	—	—	4	5
Burundi	73	—	70	—	3	—
Central African Republic	61	66	49	59	3	3
Chad	38	48	23	42	2	2
Comoros	80	86	78	86	8	11
Democratic Republic of the Congo	70	—	63	—	—	8
Djibouti	—	—	—	—	3	5
Equatorial Guinea	97	98	97	98	—	—
Eritrea	78	90	69	88	2	—
Ethiopia	—	—	—	—	7	8
Gambia	53	68	41	64	—	—
Guinea	—	31	—	22	10	9
Guinea-Bissau	59	73	46	67	—	—
Lesotho	91	—	97	—	—	11
Liberia	—	—	—	—	—	—
Madagascar	70	—	68	—	4	4
Malawi	—	72	—	70	1	1
Mali	—	47	—	39	7	7
Mauritania	61	69	55	66	4	5
Mozambique	—	—	—	—	—	5
Niger	14	—	14	—	1	2
Rwanda	78	77	77	78	6	7
Sao Tome and Principe	95	—	95	—	4	8
Senegal	49	—	41	—	8	—
Sierra Leone	—	61	—	52	—	—
Somalia	—	—	—	—	—	—
South Sudan	—	—	—	—	—	—
Sudan	78	87	72	85	—	—
Togo	74	80	64	73	9	10
Uganda	81	87	76	85	—	9
United Republic of Tanzania	78	75	76	73	2	4
Zambia	69	—	66	—	—	—
Average, Africa	74	78	69	75	5	6

Asia and the Pacific						
Afghanistan	—	—	—	—	—	4
Bangladesh	64	79	60	80	—	13
Bhutan	—	—	—	—	7	9
Cambodia	—	—	—	—	14	16
Kiribati	—	—	—	—	—	—
Lao People’s Democratic Republic	78	—	75	—	16	17
Myanmar	95	96	93	96	—	14
Nepal	70	82	60	77	14	14
Solomon Islands	—	—	—	—	—	—
Timor-Leste	—	80	—	79	18	—
Tuvalu	—	—	—	—	—	—
Vanuatu	—	95	—	95	—	—
Yemen	—	86	—	76	11	10
Average, Asia and the Pacific	72	83	68	83	13	12
Latin America and the Caribbean						
Haiti	—	—	—	—	—	—
Average, all LDCs	**73**	**81**	**68**	**80**	**7**	**9**

Source: UNESCO Institute for Statistics (www.uis.unesco.org).

Table A5.4 Human development

Shelter, water and sanitation

	Percentage of population using an improved drinking water source						Percentage of population using an improved sanitation facility					
	Total		Urban		Rural		Total		Urban		Rural	
	2005	2011	2005	2011	2005	2011	2005	2011	2005	2011	2005	2011
Africa												
Angola	48.8	53.4	58.7	66.3	37.2	34.7	49.8	58.7	79.7	85.8	14.9	19.4
Benin	70.6	76.0	81.0	84.5	63.4	69.1	11.2	14.2	22.0	25.3	3.7	5.1
Burkina Faso	69.1	80.0	90.0	96.4	63.4	74.1	14.4	18.0	48.3	50.1	5.1	6.5
Burundi	73.1	74.4	86.3	82.0	71.7	73.4	47.6	50.1	41.4	44.9	48.3	50.7
Central African Republic	65.3	67.1	89.5	92.1	50.4	51.1	29.4	33.8	38.9	43.1	23.5	27.8
Chad	47.2	50.2	64.7	70.8	42.4	44.4	10.6	11.7	28.1	30.9	5.8	6.4
Comoros	94.6	—	91.2	—	95.9	96.7	34.2	—	48.7	—	28.6	—
Democratic Republic of the Congo	44.9	46.2	82.5	79.6	27.8	28.9	26.4	30.7	30.0	29.2	24.8	31.5
Djibouti	87.0	92.5	94.1	100.0	63.4	67.3	61.5	61.3	71.7	73.1	27.8	21.6
Equatorial Guinea	50.9	—	65.5	—	41.6	—	88.9	—	92.2	—	86.8	—
Eritrea	60.0	—	73.7	—	56.7	—	12.7	—	51.6	—	3.5	3.5
Ethiopia	38.1	49.0	91.4	96.6	28.1	39.3	13.9	20.7	24.5	27.3	11.9	19.4
Gambia	87.1	89.3	91.3	92.4	82.2	85.2	65.9	67.7	68.6	69.8	62.9	64.8
Guinea	68.9	73.6	89.1	89.8	59.0	64.8	16.4	18.5	29.4	32.2	10.0	10.9
Guinea-Bissau	60.6	71.7	79.8	93.8	48.1	54.5	15.3	19.0	29.7	33.0	5.9	8.1
Lesotho	78.6	77.7	92.3	90.8	74.5	72.7	25.6	26.3	34.6	32.0	22.9	24.2
Liberia	67.4	74.4	80.8	89.4	55.0	60.5	15.1	18.2	26.3	30.1	4.6	7.2
Madagascar	42.2	48.1	76.3	77.7	28.4	33.8	11.9	13.7	17.6	19.0	9.6	11.1
Malawi	72.2	83.7	93.7	94.6	68.4	81.7	48.9	52.9	49.1	49.6	48.9	53.5
Mali	54.5	65.4	78.9	89.2	43.4	52.6	19.7	21.6	34.5	35.2	13.1	14.3
Mauritania	45.5	49.6	49.0	52.3	43.2	47.7	23.7	26.6	45.5	51.1	9.0	9.2
Mozambique	43.8	47.2	76.2	78.0	30.0	33.2	16.3	19.1	38.9	40.9	6.7	9.2
Niger	46.0	50.3	89.5	100.0	37.3	39.5	8.5	9.6	31.5	34.0	3.8	4.3
Rwanda	67.8	68.9	82.9	79.6	64.5	66.4	54.0	61.3	62.0	61.3	52.2	61.3
Sao Tome and Principe	87.0	97.0	91.6	98.9	80.6	93.6	26.9	34.3	33.1	40.8	18.4	23.3
Senegal	69.4	73.4	91.7	93.2	53.8	58.7	46.9	51.4	65.5	67.9	33.9	39.1
Sierra Leone	51.6	57.5	79.0	84.1	35.3	40.3	12.3	12.9	22.6	22.5	6.2	6.7
Somalia	26.2	29.5	57.3	66.4	9.4	7.2	22.4	23.6	50.0	52.0	7.4	6.3
South Sudan	—	56.5	—	63.4	—	55.0	—	8.9	—	15.8	—	7.3
Sudan	58.5	55.4	71.2	66.0	53.1	50.2	24.0	23.5	46.0	43.9	14.7	13.4
Togo	55.8	59.0	86.7	89.7	39.0	40.1	11.8	11.4	25.8	25.5	4.2	2.7

Uganda	65.0	74.8	87.7	91.3	61.5	71.7	32.8	35.0	33.5	33.9	32.7	35.2
United Republic of Tanzania	53.9	53.3	83.0	78.7	44.6	44.1	10.1	11.9	19.7	24.2	7.1	7.4
Zambia	58.5	64.1	86.7	86.0	42.2	50.1	41.3	42.1	57.3	55.8	32.0	33.2
Average, Africa	52.3	57.3	80.1	82.0	42.3	47.4	23.1	26.6	38.5	40.0	17.4	20.9
Asia and the Pacific												
Afghanistan	39.5	60.6	58.6	85.4	34.2	53.0	25.5	28.5	38.2	45.6	21.9	23.2
Bangladesh	81.2	83.2	85.7	85.3	79.6	82.4	49.7	54.7	55.0	55.3	47.9	54.5
Bhutan	91.0	97.2	99.2	99.7	87.4	95.8	41.7	45.2	68.9	73.9	29.4	29.3
Cambodia	54.6	67.1	74.9	89.6	49.8	61.5	24.5	33.1	62.2	76.4	15.6	22.3
Kiribati	62.2	66.1	83.3	86.8	46.0	49.9	36.5	39.2	48.7	50.8	27.2	30.1
Lao People's Democratic Republic	56.8	69.6	77.0	82.8	49.2	62.7	43.4	61.5	75.4	87.5	31.3	48.0
Myanmar	74.8	84.1	89.4	94.0	68.8	79.3	69.1	77.3	81.2	83.9	64.0	74.1
Nepal	82.2	87.6	92.6	91.2	80.3	86.8	27.6	35.4	46.2	50.1	24.3	32.4
Solomon Islands	78.8	79.3	93.0	93.0	75.7	75.7	26.8	28.5	81.4	81.4	15.0	15.0
Timor-Leste	60.9	69.1	79.9	93.0	54.2	59.6	37.8	38.7	59.5	67.6	30.1	27.3
Tuvalu	96.0	97.7	96.9	98.3	95.3	97.0	81.1	83.3	84.0	86.3	78.3	80.2
Vanuatu	82.8	90.6	96.6	97.8	78.6	88.3	49.1	57.8	59.3	65.1	46.0	55.4
Yemen	56.5	54.8	75.9	72.0	48.5	46.5	47.3	53.0	88.7	92.5	30.4	34.1
Average, Asia and the Pacific	73.0	78.4	83.4	86.4	69.5	75.3	47.5	53.2	62.2	64.9	42.5	48.8
Latin America and the Caribbean												
Haiti	63.1	64.0	80.9	77.5	49.2	48.5	24.5	26.1	34.8	33.7	16.5	17.4
Average, all LDCs	**60.47**	**65.14**	**81.38**	**83.45**	**53.08**	**57.83**	**32.57**	**36.35**	**47.18**	**48.72**	**27.27**	**31.16**

Source: WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation (www.wssinfo.org).

Table A5.5 Human development

Gender equality and empowerment of women

	Percentage of parliamentary seats held by women				Percentage of female students in primary education		Percentage of female students in secondary education		Percentage of female students in tertiary education	
	2001	2005	2010	2013	2005	2011-2012	2005	2011-2012	2005	2011-2012
Africa										
Angola	16	15	39	34	45	39	41	39	—	27
Benin	6	7	11	8	46	47	—	38	—	21
Burkina Faso	8	12	15	16	47	48	42	44	37	40
Burundi	14	31	32	31	50	50	42	43	—	40
Central African Republic	7	11	10	—	42	43	—	34	37	38
Chad	2	7	5	15	42	43	29	31	—	—
Comoros	—	3	3	3	—	47	—	48	15	19
Democratic Republic of the Congo	—	12	8	9	46	47	36	37	25	27
Djibouti	0	11	14	13	—	47	—	43	42	45
Equatorial Guinea	5	18	10	12	49	49	—	—	—	—
Eritrea	15	22	22	22	45	45	43	44	—	35
Ethiopia	8	21	28	28	47	48	45	47	40	40
Gambia	2	13	8	8	50	51	49	—	27	—
Guinea	9	19	—	—	45	45	—	38	—	—
Guinea-Bissau	8	14	10	14	48	—	—	—	30	31
Lesotho	4	12	24	27	49	49	58	58	—	59
Liberia	8	13	13	11	—	47	—	44	43	45
Madagascar	8	7	13	18	49	49	—	49	34	38
Malawi	9	14	21	22	50	50	47	47	—	39
Mali	12	10	10	10	45	46	40	41	48	48
Mauritania	—	—	22	22	50	51	45	45	28	29
Mozambique	30	35	39	39	47	47	45	47	29	29
Niger	1	12	—	13	44	45	40	40	—	58
Rwanda	26	49	56	64	51	51	51	52	30	28
Sao Tome and Principe	9	9	18	18	49	49	50	53	—	—
Senegal	17	19	23	43	51	51	46	47	49	46
Sierra Leone	9	15	13	12	—	50	—	—	—	—
Somalia	—	8	7	14	—	—	—	—	—	—
South Sudan	—	—	—	27	—	—	—	—	—	—
Sudan	10	15	26	25	—	—	—	—	44	45
Togo	5	7	11	15	47	48	—	—	41	—
Uganda	25	24	31	35	50	50	—	—	45	35

United Republic of Tanzania	22	30	—	36	50	50	45	46	—	21
Zambia	10	13	14	12	50	50	—	47	—	—
Average, Africa	11	16	20	22	48	48	42	44	40	35
Asia and the Pacific										
Afghanistan	—	27	28	28	39	40	32	34	—	24
Bangladesh	—	15	19	20	51	50	52	53	32	33
Bhutan	9	9	9	6	50	50	50	51	35	—
Cambodia	7	10	21	20	48	48	—	—	—	—
Kiribati	5	5	4	9	—	—	—	—	—	—
Lao People's Democratic Republic	21	23	25	25	47	48	45	46	—	—
Myanmar	—	—	4	6	50	—	51	—	38	39
Nepal	6	6	33	33	50	50	49	50	41	42
Solomon Islands	—	0	0	2	48	48	45	47	37	—
Timor-Leste	—	25	29	39	48	48	49	50	—	21
Tuvalu	0	0	0	7	—	—	—	—	—	—
Vanuatu	0	4	4	0	47	—	49	—	—	—
Yemen	1	0	0	0	44	44	37	39	30	30
Average, Asia and the Pacific	6	7	12	13	48	48	48	49	36	35
Latin America and the Caribbean										
Haiti	4	4	11	4	—	—	—	—	25	27
Average, all LDCs	**9**	**14**	**18**	**19**	**48**	**48**	**45**	**46**	**39**	**35**

Source: Inter-Parliamentary Union (www.ipu.org), UNESCO Institute for Statistics (www.uis.unesco.org).

Table A6 Multiple crises and emerging challenges

	Total reserves (percentage of external debt)		Total debt service (percentage of exports of goods, services and income)		Total debt service (percentage of government expenditure)	
	2010	2011-2012	2010	2011-2012	2010	2011-2012
Africa						
Angola	104	143	5	5	16	16
Benin	75	41	3	—	7	—
Burkina Faso	49	40	3	—	3	4
Burundi	54	48	2	6	1	2
Central African Republic	29	28	—	—	2	2
Chad	35	58	—	—	11	11
Comoros	52	67	5	4	—	—
Democratic Republic of the Congo	21	26	3	3	18	11
Djibouti	32	31	8	9	—	—
Equatorial Guinea	—	—	—	—	—	—
Eritrea	11	11	—	—	5	4
Ethiopia	—	—	4	7	8	14
Gambia	39	46	8	7	25	29
Guinea	4	4	5	9	10	32
Guinea-Bissau	14	68	9	—	—	—
Lesotho	138	118	2	2	4	4
Liberia	111	108	1	0	3	2
Madagascar	43	44	4	2	7	4
Malawi	31	18	2	2	2	2
Mali	55	45	2	2	4	4
Mauritania	11	23	5	4	19	21
Mozambique	61	62	3	2	7	4
Niger	49	37	2	—	3	4
Rwanda	89	81	2	2	3	4
Sao Tome and Principe	27	24	6	6	—	—
Senegal	52	44	9	9	16	15
Sierra Leone	44	42	3	2	4	6
Somalia	—	—	—	—	—	—
South Sudan	—	—	—	—	—	—
Sudan	5	1	4	7	7	7
Togo	56	91	3	—	13	4
Uganda	91	82	2	1	3	3
United Republic of Tanzania	43	36	3	2	5	4
Zambia	47	52	2	2	6	5

Average, Africa	47	56	4	4	10	10
Asia and the Pacific						
Afghanistan	213	253	0	0	0	1
Bangladesh	43	41	5	5	19	23
Bhutan	110	70	13	14	27	22
Cambodia	99	89	1	1	9	11
Kiribati	—	—	—	—	—	—
Lao People's Democratic Republic	20	19	13	10	45	28
Myanmar	78	191	7	0	—	—
Nepal	95	132	11	10	12	11
Solomon Islands	115	189	6	4	—	—
Timor-Leste	—	—	—	—	—	—
Tuvalu	—	—	—	—	—	—
Vanuatu	93	86	2	2	4	4
Yemen	89	76	3	3	7	—
Average, Asia and the Pacific	67	77	5	4	15	17
Latin America and the Caribbean						
Haiti	136	132	16	0	—	—
Average, all LDCs	**55**	**64**	**4**	**4**	**11**	**11**

Source: IMF, international financial statistics and data files (www.imf.org/external/data.htm); World Bank, international debt statistics (http://databank.worldbank.org).

Table A7 Mobilizing financial resources for development and capacity building

	Gross domestic savings (percentage of GDP)			Government revenue, excluding grants (percentage of GDP)		
	2001-2010	2011	2012	2001-2010	2010	2011
Africa						
Angola	32	33	30	—	—	—
Benin	11	6	—	17	18	17
Burkina Faso	8	16	—	13	15	16
Burundi	-7	-1	0	—	—	—
Central African Republic	3	4	5	8	—	—
Chad	16	28	17	—	—	—
Comoros	-12	—	—	—	—	—
Democratic Republic of the Congo	8	12	15	15	23	—
Djibouti	7	—	—	—	—	—
Equatorial Guinea	80	70	—	—	—	—
Eritrea	-19	1	—	—	—	—
Ethiopia	8	13	16	11	11	11
Gambia	5	1	—	—	—	—
Guinea	13	0	—	—	—	—
Guinea-Bissau	-3	2	-7	—	—	—
Lesotho	-44	-33	-30	55	—	—
Liberia	-30	-40	-32	19	21	22
Madagascar	9	—	—	11	—	—
Malawi	5	6	—	—	—	—
Mali	12	12	—	16	17	—
Mauritania	11	21	1	—	—	—
Mozambique	5	6	7	—	—	—
Niger	8	11	15	12	—	—
Rwanda	1	4	2	—	—	—
Sao Tome and Principe	—	—	—	—	—	—
Senegal	8	11	10	17	—	—
Sierra Leone	-3	3	—	9	10	11
Somalia	—	—	—	—	—	—
South Sudan	46	48	-21	—	—	—
Sudan	24	24	13	—	—	—
Togo	0	1	—	16	17	18
Uganda	10	14	—	12	12	16
United Republic of Tanzania	16	18	22	—	—	—
Zambia	20	34	—	18	17	—
Average, Africa	16	19	17	12	13	14

Asia and the Pacific						
Afghanistan	-23	-22	-17	9	11	11
Bangladesh	18	16	18	10	11	12
Bhutan	35	38	—	19	—	—
Cambodia	12	12	—	11	12	12
Kiribati	—	—	—	—	—	—
Lao People's Democratic Republic	15	21	20	13	14	15
Myanmar	11	—	—	5	—	—
Nepal	10	14	11	12	15	15
Solomon Islands	-5	—	—	—	—	—
Timor-Leste	-86	-46	—	—	—	—
Tuvalu	—	—	—	—	—	—
Vanuatu	20	20	—	—	—	—
Yemen	15	—	—	—	—	—
Average, Asia and the Pacific	13	12	13	11	12	12
Latin America and the Caribbean						
Haiti	-3	-13	-6	—	—	—
Average, all LDCs	**14**	**16**	**15**	**11**	**12**	**13**

Source: World Bank national accounts data (http://databank.worldbank.org); IMF, Government Finance Statistics Yearbook and data files (www.imf.org/external/data.htm).

Table A8 Aid from OECD/DAC countries to the LDCs

Net disbursements

	2001-2002			2011			2012		
	US$ million	Percentage of donor's total	Percentage of donor's GNI	US$ million	Percentage of donor's total	Percentage of donor's GNI	US$ million	Percentage of donor's total	Percentage of donor's GNI
Australia	238	26	0.06	1,373	28	0.09	1,639	30	0.11
Austria	160	28	0.08	296	27	0.07	244	22	0.06
Belgium	349	36	0.14	1,064	38	0.2	704	30	0.14
Canada	359	20	0.05	1,943	36	0.11	1,945	34	0.11
Czech Republic	6	17	0.01	63	25	0.03	59	27	0.03
Denmark	571	35	0.35	1,090	37	0.32	1,004	37	0.31
Finland	144	34	0.11	461	33	0.17	445	34	0.18
France	1,558	32	0.11	3,616	28	0.13	2,533	21	0.1
Germany	1,364	26	0.07	3,675	26	0.1	3,678	28	0.11
Greece	45	19	0.04	67	16	0.02	50	15	0.02
Iceland	5	40	0.06	12	45	0.1	12	45	0.1
Ireland	189	55	0.2	479	52	0.27	418	52	0.24
Italy	885	45	0.08	1,521	35	0.07	701	26	0.04
Japan	2,058	22	0.05	4,115	38	0.07	4,640	44	0.08
Korea	63	23	0.01	474	36	0.04	579	36	0.05
Luxembourg	48	34	0.26	152	37	0.36	146	37	0.37
Netherlands	1,119	34	0.28	1,457	23	0.17	1,166	21	0.15
New Zealand	33	28	0.07	123	29	0.08	144	32	0.09
Norway	575	38	0.32	1,524	32	0.31	1,382	29	0.27
Poland	14	58	0.01	87	21	0.02	78	18	0.02
Portugal	174	59	0.15	345	49	0.15	177	30	0.09
Slovak Republic	1	8	0	17	20	0.02	15	19	0.02
Spain	300	17	0.05	1,075	26	0.07	483	24	0.04
Sweden	570	31	0.25	1,939	35	0.35	1,542	29	0.29
Switzerland	267	29	0.09	798	26	0.12	710	23	0.11
United Kingdom	1,534	32	0.1	5,195	38	0.21	4,615	33	0.19
United States	2,638	21	0.03	11,786	38	0.08	11,419	37	0.07
Total	**15,268**	**27**	**0.06**	**44,746**	**33**	**0.1**	**40,527**	**32**	**0.09**

Note: Includes imputed multilateral flows, i.e., making allowance for contributions through multilateral organizations, calculated using the geographical distribution of multilateral disbursements for the year of reference.

Source: OECD aid statistics (www.oecd.org/dac/stats/).

Table A9 External debt and debt forgiveness

	External debt stock (percentage of GNI)		External debt stock, percentage point difference	Debt forgiveness or reduction, cumulative since 2002 (percentage of GDP)
	2011	2012	2011-2012	2002-2012
Africa				
Angola	23	22	-1	-1
Benin	26	27	2	-23
Burkina Faso	23	24	1	-20
Burundi	26	27	1	-60
Central African Republic	25	26	1	-31
Chad	19	19	0	-1
Comoros	46	42	-3	-7
Democratic Republic of the Congo	39	36	-3	-81
Djibouti	—	—	—	—
Equatorial Guinea	—	—	—	—
Eritrea	41	32	-8	0
Ethiopia	27	24	-3	-30
Gambia	55	59	4	-30
Guinea	67	18	-50	-50
Guinea-Bissau	29	31	2	-130
Lesotho	28	31	3	-1
Liberia	31	30	-1	-196
Madagascar	28	30	1	-53
Malawi	22	32	10	-66
Mali	29	31	3	-39
Mauritania	70	82	12	-49
Mozambique	33	33	0	-31
Niger	38	36	-2	-35
Rwanda	18	—	—	-32
Sao Tome and Principe	93	76	-17	-142
Senegal	30	35	5	-27
Sierra Leone	36	30	-7	-59
Somalia	—	—	—	—
South Sudan	—	—	—	—
Sudan	36	40	4	-2
Togo	20	23	3	-51
Uganda	21	22	2	-29
United Republic of Tanzania	42	41	-1	-32
Zambia	27	28	0	-45

Average, Africa	30	30	0	-24
Asia and the Pacific				
Afghanistan	15	—	—	—
Bangladesh	22	21	-2	-1
Bhutan	61	87	26	0
Cambodia	37	43	6	-11
Kiribati	—	—	—	—
Lao People's Democratic Republic	80	73	-6	-17
Myanmar	—	—	—	—
Nepal	20	20	-1	0
Solomon Islands	38	33	-6	-2
Timor-Leste	—	—	—	—
Tuvalu	—	—	—	—
Vanuatu	26	48	22	-1
Yemen	22	22	1	-1
Average, Asia and the Pacific	26	25	0	-2
Latin America and the Caribbean				
Haiti	11	15	4	-38
Average, all LDCs	**28**	**28**	**0**	**-17**

Source: World Bank, international debt statistics (http://databank.worldbank.org).

Table B1 Poverty data availability in the LDCs

N°	Country	N°	Country
1	Afghanistan*	25	Madagascar
2	Angola	26	Malawi
3	Bangladesh	27	Mali
4	Benin*	28	Mauritania
5	Bhutan	29	Mozambique
6	Burkina Faso	30	Myanmar*
7	Burundi	31	Nepal
8	Cambodia	32	Niger
9	Central African Republic	33	Rwanda
10	Chad*	34	Sao Tome and Principe*
11	Comoros*	35	Senegal
12	Congo, Dem. Rep.*	36	Sierra Leone
13	Djibouti*	37	Solomon Islands*
14	Equatorial Guinea*	38	Somalia*
15	Eritrea*	39	South Sudan*
16	Ethiopia	40	Sudan*
17	Gambia	41	Timor-Leste
18	Guinea	42	Togo**
19	Guinea-Bissau	43	Tuvalu*
20	Haiti*	44	Uganda
21	Kiribati*	45	United Republic of Tanzania
22	Lao People’s Democratic Republic	46	Vanuatu*
23	Lesotho	47	Yemen
24	Liberia*	48	Zambia

Notes: *Represents the countries for which sufficient data on poverty are not available and are not included in Part 2 of this report.

**Togo is included in the analysis, but poverty data are available only for very recent years (2006-2011).

Table B2 Poverty measures, income and inequality for the LDCs.

Country	Year	Headcount (percentage)	Poverty gap (percentage)	Squared poverty gap	Mean income	Gini index
Angola	2000	54.31	29.94	20.52	62.92	58.64
Angola	2009	43.37	16.45	8.16	59.84	42.66
Bangladesh	1984	60.57	17.91	7.31	38.16	25.88
Bangladesh	1986	55.27	14.92	5.44	41.79	26.92
Bangladesh	1989	66.69	21.56	9.09	36.99	28.85
Bangladesh	1992	70.22	23.82	10.45	34.49	27.60
Bangladesh	1996	60.55	19.27	8.00	41.88	32.98
Bangladesh	2000	58.59	18.61	7.59	43.27	33.46
Bangladesh	2005	50.47	14.17	5.20	48.27	33.22
Bangladesh	2010	43.25	11.17	3.84	51.67	32.12
Bhutan	2003	26.23	6.98	2.44	95.26	46.83
Bhutan	2007	10.22	1.81	0.46	113.49	38.06
Bhutan	2012	1.66	0.26	0.08	165.09	38.73
Burkina Faso	1994	71.17	34.72	20.23	40.80	50.71
Burkina Faso	1998	70.03	30.18	16.09	41.70	46.85
Burkina Faso	2003	56.54	20.27	9.38	46.85	39.60
Burkina Faso	2009	44.60	14.66	6.47	56.16	39.79
Burundi	1992	84.24	40.20	22.78	26.05	33.33
Burundi	1998	86.43	47.28	30.56	24.32	42.39
Burundi	2006	81.32	36.39	19.10	28.96	33.27
Cambodia	1994	44.50	11.95	4.29	56.54	38.28
Cambodia	2004	37.69	10.20	3.60	67.06	41.85
Cambodia	2007	32.23	7.68	2.38	78.13	44.37
Cambodia	2008	22.75	4.87	1.48	78.11	37.85
Cambodia	2009	18.60	3.51	0.96	80.48	36.03
CAR	1992	83.15	57.41	44.64	24.76	61.33
CAR	2003	62.43	28.30	16.14	41.78	43.57
CAR	2008	62.83	31.26	19.36	51.28	56.30
Ethiopia	1982	66.22	22.39	9.87	38.50	32.42
Ethiopia	1995	60.52	21.23	9.74	45.35	39.96
Ethiopia	2000	55.58	16.21	6.48	42.71	30.00
Ethiopia	2005	38.96	9.60	3.28	51.40	29.83
Ethiopia	2011	30.65	8.19	3.05	60.68	33.60
Gambia	1998	65.61	33.81	21.15	42.08	50.23
Gambia	2003	33.63	11.69	5.33	81.89	47.28
Guinea	1991	92.55	63.34	48.51	14.93	46.84
Guinea	1994	63.81	29.67	17.01	41.72	44.87
Guinea	2003	56.32	21.28	10.56	46.37	40.30
Guinea	2007	43.34	14.96	6.79	56.81	39.35

Guinea-Bissau	1991	41.31	21.70	14.78	81.58	-
Guinea-Bissau	1993	52.11	20.55	10.49	56.07	47.84
Guinea-Bissau	2002	48.90	16.55	7.57	48.38	35.52
Lao People's Democratic Republic	1992	55.68	16.24	6.22	43.30	30.43
Lao People's Democratic Republic	1997	49.32	14.85	6.07	49.06	34.91
Lao People's Democratic Republic	2002	43.96	12.11	4.55	51.08	32.63
Lao People's Democratic Republic	2008	33.88	8.95	3.33	62.93	36.74
Lesotho	1987	44.35	20.90	12.52	79.28	56.02
Lesotho	1993	56.43	30.15	19.50	62.35	57.94
Lesotho	1994	46.15	25.64	17.55	98.43	63.16
Lesotho	2003	43.41	20.76	12.81	72.38	52.50
Madagascar	1980	85.89	50.52	34.15	24.05	46.85
Madagascar	1993	72.49	34.80	20.53	36.31	46.12
Madagascar	1997	72.04	32.80	18.70	33.53	39.16
Madagascar	1999	82.32	44.25	27.96	26.31	41.81
Madagascar	2001	76.34	41.37	26.41	31.63	47.47
Madagascar	2005	67.83	26.52	13.23	44.82	47.24
Madagascar	2010	81.29	43.26	27.28	28.02	44.11
Malawi	1998	83.07	45.96	29.62	29.51	50.31
Malawi	2004	73.86	32.31	17.39	34.12	39.02
Malawi	2010	61.64	26.18	14.08	44.07	43.91
Mali	1994	86.08	53.09	37.07	23.90	50.56
Mali	2001	61.18	25.78	13.72	41.60	40.01
Mali	2006	51.43	18.79	8.98	49.13	38.99
Mali	2010	50.43	16.36	6.97	46.44	33.02
Mauritania	1987	41.32	17.99	10.49	60.98	43.94
Mauritania	1993	42.79	14.44	6.66	70.86	50.05
Mauritania	1996	23.40	7.06	3.10	78.65	37.29
Mauritania	2000	21.16	5.66	2.03	88.33	39.04
Mauritania	2004	25.41	6.95	2.75	80.45	41.26
Mauritania	2008	23.43	6.79	2.83	84.37	40.46
Mozambique	1996	80.59	41.16	25.05	30.00	44.49
Mozambique	2003	74.69	35.40	20.48	36.58	47.11
Mozambique	2008	59.58	25.13	13.69	46.53	45.66
Nepal	1985	78.15	31.14	15.23	30.71	30.06
Nepal	1996	67.97	25.56	12.24	37.53	35.23
Nepal	2003	53.13	18.39	8.10	53.96	43.83
Nepal	2010	24.82	5.55	1.76	68.06	32.82
Niger	1992	72.79	29.66	15.26	34.45	36.10
Niger	1994	78.17	38.57	22.95	30.38	41.53

Niger	2005	65.88	28.08	15.12	41.46	43.89
Niger	2008	43.62	12.42	4.71	52.78	34.55
Rwanda	1985	63.33	19.71	7.87	38.88	28.90
Rwanda	2000	74.56	36.85	22.00	38.64	51.51
Rwanda	2006	72.10	34.82	20.47	42.28	53.09
Rwanda	2011	63.17	26.64	14.04	50.15	50.82
Senegal	1991	65.81	34.32	21.83	44.92	54.14
Senegal	1994	53.64	19.21	9.09	50.09	41.44
Senegal	2001	44.19	14.34	6.18	58.55	41.25
Senegal	2005	33.50	10.80	4.67	66.86	39.19
Senegal	2011	29.61	9.13	3.77	74.36	40.30
Sierra Leone	1990	62.79	44.81	37.38	44.53	-
Sierra Leone	2003	53.37	20.30	9.82	51.20	42.52
Sierra Leone	2011	51.71	16.64	7.02	47.64	35.35
Timor-Leste	2001	52.94	19.13	8.90	49.18	39.52
Timor-Leste	2007	37.44	8.88	2.91	55.41	31.93
Togo	2006	38.68	11.37	4.48	56.21	34.41
Togo	2011	28.22	8.81	3.68	75.78	39.29
Uganda	1989	68.65	33.18	19.93	36.78	44.36
Uganda	1992	70.01	30.33	16.56	37.88	42.62
Uganda	1996	64.39	24.80	12.12	39.80	37.13
Uganda	1999	60.49	24.52	12.78	44.95	43.07
Uganda	2002	57.37	22.67	11.51	50.20	45.77
Uganda	2006	51.53	19.11	9.13	52.68	42.62
Uganda	2009	38.01	12.21	5.37	68.31	44.30
Yemen	1998	12.88	3.00	1.11	90.34	33.44
United Republic of Tanzania	1992	72.59	29.68	15.49	33.08	33.83
United Republic of Tanzania	2000	84.57	41.63	24.38	25.44	34.62
United Republic of Tanzania	2007	67.87	28.10	14.78	36.79	37.58
Zambia	1993	65.27	35.56	23.72	42.06	52.61
Zambia	1996	62.07	29.49	17.59	46.07	49.79
Zambia	1998	55.67	26.94	16.54	55.50	53.44
Zambia	2003	64.60	27.13	14.45	41.07	42.08
Zambia	2004	64.29	32.76	20.76	43.11	50.74
Zambia	2006	68.51	37.02	23.92	42.40	54.63
Zambia	2010	74.45	41.91	27.71	38.80	57.49

Source: World Bank, 2014a.

Table B3 Latest headcount poverty ratio, average income, and initial and latest Gini indices for the LDCs

Country	Headcount (latest year)	Average income (period)	Initial Gini (year)	Latest Gini (year)
Angola	43.37 (2009)	61.38 (2000-2009)	58.64 (2000)	42.66 (2009)
Bangladesh	43.25 (2010)	42.07 (1992-2010)	25.88 (1984)	32.12 (2010)
Bhutan	1.66 (2012)	124.61 (2003-2012)	46.83 (2003)	38.73 (2012)
Burkina Faso	44.6 (2009)	46.38 (1994-2009)	50.71(1994)	39.79 (2009)
Burundi	81.32 (2006)	26.44 (1992-2006)	33.33 (1992)	33.27 (2006)
Cambodia	18.6 (2009)	72.06 (1994-2009)	38.28 (1994)	36.03 (2009)
CAR	62.83 (2008)	39.27 (1992-2008)	61.33 (1992)	56.30 (2008)
Ethiopia	30.65 (2011)	47.73 (1982-2011)	32.42 (1982)	33.60 (2011)
Gambia	33.63 (2003)	61.99 (1998-2003)	50.23 (1998)	47.28 (2003)
Guinea	43.34 (2007)	39.96 (1991-2007)	46.84 (1991)	39.35 (2007)
Guinea-Bissau	48.9 (2002)	62.01 (1991-2002)	47.84 (1993)	35.52 (2002)
Lao People's Democratic Republic	33.88 (2008)	51.59 (1992-2008)	30.43 (1992)	36.74 (2008)
Lesotho	43.41 (2003)	78.11 (1987-2003)	56.02 (1987)	52.50 (2003)
Madagascar	81.29 (2010)	32.10 (1980-2010)	46.85 (1980)	44.11 (2011)
Malawi	61.64 (2010)	35.90 (1998-2010)	50.31 (1998)	43.91 (2010)
Mali	50.43 (2010)	40.27 (1994-2010)	50.56 (1994)	33.02 (2010)
Mauritania	23.43 (2008)	77.27 (1987-2008)	43.94 (1987)	40.46 (2008)
Mozambique	59.58 (2008)	37.70 (1996-2008)	44.49 (1996)	45.66 (2008)
Nepal	24.82 (2010)	47.57 (1985-2010)	30.06 (1985)	32.82 (2010)
Niger	43.62 (2008)	39.77 (1992-2008)	36.1 (1992)	34.55 (2008)
Rwanda	63.17 (2011)	42.49 (1985-2011)	28.9 (1985)	50.82 (2011)
Senegal	29.61 (2011)	58.90 (1991-2011)	54.14 (1991)	40.30 (2011)
Sierra Leone	51.71 (2011)	47.79 (1990-2011)	44.81 (1990)	35.35 (2011)
Timor-Leste	37.44 (2007)	52.30 (2001-2007)	39.52 (2001)	31.93 (2007)
Togo	28.22 (2011)	66.00 (2006-2011)	34.41 (2006)	39.29 (2011)
Uganda	38.01 (2009)	47.23 (1989-2009)	44.36 (1989)	44.30 (2009)
United Republic of Tanzania	67.87 (2007)	31.77 (1992-2007)	33.83 (1992)	37.58 (2007)
Yemen	17.53 (2005)	87.18 (1998-2005)	33.44 (1998)	37.69 (2005)
Zambia	74.45 (2010)	44.45 (1991-2010)	52.61 (1993)	57.49 (2010)
Mean	44.22	53.18	42.92	40.45
Median	43.37	47.57	44.36	39.29
	(Angola)	(Nepal)	(Uganda)	(Togo)
Standard deviation	19.40	20.35	9.67	7.09

Notes: This table is derived from table B2.

Table B4 The LDCs vs. developing countries: poverty rates and ratios, and growth rates

		Headcount poverty rate (percentage)	Poverty gap (percentage)	Squared poverty gap
1993	**LDCs**	64.67	27.86	15.54
	Developing countries	40.98	13.80	6.42
	LDCs/developing countries	1.58	2.02	2.42
2010	**LDCs**	46.89	19.06	10.43
	Developing countries	20.78	6.35	2.95
	LDCs/developing countries	2.26	3.00	3.54
Growth rate percentage (1993-2010)	**LDCs**	-27.49	-31.59	-32.88
	Developing countries	-49.29	-53.99	-54.05

Notes: Growth rate is computed as the difference in the latest year and the beginning year values, divided by beginning year value, x 100 per cent. LDCs/developing country values are in units (computed using data from World Bank, 2014a).

Table B5 Per capita GDP of LDCs (1990-2012)

Per capita GDP (constant 2005 US$)						
Country	**1990**	**1995**	**2000**	**2005**	**2010**	**2012**
Angola	1547	1045	1238	1707	2577	2686
Bangladesh	270	299	350	421	539	597
Bhutan	643	808	992	1259	1795	2061
Burkina Faso	269	285	343	407	457	495
Burundi	218	174	150	144	151	153
Cambodia	-	263	329	471	605	672
CAR	377	352	339	341	436	472
Ethiopia	141	125	135	160	229	253
Gambia	425	405	438	434	467	444
Guinea	286	266	289	307	300	308
Guinea-Bissau	497	519	416	403	426	397
Lao People's Democratic Republic	262	308	375	472	629	707
Lesotho	511	576	640	711	879	929
Madagascar	328	277	286	275	275	273
Malawi	189	208	221	213	219	220
Mali	330	337	380	444	498	476
Mauritania	647	656	643	694	785	835
Mozambique	187	188	236	313	381	417
Nepal	233	264	297	321	376	399
Niger	303	266	255	258	276	290
Rwanda	236	192	211	274	352	390
Senegal	681	651	703	773	800	797
Sierra Leone	366	286	276	318	370	435
Timor-Leste	-	-	494	487	641	682
Togo	426	378	411	382	393	413
Uganda	198	234	268	314	393	405
Yemen	666	706	778	832	910	778
United Republic of Tanzania	301	280	304	375	452	483
Zambia	677	559	562	626	741	798
Mean	415	390	426	487	598	630
Median	328	293	343	403	452	472

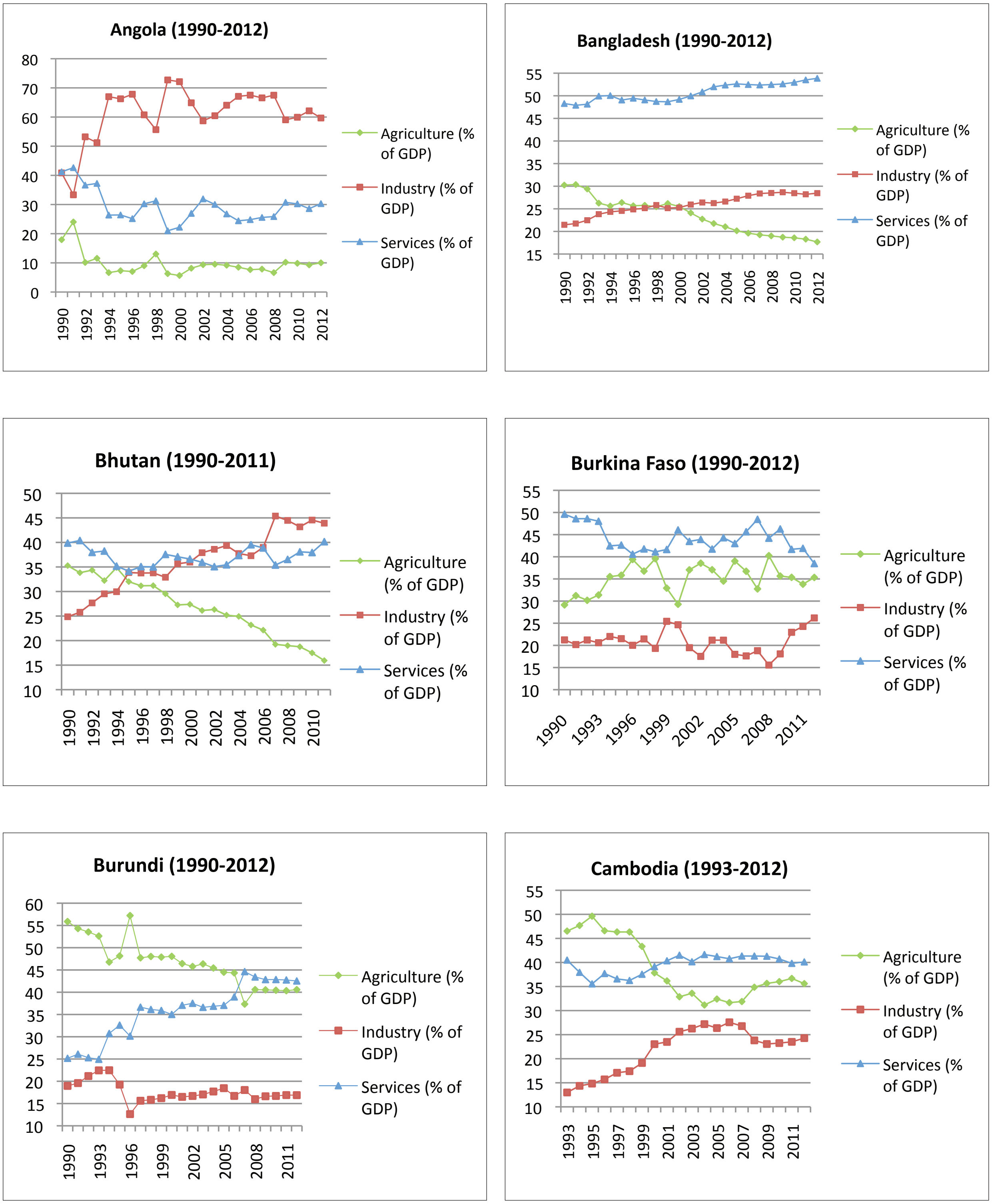
Source: World Bank, 2014b.

Table B6 Income and inequality elasticities

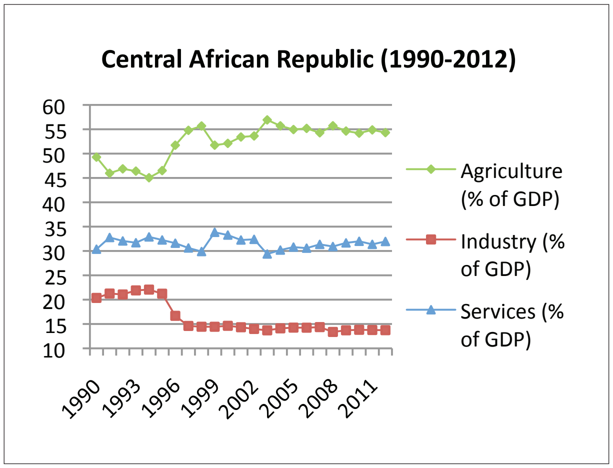
Country	Income elasticity (EY)	Inequality elasticity (EG)
Angola	-0.99	0.85
Bangladesh	-2.38	2.79
Bhutan	-2.45	3.62
Burkina Faso	-0.96	0.61
Burundi	-1.18	0.59
Cambodia	-2.19	2.85
CAR	-0.30	-0.54*
Ethiopia	-2.03	2.32
Gambia	-1.36	1.44
Guinea	-0.94	0.49
Guinea-Bissau	-0.88	0.57
Lao People's Democratic Republic	-2.28	2.76
Lesotho	-1.42	1.68
Madagascar	-0.65	-0.12*
Malawi	-0.63	-0.07*
Mali	-0.77	0.23
Mauritania	-1.97	2.53
Mozambique	-0.98	0.52
Nepal	-2.20	2.59
Niger	-1.54	1.43
Rwanda	-2.14	2.42
Senegal	-1.12	1.03
Sierra Leone	-1.40	1.33
Timor-Leste	-1.69	1.85
Togo	-2.32	2.99
Uganda	-1.29	1.15
Yemen	-2.76	3.86
United Republic of Tanzania	-1.39	1.14
Zambia	-1.32	1.15

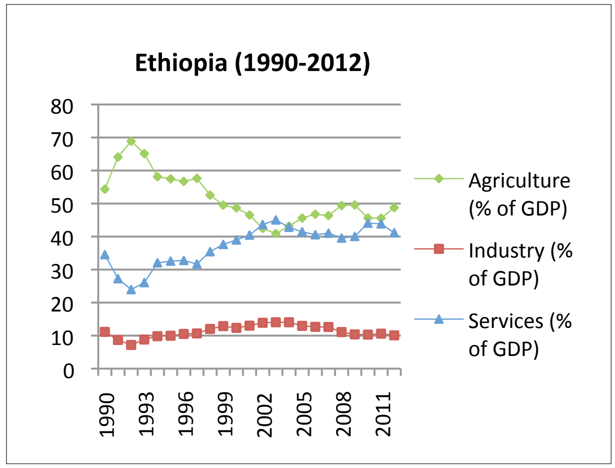
Notes: The elasticities are calculated using the following equations: $E_y = -9.76 + 2.31\ G^I + 1.33\ Z/Y$ and $E_g = 14.39 - 3.65\ G^I - 2.75\ Z/Y$, where G^I is the initial Gini coefficient, Z/Y is the ratio of the poverty line Z to income Y, where the coefficients are estimated based on GMM regression analysis (for details see Fosu, 2011). Values marked * are perverse and generally result from cases where the poverty line exceeds the mean income, but are admissible (see Fosu, 2011).

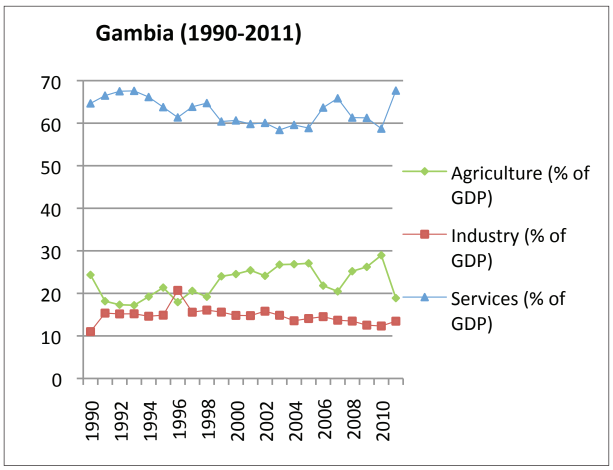
Figure B1 Contributions to GDP by sectors

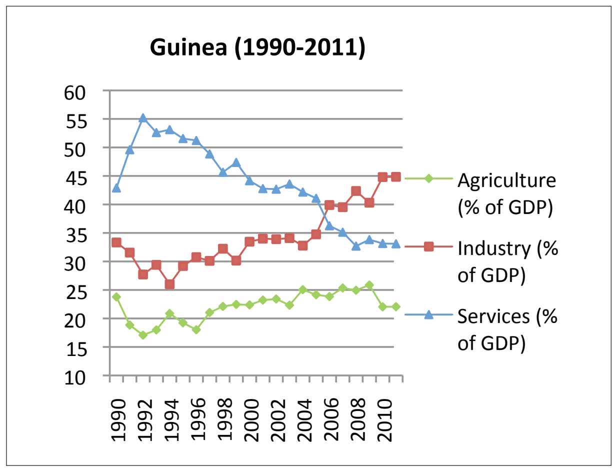


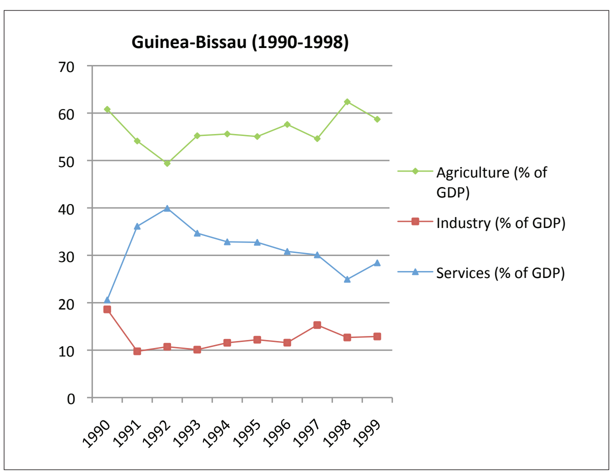
Source: World Bank, 2014b.

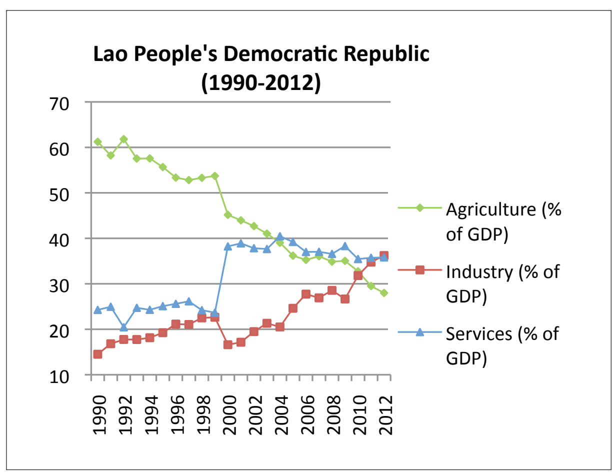












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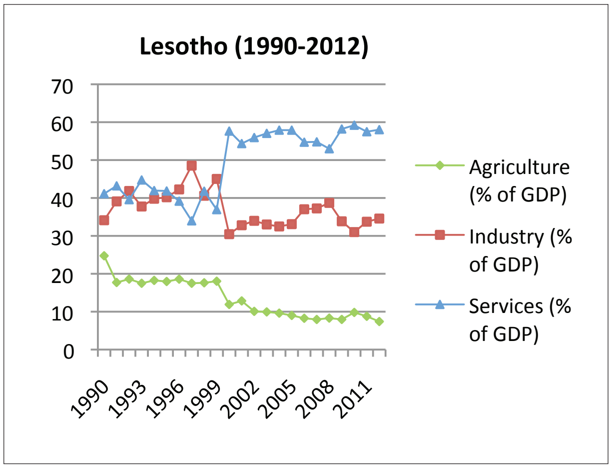

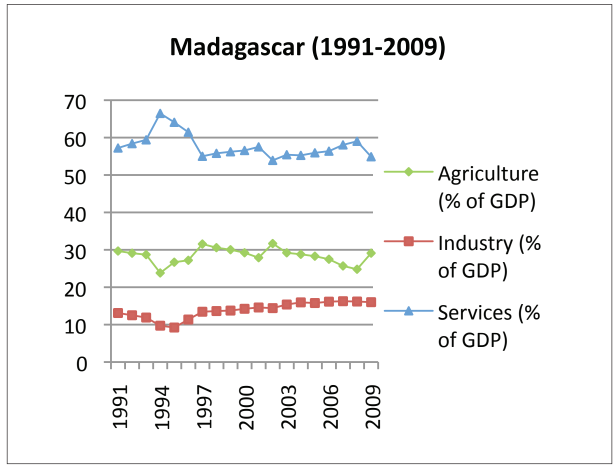

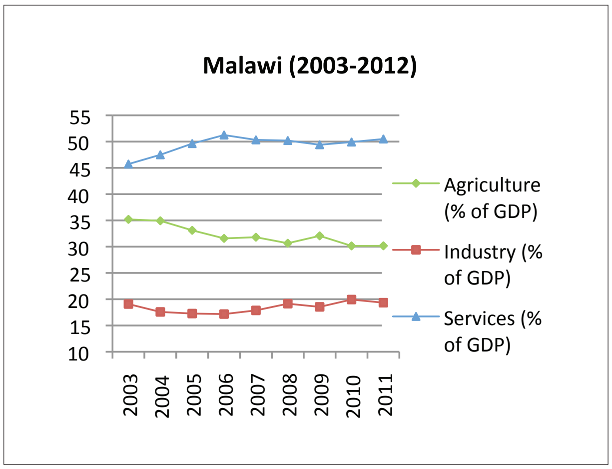

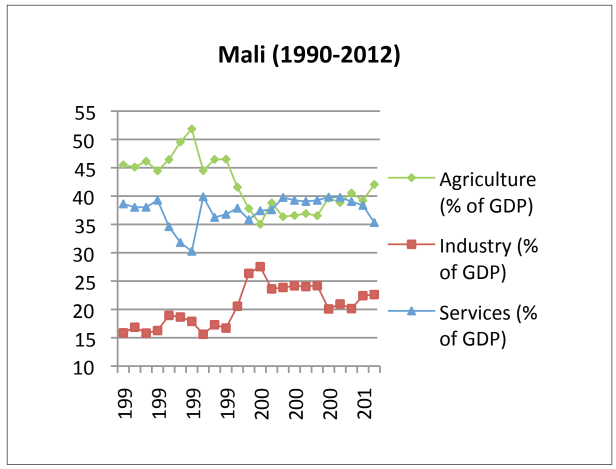

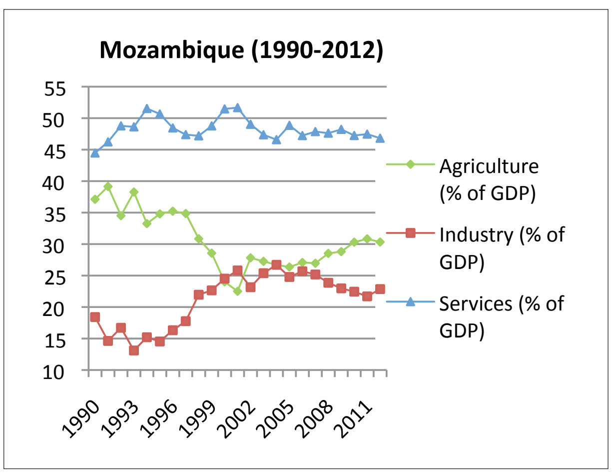

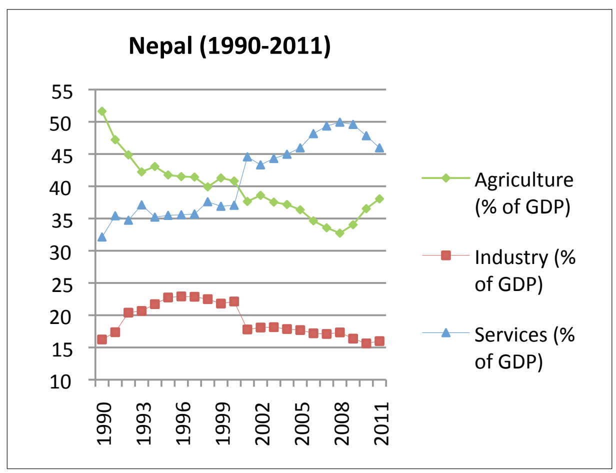

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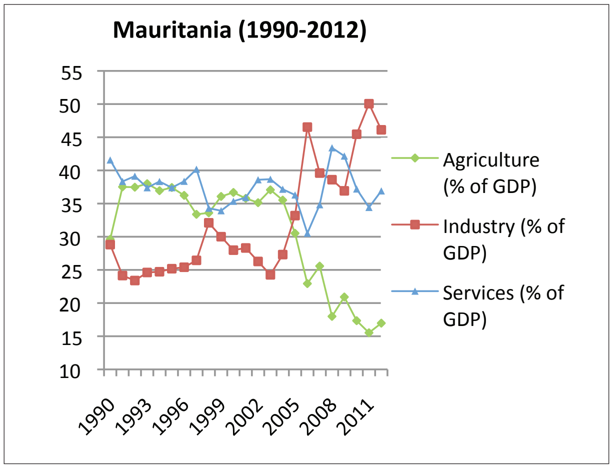

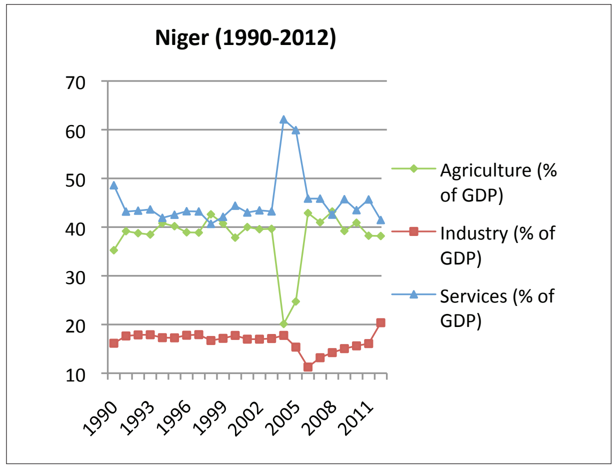

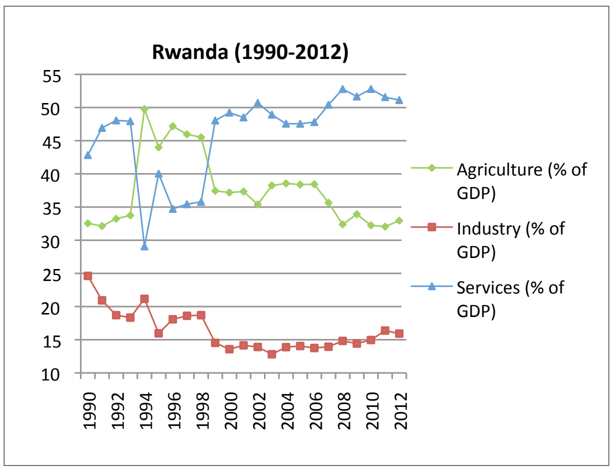

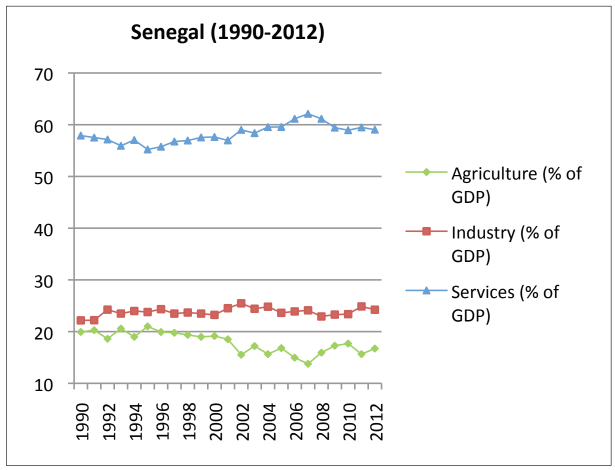

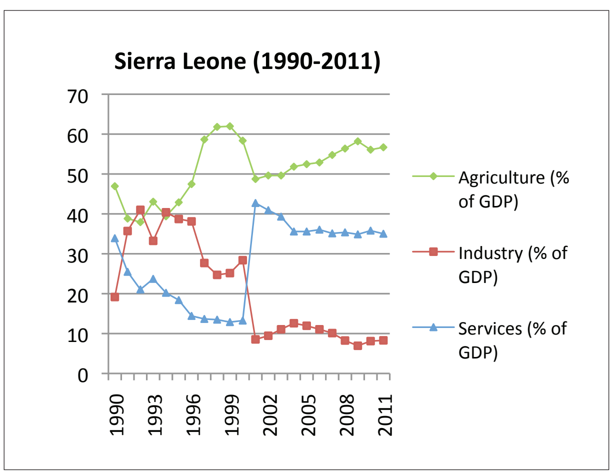

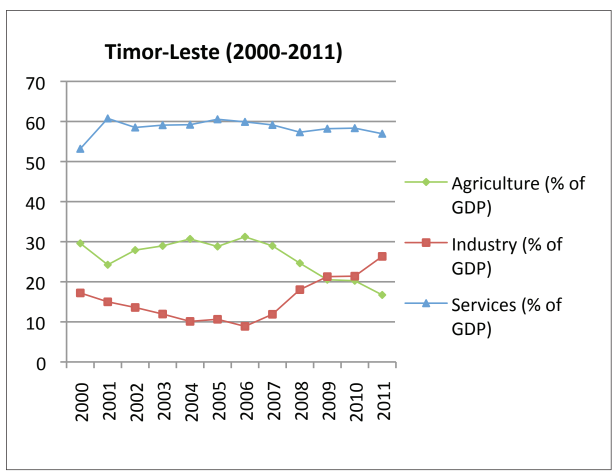

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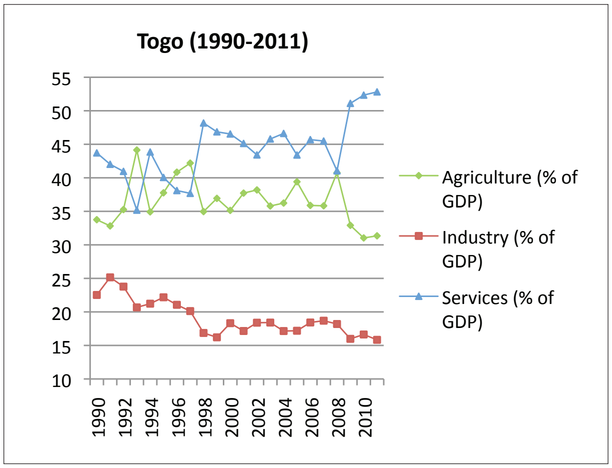

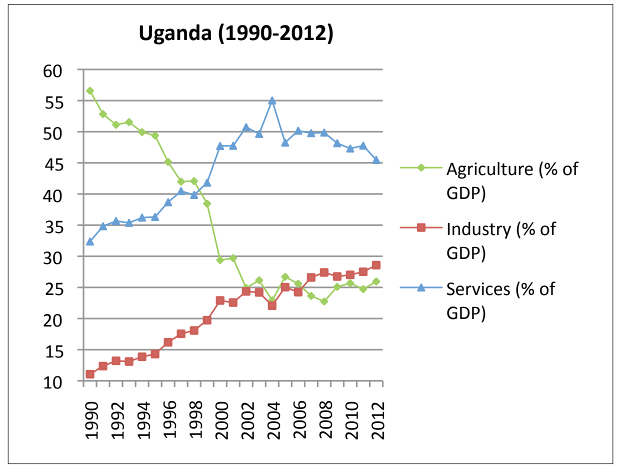

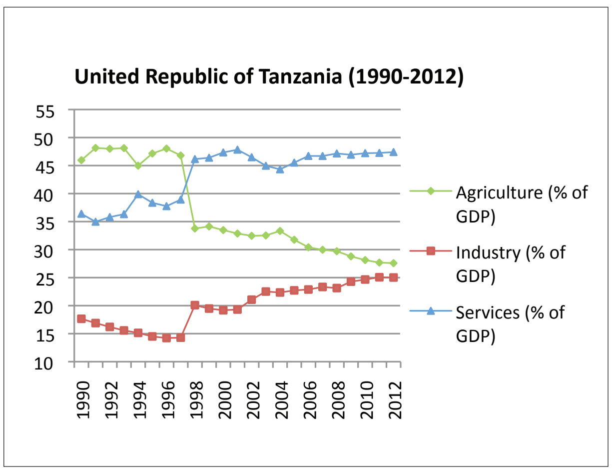

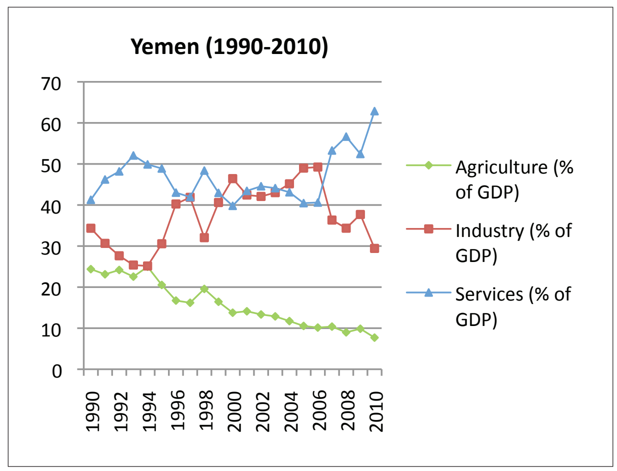

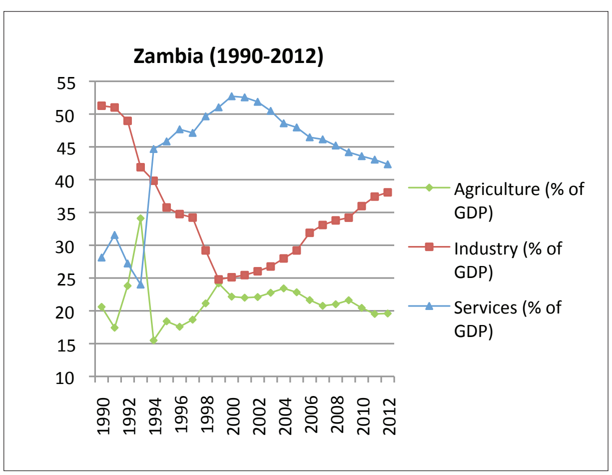

Source: World Bank, 2014b.

TECHNICAL NOTE: DEFINITION OF VARIABLES USED IN THE REPORT'S ECONOMETRIC ANALYSIS

1. ECONOMIC FREEDOM

The Economic Freedom Index is built on a summary of scores obtained in five main areas: size of government, the legal system and property rights, sound money, the freedom to trade internationally and regulation. Scores in these areas are in turn aggregates of individual scores for specific questions or topics. All scores range from 0 (lowest) to 10 (highest); higher is better performance.

The individual scores are constructed on the basis of calculations or surveys, and on the basis of a large number of sources (World Bank indicators, IMF reports, WTO profiles, etc.). The full list of sources for each component of each area, and the full methodology can be found in the appendix of the *Economic Freedom of the World* report (available from www.freetheworld.com/2012/EFW2012-complete.pdf).

2. INSTITUTIONAL QUALITY

The World Bank's Worldwide Governance Indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on 32 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations and private sector firms.

Of the six broad dimensions of governance covered by the indicators, econometric analysis for this report concentrated on the impact of the rule of law, government effectiveness, control of corruption, and political stability and absence of violence.

Rule of law

Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police and the courts, as well as the likelihood of crime and violence.

Government effectiveness

Government effectiveness reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Control of corruption

Control of corruption indicates perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests.

Political stability and absence of violence

Political stability and absence of violence/terrorism tracks perceptions of the probability of political instability and/or politically-motivated violence, including terrorism.

Values range from approximately -2.5 (weak performance) to 2.5 (strong performance). In order to obtain these results, the following three-step method is used:

(1) Individual questions related to a specific indicator are selected from the available survey datasets.

(2) Individual question results are rescaled to run from 0 to 1, with higher values corresponding to better outcomes. For example, a survey question asks for responses on a scale from a minimum of 1 to a maximum of 4, and a score of 2 is rescaled as (2-min)/(max-min)=(2-1)/3=0.33.

(3) A weighted average of the individual indicators is constructed using an unobserved components model to make the 0-1 rescaled data comparable across sources, and then to construct a weighted average of the data from each source for each country. The composite measures of governance generated by the model are in units of a standard normal distribution, with a mean of zero, a standard deviation of one, and running from approximately -2.5 to 2.5, with higher values corresponding to better governance.

The above four indicators are based on perceptions of the surveyed participants. Due to the inherently unobservable nature of the true level of governance in a country, any empirical measure of governance will only be an imperfect proxy for the broader dimensions of governance it reflects. The practical consequence of this is that estimates of governance are subject to nontrivial margins of error. Small differences in performance (across countries or over time) in aggregate measures should not be over-interpreted.

More detailed information on the methodology for the indicators as well as individual questions and measures selected for them can be found at the Worldwide Governance Indicators website: http://info.worldbank.org/governance/wgi/index.aspx#doc

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Front cover photo: Uganda – Trisa Taro
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THE 49 LEAST DEVELOPED COUNTRIES

AFRICA [34]
Angola
Benin
Burkina Faso
Burundi
Central African Republic
Chad
Comoros
Democratic Republic of the Congo
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gambia
Guinea
Guinea-Bissau
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Rwanda
São Tomé and Príncipe
Senegal
Sierra Leone
Somalia
South Sudan
Sudan
Togo
Uganda
United Republic of Tanzania
Zambia

ASIA [14]
Afghanistan
Bangladesh
Bhutan
Cambodia
Kiribati
Lao People's Democratic Republic
Myanmar
Nepal
Samoa
Solomon Islands
Timor-Leste
Tuvalu
Vanuatu
Yemen

LATIN AMERICA AND THE CARIBBEAN [1]
Haiti

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