United Nations E/ECA/COE/38/7

# Economic and Social Council

Distr.: General
10 January 2019

Original: English

**Economic Commission for Africa**
**Committee of Experts of the Conference of African**
**Ministers of Finance, Planning and Economic Development**
Thirty-eighth meeting
Marrakech, Morocco, 20–22 March 2019
Item 6 of the provisional agenda[*]
**Statutory issues**

# Istanbul Programme of Action for the Least Developed Countries for the Decade 2011–2020

## Progress in the implementation of the priority areas

## Summary

On the whole, the African least developed countries are making progress in the priority areas identified in the Istanbul Programme of Action, albeit from very low baselines and with large variations across the countries. Productive capacity remains very low among them and concerted efforts to improve value added per worker is required to increase household earnings and promote inclusive and sustainable development. Despite the importance of trade in promoting growth, the share of exports from the African least developed countries in world trade remains at about 0.6 per cent (2017). The good news is that diversification is improving with the concentration index among those countries declining to 0.36 in 2017 from 0.65 in 2008. Human development in the African least developed countries is also improving (the human development index was estimated at 0.473 in 2017, as compared to 0.440 in 2010, thanks to better education and health outcomes. Sustained improvements in that area are critical for inclusive growth and sustainable development.

Both man-made and natural crises remain prevalent among African least developed countries and risk derailing progress. Poverty rates, inequality, civil strife and political instability are widespread, and the high rate of urbanization among African least developed countries makes cities and urban centres increasingly vulnerable to the impact of disasters. In response, many African countries are adopting and implementing national disaster strategies. The declining trends in foreign investment flows to African least developed countries are concerning. Improvements in governance is critical towards mobilizing resources and realizing inclusive and sustainable development.

Finally, although five African least developed countries (Djibouti, Lesotho, Togo, the United Republic of Tanzania and Zambia) are approaching the graduation thresholds, there is uncertainty regarding how soon they can reach them. Efforts to diversify their economies, particularly in the case of Zambia, and build their human assets must continue.

[*] E/ECA/COE/38/1/Rev.1.

# 1. Introduction

1. Least developed countries are the countries that face the most difficult obstacles to ongoing efforts to achieve inclusive growth and sustainable development. Two thirds of the world's least developed countries are in Africa (33 out of 47), making the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011–2020 (the Istanbul Programme of Action) highly relevant to the continent. In 2018, approximately 654 million people lived in the African least developed countries. The Istanbul Programme of Action sets out priority areas, actions and targets for least developed countries and their development partners, with the objective to accelerate economic growth of the least developed countries and assist them in overcoming impediments to their development.

2. The Istanbul Programme of Action is being implemented simultaneously with the 2030 Agenda for Sustainable Development. In addition, African least developed countries are implementing Agenda 2063, a continental action plan developed by the African Union. Those three international development agendas, which overlap substantially, seek to put forward a comprehensive, wide-ranging approach to sustainable development.

3. In the present report, progress made in the eight priority areas of the Istanbul Programme of Action by the 33 African least developed countries is highlighted. The report also includes a discussion on the prospects for graduation of the African countries nearest to the graduation thresholds set in the most recent (2018) triennial review of the Committee for Development Policy of the list of least developed countries.

# 2. Progress made in the priority areas

## A. Productive capacity

4. Building productive capacity is essential to strengthen the economies of the least developed countries. Productive capacity covers a wide range of factors including, among others, infrastructure, entrepreneurial capabilities and the extent to which intersectoral linkages exist.[1] Those fundamental factors in the structure of the economy play a large role in determining how well raw products, labour and other inputs can be transformed into economically valuable goods and services. Productive capacities are not generally measured with a single index, but as an indicator. For example, manufacturing value added can be used as a proxy. Higher value added in manufacturing indicates an economy's capacity to transform raw materials into more sophisticated products, which, in turn, demonstrates greater levels of productive capacity.

5. The level of manufacturing value added among the least developed countries in Central Africa (3.3 per cent of gross domestic product (GDP), is remarkably low with the weighted average brought down considerably by Chad (3.2 per cent in 2016), which is a much larger economy. The values for Sao Tome and Principe (7.1 per cent in 2016) and the Central African Republic (6.8 per cent in 2015) are more in line with the values of countries in the other African subregions. During the current period of the Istanbul Programme of Action (2011–2010), manufacturing value added as a percentage of GDP for African least develop countries improved slightly from 7.6 per cent in 2011 to 7.8 per cent in 2016 (most recent data).

6. Similarly, agricultural value added per worker in most African least developed countries has improved only slightly over the period 2011−2016. Burkina Faso, Ethiopia, the Niger, Rwanda and Sao Tome and Principe (which

[1] *Least Developed Countries Report 2006: Developing Productive Capacities* (United Nations publication, Sales No. E.06.II.D.9).

will be graduating) have improved the most in terms of increasing agricultural value added per worker, with increases of 109, 25, 21, 33 and 23 per cent, respectively, between 2011 and 2016.

7. With the exception of Eritrea and Somalia, where the increase in connectivity is marginal, African least developed countries have shown promising improvements with regard to connections to the Internet. In Lesotho, one of the African countries with prospects for meeting graduation criteria in the near future, the proportion of its population with access to the Internet has nearly quadrupled since 2001.

8. *Energy from renewable sources.* The Istanbul Programme of Action specifically calls for the amount of energy supplied from renewable sources to be increased. Availability of data for renewable energy is poor; the most recent available data are from 2015. Among the African least developed countries, Ethiopia and Togo appear to be making strong progress in that regard (with increases from 0.6 to 7.3 per cent, and 3.9 to 6.2 per cent, respectively[2] between 2011 and 2015). The world trend is upward; however, in many of the African least developed countries for which data are available, the proportion of renewable energy in their overall energy mix is not increasing.

9. *Access to electricity is improving, albeit slowly.* While there have generally been improvements in access to electricity across the least developed countries over the period 2011−2016, access for people in rural areas is still notably low. Outcomes across the African least developed countries vary considerably, with countries, such as the Comoros, Eritrea and Sao Tome and Principe, reporting relatively high access rates of 72, 39 and 51 per cent of their rural populations, respectively. The rural access rates for Burkina Faso, the Central African Republic, and Liberia, however, are 1 per cent or lower. Lack of access to electricity has knock-on effects in terms of ability to access educational resources, quality of medical services available, processing and employment opportunities. Expanding connections to the national grid by rolling out power infrastructure in rural communities and identifying options for low-cost solar power must, therefore, remain, a policy priority among African least developed countries.

## B. Agriculture, food security and rural development

10. African least developed countries have recorded only marginal increases in agricultural productivity, partly because of limited access to fertilizer and irrigation infrastructure. While agriculture is a key sector for ensuring that African least developed countries can provide sufficient food for their populations, many challenges remain. Over the course of the Istanbul Programme of Acton, agricultural value added per worker among African least developed countries (those for which data are available) increased only slightly, from an average of $950 to about $1,050 per worker in 2017.

11. Low fertilizer usage among African least developed countries is one of the potential sources of the low agricultural productivity per worker. In 2015, countries in Africa, excluding North Africa, used only about 15 kg of fertilizer per hectare of arable land compared with the global average of almost 140 kg per hectare. In addition, there is wide variation in the use of fertilizers, with the range stretching from under five kg per hectare of arable land in at least 11 countries to more than 15 kg per hectare in seven countries. Zambia uses fertilizers the most, 55 kg per hectare of arable land. The increase in fertilizer usage between 2011 and 2015 remained low.

12. Food losses in African least developed countries, especially because of poor post-harvest management, are large (estimated to exceed 30 per cent of total crop production annually). African least developed countries need to invest in technologies and infrastructure that reduce post-harvest losses.

[2] Excluding hydroelectric.

Improvements in farm-based technologies, infrastructure and warehousing facilities along with inclusive rural financial markets and measures to reduce food contamination, are required to achieve the Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihood to halve post-harvest losses in Africa.

## C. Trade

13. Greater trade tends to go together with greater economic development. Through trade, countries gain access to materials, expertise and technology that they cannot produce domestically. The Istanbul Programme of Action calls for a doubling of the share of least developed countries' exports in total world exports over the decade 2011−2020. Over the course of the Istanbul Programme of Action, however, the share of least developed countries' exports in world trade remained steady at about 1 per cent. In fact, in 2014 and 2015, the share of world exports coming from least developed countries, particularly from African least developed countries continued to decline. Data from 2017 shows a small rise in the share of world exports coming from least developed countries, but at 1 per cent, it still remains marginally below the share of trade in 2010. African least developed countries, in particular, have a marginally worse export performance than that of non-African least developed countries, with their share of world exports falling from 0.7 per cent in 2010 to 0.6 per cent in 2017.

14. *Landlocked African least developed countries face higher export costs.* One of the characteristics of the African least developed countries as a group is the prevalence of landlocked countries among them. The landlocked countries encounter higher barriers and costs to trade, as their access to the sea is mediated by transit countries. The longer distances and extra costs of the infrastructure required for landlocked countries to reach seaports often make trading costly for those countries. Landlocked countries, such as Chad, the Central African Republic and Zambia, have the highest cost to export in Africa. However, some landlocked countries, such as Lesotho and Malawi, have managed to bring the cost to export down to levels more comparable with the coastal least developed countries.

## D. Commodities

15. Most of African least developed countries are reliant on only a few commodities for much of their export earnings. When a country is tied closely to only a few products, the economy is susceptible to fluctuations in the price of that product. As discussed in the *African Governance Report V*, natural resource wealth can be linked with high inequality, as the rents flowing from resource wealth tend to concentrate towards a relatively small elite.[3] The Istanbul Programme of Action calls for diversification in the economies of the least developed countries to increase the resilience of their economies and allow them to develop a greater range of production capabilities.

16. In that regard, progress in moving away from commodity dependence is slowly taking place in African least developed countries. The concentration index[4] in African least developed countries declined gradually to 0.36 in 2017 from a high of 0.65 in 2008. While this remains higher than the concentration of exports in Asian least developed countries, and higher than that in all of Africa (excluding North Africa), the increase in diversification is nevertheless a positive development.

[3] ECA, *African Governance Report V; Natural Resource Governance and Domestic Revenue Mobilization for Structural Transformation* (Addis Ababa, ECA, 2018).

[4] Computed using the Herfindahl-Hirschman Index, which is calculated by summing the squares of the proportions (in total exports) of each exported product group. A higher concentration index represents greater dependence on a small group of products.

## E. Human and social development

17. Human development in African least developed countries is improving, albeit from very low levels and at a low pace. In 2017, the human development score for African least developed countries was 0.473, up from 0.440 in 2010. During that period, the African least developed countries, except Togo, recorded improvements in the human development index. On average, countries in Central and West Africa have performed better with regard to the human development index than those in the other African subregions. Sustained improvements in human development are critical for African least developed countries, not only to progress towards graduation, but also to propel and sustain inclusive growth.

18. *The urban population in African least developed countries is growing rapidly, calling for better planning and the provision of basic services.* At the estimated rate of 3.9 per cent per year over the period 2015−2020, African least developed countries are urbanizing at a rate higher than the continental average of about 3.5 per cent. By 2015, almost 40 per cent of the population of the African least developed countries lived in urban areas. Urbanization is an important dimension of structural transformation in which increasing proportions of the population live in urban areas, as a result of the natural growth rate and migration from rural areas. However, urban development in most African least developed countries is largely unplanned; the majority of the urban population has limited access to basic social services and urban transportation is expensive.

19. *Health outcomes among African least developed countries are improving*. From 2011 to 2017, the under-five mortality declined in the African least developed countries. Overall, under-five mortality decreased from 95 deaths per 1,000 children born alive in 2011 to 75 per 1,000 in 2017. In 2017, six countries, Eritrea, Madagascar, Rwanda, Sao Tome and Principe, Senegal and Uganda, recorded under-five mortality of less than 50 per 1,000 children born alive. However, in four countries, the Central African Republic, Chad, Sierra Leone and Somalia, under-five mortality exceeded 100 per 1,000 children born alive. Similar trends are noted in the case of maternal mortality: all African least developed countries recorded a decline in the maternal rates during the period 2011−2015, from 591 per 100,000 women giving birth in 2011 to 529 per 100,000 in 2015. Again, wide variations exist among those countries. While by 2015, nineteen countries had reduced maternal deaths to under 500 for every 100,000 women, another seven countries still recorded rates that exceeded 700 deaths per 100,000 women giving birth.

20. *The improvements in health outcomes are underscored by increasing access to basic social services.* However, inequality and large gaps in access, especially to safely managed and improved water sources and sanitation and electricity remain a challenge. Over the period 2011−2015, the African least developed countries recorded improvements in access to improved water sources, albeit at a slow pace, from an average of 55 per cent to 58.2 per cent. Similarly, they recorded improvements in access to improved sanitation, from an average of 25.3 per cent to 27.6 per cent.

21. *Access to anti-retroviral therapy is increasing across the African least developed countries.* On average, between 2011 and 2017, access to anti-retroviral therapy more than doubled from about 22 per cent to almost 47 per cent of people living with HIV. In 11 countries, access more than doubled. Sustained efforts and investment to ensure universal access to anti-retroviral therapy to those who require it and access to medical treatment for other ailments, such as malaria and tuberculosis, is critical to reducing the vulnerability of the population.

## F. Multiple crises and other emerging challenges

22. African least developed countries experience high rates of poverty and inequality, civil strife and political instability. In addition, the widespread prevalence of preventable diseases, such as AIDS and malaria, accentuates the impact of crises, especially among the most vulnerable populations and groups. In line with the high rate of urbanization among African least developed countries, cities and urban centres are becoming increasingly vulnerable to the impact of disasters.

23. In response to the threat posed by natural disasters, an increasing number of African countries in general are adopting and implementing national disaster strategies. In 2016, at least 30 African countries had adopted or were implementing national disaster risk-reduction strategies in line with the Sendai Framework for Disaster Risk Reduction 2015−2030. Going forward, stronger coordination of international and regional efforts to respond effectively to crises and disasters is needed. The Inter-Agency Secretariat of the International Strategy for Disaster Reduction needs to play a greater role in coordinating the support of such organizations as the African Development Bank, the African Union Commission and the World Bank.

## G. Mobilizing financial resources for development and capacity building

24. Official development assistance (ODA) remains an important contributor to capacity-building in the least developed countries. The Istanbul Programme of Action calls on developed countries to provide more than 0.2 per cent of their gross national product (GNP) as ODA to least developed countries. As structure challenges for least developed countries are greater than those for non-least developed country developing countries, more appropriate targets for development assistance need to be set. Out of the 33 African least developed countries, the top five recipients in 2016 were Ethiopia ($1.85 billion), the United Republic of Tanzania ($1.44 billion), the Democratic Republic of the Congo ($1.41 billion), South Sudan ($1.38 billion) and Mozambique ($1.06 billion).

25. Only a few developed countries meet their ODA commitments of 0.7 per cent of their countries' gross national income (GNI) in official development assistance: in 2016, only seven members (out of 29) of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) contributed more than 0.15 per cent of their GNI to least developed countries as ODA. Sixteen countries contributed a higher percentage of their GNI to least developed countries as ODA in 2016 as compared to 2015. In absolute terms, total aid to least developed countries from the Development Assistance Committee increased from $37.3 million in 2015 to $39.2 million in 2016. Overall, 11 out of the 29 countries that are members of the Development Assistance Committee provided more than 50 per cent of their total ODA to least developed countries and another 11 countries provided between 30 and 50 per cent. Seven of the countries that are members of the Development Assistance Committee provided less than 30 per cent of their total ODA to least developed countries, with the larger proportion going to other developing countries. Taking into account the special needs of the least developed countries, and the commitments made by development partners in the Istanbul Programme of Action, those seven countries, (the Czech Republic, Germany, Greece, Hungary, the Slovak Republic, Slovenia and Spain) might consider if their assistance could be put to better use in the least developed countries.

26. Gross fixed capital formation is a useful measure of the investment in an economy. In the African least developed countries, gross fixed capital formation increased to 25.0 per cent of GDP in 2017, from 23.2 per cent in 2016. It is interesting to note that based on that measure, the African least

developed countries are creating more fixed capital than the average of the countries of Africa (excluding North Africa).

27. After peaking at $28.3 in 2015, foreign direct investment (FDI) in the African least developed countries fell to $14.9 billion dollars in 2017. More broadly, inward FDI to Africa as a whole declined over that period, but in percentage terms the decline in FDI to the least developed countries is much higher: 47 per cent among the least developed countries, as compared to 26 per cent in Africa, as a whole.

### H. Good governance at all levels

28. Good governance is important at every stage of the economic development process. Unfortunately, many of the African least developed countries score poorly on the Ibrahim Index of African Governance. The overall score for African governance was 49.9 in 2017, while the average for the African least developed countries was only 46.4. It is worrying that since 2011, the score for overall governance in 16 of the African least developed countries has fallen by 2.3 points on average, rather than risen. On the other hand, the countries with the largest increases in that metric are Somalia (although the absolute value remains the lowest among the African least developed countries), Senegal, Burkina Faso, Rwanda and the Gambia.

## 3. African prospects for graduation from the least developed country category

29. The indexes and criteria for inclusion or graduation from the least developed country category is calculated by the United Nations Department of Economic and Social Affairs for each triennial review, with the most recent being in March 2018. In the previous iteration of this report of the Economic Commission for Africa (ECA) (published in February 2018), it was noted that five African countries (Djibouti, Lesotho, Togo, the United Republic of Tanzania and Zambia) could potentially meet the graduation criteria in the near future. Each of those countries meets at least one graduation criterion and are within 10 points of meeting a second one.

30. The current trends in those five countries are not all promising. For the past three years, reported GNI per capita in Zambia has been falling, after reaching a high of $1,770 in 2014. Lesotho also, recorded a higher value of $1,490 per capita in 2013, while GNI per capita of the United Republic of Tanzania remained stagnant for three years. GNI per capita has been rising in Togo; it started from a lower base. The criteria on which the country is closest to graduation are the economic vulnerability indexes and the human assets indicators. If incomes in Lesotho and Zambia were to continue to fall, they would no longer meet any of the graduation criteria (unless their economic vulnerability indexes or human assets indicators simultaneously improve).

31. Of the three most recent African countries to meet the graduation criteria (Angola, Equatorial Guinea and Sao Tome and Principe), two (Angola and Equatorial Guinea) passed on the income-only criterion, that is, their GNI per capita was twice the recommended graduation threshold. Djibouti, Lesotho, Togo and the United Republic of Tanzania have considerably more diversified economies, with an index score of 0.16, 0.28, 0.24 and 0.29, respectively, in 2017. However, the economy of Zambia is by far the most concentrated, with an export concentration index score of around 0.66 for the previous four years.

# 4. Conclusions

32. The performance of African least developed countries, and the support given to them by development partners, continues to be fairly mixed. Progress in increasing productive capacities, rolling out energy access in rural areas and improving governance has been lacking; all of those areas are critical in ensuring a brighter future for the less wealthy countries in Africa.

33. The primary improvements are shown in some health and social indicators. Maternal and under-five mortality rates are dropping. Access to safe water sources, improved sanitation, and antiretroviral medication for people living with HIV are all rising in most African least developed countries. With only a few exceptions, the scores of African least developed countries on the wide-ranging human development index are improving.

34. Because of history and geography, many of African least developed countries are landlocked. Those countries, in particular, face special disadvantages with respect to trade. While the market access of landlocked countries is not typically more restricted in any political or legal way than that of coastal countries, their access is nevertheless hampered by lack of access to ports. The burden of the costlier infrastructure required to get their products to market creates greater challenges to their development, as this must be priced in the inputs in their manufacturing process and their outputs sent to international markets. African landlocked least developed countries must work closely with their neighbouring transit countries to ensure that their access to international markets is not rendered any more difficult than necessitated by their already disadvantageous geographical position.

35. Trends in foreign investment into the least developed countries are worrying. While FDI flows to Africa as a whole are falling, the effect of this is greater among the least developed countries than among the non-least developed countries. Least developed countries must continue their efforts to mobilize resources directly, while also working to provide governance and institutions, which can help attract investment. Further to this, the developed countries that supply ODA should consider how to target their aid most effectively, focusing on African least developed countries.

36. Although, five African least developed countries are approaching the graduation thresholds, trends in those countries do not make it certain that they will successfully reach the thresholds in the near future. While Djibouti, Lesotho, Togo, the United Republic of Tanzania and Zambia definitely show the potential to successfully cross the thresholds and graduate from least developed country status, this is by no means assured. Efforts to diversify their economies, particularly in the case of Zambia, and build their human assets must continue.