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Eighth Joint Annual Meetings of the African Union Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration[*] and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development

Meeting of the Committee of Experts
Addis Ababa, 25–27 March 2015

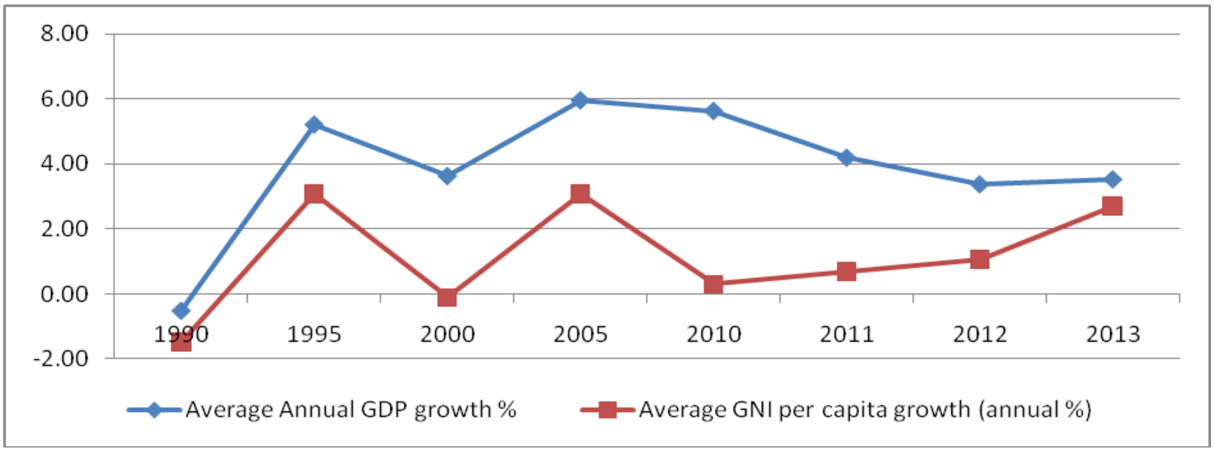
Progress in the implementation of the priority areas of the Istanbul Programme of Action for least developed countries

I. Overview

1. The mid-point review of the implementation of the Istanbul Programme of Action will take place in Turkey, in 2016. The review will be preceded in 2015 by a series of watershed events which will have significant implications for all least developed countries. These events will include the Financing for Development Conference, to be held in Addis Ababa, in July; the adoption of the post-2015 development agenda in September; and the United Nations Climate Change Conference, to be held in Paris, in November. The importance of official development assistance in the financing portfolio of least developed countries, coupled with the uncertainties in development financing posed by the global financial crisis, make the Financing for Development Conference outcomes of keen interest for this category of countries. Similarly, given the vulnerability of least developed countries to climate change and the financial implications of climate adaptation, the outcomes of the United Nations Climate Change Conference will be of particular relevance for these countries. Furthermore, to the extent that the sustainable development goals reinforce global support for and commitment to the special needs of least developed countries, they will be instrumental in helping these countries fulfil their graduation aspirations. Ultimately, the collective outcomes of these events will have a bearing on the graduation prospects of least developed countries in general.

[*] The Specialized Technical Committee replaces the Conference of African Ministers of Economy and Finance (CAMEF) and the Conference of African Ministers of Integration (COMAI). The Specialized Technical Committee brings together ministers of finance, monetary affairs, economic planning and integration.

Figure 1
Gross domestic product and gross national income trends in African least developed countrie



Source: Calculations by the Economic Commission for Africa (ECA) based on World Bank, 2014.

2. Overall, the pace of growth in least developed countries in general has slowed, with the number of countries experiencing a growth rate of 7 per cent or more declining from 14 in 2012 to 11 in 2013. The trend has been no different for African least developed countries, whose gross domestic product (GDP) growth rates declined from 5.6 per cent in 2010 to 3.37 per cent in 2012 and 3.53 per cent in 2013. The gross national income per capita rates of African least developed countries have edged upward since 2010, reflecting an increase in net transfers to those countries. Measured by GDP output per person employed, productive capacities have been rising since 2005, despite a dip in 2011. Leveraging productive capacities will require complementary investments in infrastructure, health and education. Notwithstanding a series of ongoing regional infrastructure projects initiated in Africa, recent data suggests that, after rising sharply in 2007, road infrastructure has deteriorated ever since, while rail infrastructure has remained stagnant.

3. On the bright side, there have been improvements in health sector indicators, particularly with respect to child and maternal mortality and malnourishment. However, the Ebola pandemic in Sierra Leone, Liberia and Guinea has exposed the vulnerability of the health systems of African least developed countries to shocks.

4. With respect to education, net primary enrolment and gender parity in primary education have improved but the quality of primary education remains low; one in two pupils in an African least developed country is likely to drop out from school. Access to mobile telephony networks has also improved, although Internet access remains weak. Sustaining the gains achieved so far will require stronger resilience to shocks and more robust global competitiveness. However, African least developed countries account for less than 1 per cent of global trade and their economies are dependent on a few primary commodities, which makes them vulnerable to shocks and highly dependent on official development assistance. The weak global recovery has, however, dimmed the prospects for increased official development assistance in the foreseeable future. Indeed, total official development assistance declined in 2012 in real terms over the 2011 level and country-programmable aid was projected to have abated by 5 per cent in 2014 due to limited access to grants, a key source of development financing in least developed countries. Official development assistance to African least developed countries has not been commensurate with their representation in the category of least developed countries. Over the period 2005–2013, average growth in official development assistance to African least developed countries was below the overall average for all least developed countries, even though Africa is home to the majority of such countries.

Meanwhile, the capacity for domestic resource mobilization is weak, as evidenced by low revenue-to-GDP ratios, which average less than 20 per cent in African least developed countries.

II. Progress in the implementation of the Istanbul Programme of Action

1. Productive capacity

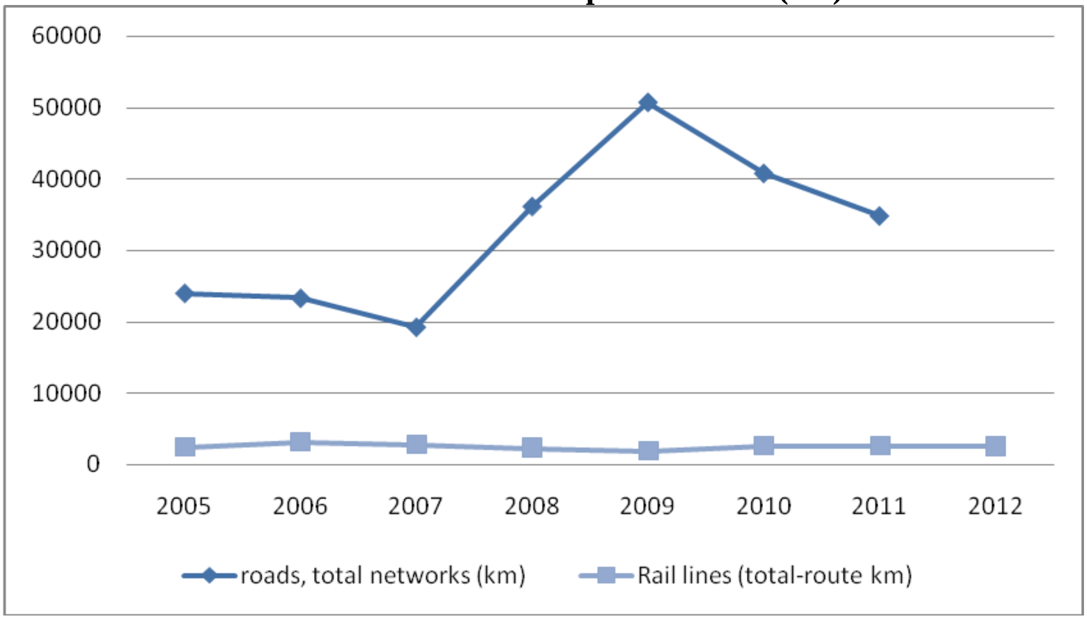
5. African least developed countries continue to face infrastructure deficits and an under-skilled labour force, which constrain their ongoing efforts and those of their development partners to promote sustainable development.

(a) Roads and rail networks

6. Given the positive contributions of transport to growth and development, least developed countries and their development partners committed in the Istanbul Programme of Action to substantively expand combined rail and paved road mileage and sea and air networks by 2020. Figure 1 shows a declining trend in accessible road networks between 2009 and 2011, offsetting the positive evolution observed between 2007 and 2009. Major projects on improving the road network include the completion of the missing links of the Trans-African Highway, which entails various projects of road construction, rehabilitation and extension. Given the radial nature of many of the transport corridors on the continent, the missing links in road transport should narrow as the Highway takes shape. Indeed, with only 1 per cent of the Highway still unpaved in its region, Northern Africa has made real efforts. Other regions, notably Eastern and Central Africa, whose shares of missing links are 17 per cent and 65 per cent respectively, need to redouble their resolve (Economic Commission for Africa and others, 2013). Cognizant of these challenges, many African least developed countries, such as Angola, Ethiopia, Rwanda and Uganda, have launched domestic initiatives to extend and upgrade their road networks (United Nations, Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States (UN-OHRLLS), 2014).

7. On the other hand, railway construction was stagnant over the period 2005 to 2012 (see figure 2), owing to limited investments in this sector. However, major initiatives have been taken to improve railway connections within least developed countries and with their neighbouring countries. Most of these initiatives are based on the framework of the Union of African Railways, which encourages standard gauge railways (ECA and others, 2013). The networks planned for Eastern and Southern Africa within the adopted-corridor approach include a rail link for Djibouti, Ethiopia, South Sudan and the Sudan; a railway project linking Kenya, South Sudan and Ethiopia, with a link to the Ethiopia–Djibouti corridor; and the Kagera Basin Railway linking Tanzania, Rwanda and Burundi. The main regional rail project of the Economic Community of Central African States is to extend the Leketi–Franceville Railway between Gabon and the Congo. The Maghreb railway network has a length of 8,383 km, of which 5,587 km are standard gauge, serving major cities and ports of the region. However, the paucity of rail transport in Libya and Mauritania has made it impossible to link all Maghreb countries.

Figure 2
Roads and rail lines in African least developed countries (km)

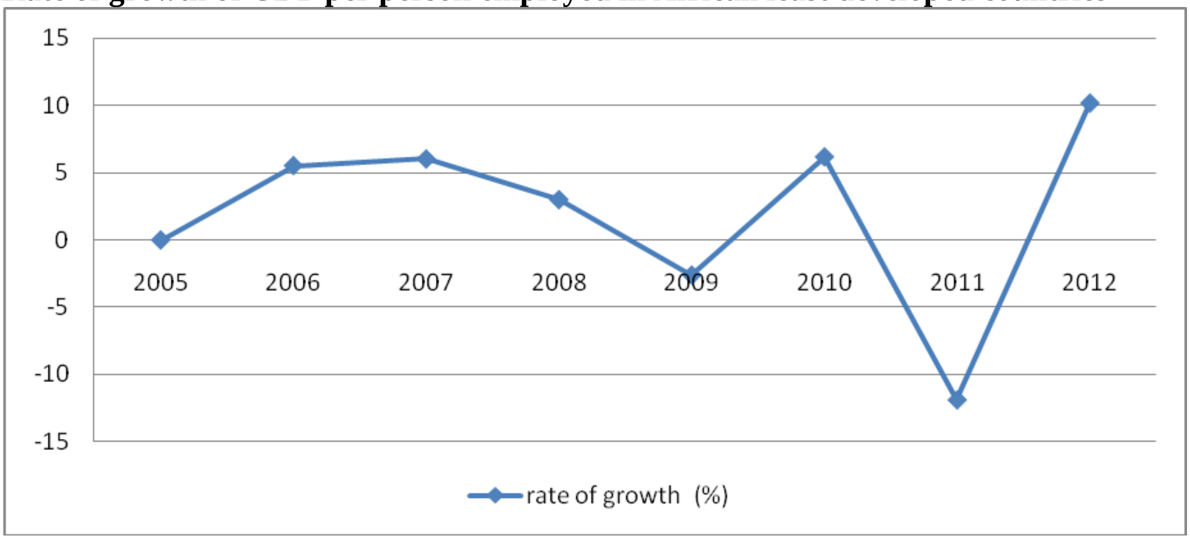


Source: World Bank, 2014.

(b) Rate of growth of GDP per person employed

8. Rising labour productivity is vital for strengthening the competitiveness of least developed countries in regional and global markets. GDP per person employed is a means of evaluating labour productivity. Following an increase of about 15.25 per cent between 2005 and 2008, labour productivity declined sharply in 2011, before rebounding in 2012 (see figure 3).

Figure 3
Rate of growth of GDP per person employed in African least developed countries[1]

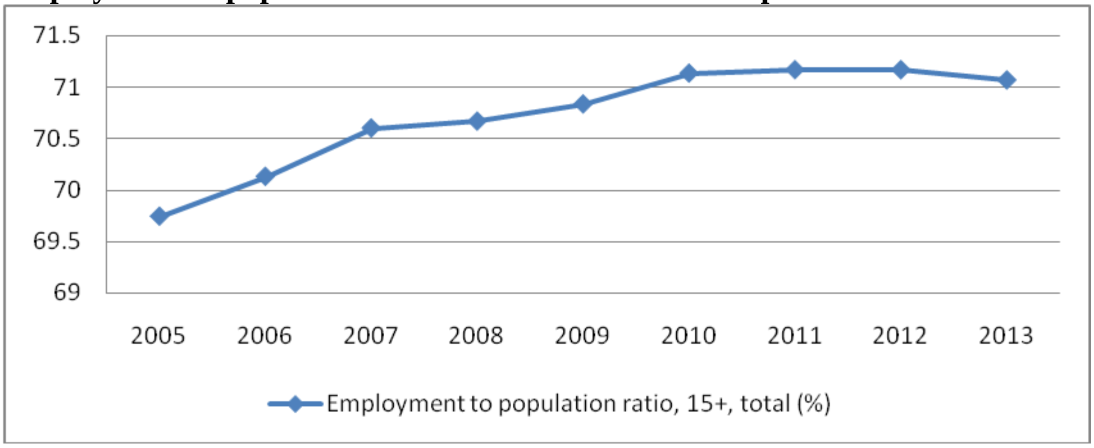


Source: World Bank, 2014.

(c) Employment-to-population ratio

9. The employment-to-population ratio of African least developed countries has posted only a moderate increase, reflecting the limited job opportunities resulting from growth in those countries. The employment-to-population ratio has stagnated at around 71 per cent since 2010, following a modest increase of 2 percentage points between 2005 and 2010 (see figure 4). Strengthening capacities for value addition and economic diversification is vital to increasing the employment-to-population ratio.

Figure 4
Employment-to-population ratio in African least developed countries



Source: World Bank, 2014.

(d) Telecommunication

10. Access to information and communications technology continued to improve in 2011, with both mobile cellular and Internet subscriptions increasing, albeit at varying speeds. The most impressive growth occurred in mobile telephony. It is estimated that 5 in 10 people in least developed countries had a mobile telephone subscription in 2012, up from 4 in 10 people in 2011. However, mobile subscription in Eritrea and Somalia was less than 20 per 100 inhabitants (ECA and others, 2014).

11. Average Internet penetration remains relatively low in Africa, at 14 users per 100 inhabitants as at 2012. In most African least developed countries, including Burundi, Eritrea, Ethiopia, Guinea, the Niger, Sierra Leone and Somalia, the rate was less than 2 Internet users per 100 inhabitants. However, the Democratic Republic of the Congo and Sierra Leone performed well, with Internet use per 100 people growing by more than 40 per cent between 2011 and 2012. Central African Republic, Ethiopia and Malawi also experienced 30 per cent growth in Internet use. African least developed countries should work toward significantly increasing access to telecommunication services, with a view to providing 100 per cent access to the Internet by 2020.

2. Agriculture, food security and rural development

12. The existing data on agriculture and food security in African least developed countries is weak. Regarding the prevalence of malnutrition among children under 5 years of age, only 15 African least developed countries have data for the period 2010–2012, while 12 have data for the period 2005–2009. On the positive side, all of the 15 countries with 2010–2012 data reveal reductions in malnutrition prevalence, compared with the preceding available year. However, a worrying trend in this regard is government expenditure on agriculture. Among the 13 African least

developed countries with data for the period 2001–2013, there is a clear downward trend in that regard, with the average agricultural expenditure as a share of total government expenditure falling from 4.6 per cent in 2001 to 2.9 per cent in 2011, based on data from eight countries (FAO, 2015). However, it should be noted that there is great variance among these countries. Zambia, for instance, is among the top 10 in the world regarding government spending on agriculture (FAO. 2014). It also seems that this policy has had significant positive effects, as Zambia's food production index increased from 98 in 2005 to 156 in 2012. The corresponding figures for the group of least developed countries in Africa were 100 in 2005 and 131 in 2012. Furthermore, Zambia's fertilizer consumption per hectare of arable land averaged 30.5 kg (2005–2012), almost four times the average for African least developed countries of 8.5 kg over the same period. Only Malawi has a higher figure (34.9 kg).

3. Trade

13. The least developed countries' share of the world's exports of goods and services was estimated at 1.1 per cent in 2011, short of the target of 2 per cent to be achieved by 2020 (UN-OHRLLS, 2014). African least developed countries accounted for 0.79 per cent of global trade in merchandise exports and services in 2012, while the least developed countries of the Asia-Pacific region contributed 0.3 per cent of the total. Primary commodities accounted for a substantial share (93.9 per cent) of exports from African least developed countries, compared with 40.4 per cent from the least developed countries of the Asia-Pacific region. This underscores the limited transformation of the economies of African least developed countries and their heightened vulnerability to economic shocks. Only six African least developed countries including fuel-exporting countries (Angola, Chad and Equatorial Guinea) and non-fuel mineral exporters (the Democratic Republic of the Congo and Zambia) had trade surpluses in 2013 (United Nations Conference on Trade and Development, 2014).

14. Non-reciprocal preferential schemes have played an important role in promoting exports from least developing countries to developed country markets in particular, many of which today provide 100 or near 100 per cent duty-free and quota-free market access. In addition, developed countries have been providing preferences to least developed countries under various multilateral, regional and bilateral channels. The African Growth and Opportunity Act is an illustration of initiatives taken by the developed countries to promote imports from least developed countries. However, compared to other least developed countries, African least developed countries' exports admitted duty free into developed countries have remained relatively flat, changing by less than 1 per cent between 2010 and 2011 (United Nations Statistics Division, 2014). The commitment to providing duty-free and quota-free market access to exports from least developed countries was reiterated during the Ninth Ministerial Conference of the World Trade Organization, held in Bali, Indonesia, in 2013 (UN-OHRLLS, 2014). It was also agreed at that conference that the 15-year waiver concerning preferential treatment to services and service suppliers of least developed countries should be operationalized, and that the new Aid for Trade work programme should be informed by the post-2015 development agenda. However, African least developed countries are yet to address their supply-side constraints and trade-related infrastructure deficits to be in a position to fully benefit from these preferential schemes.

4. Commodities

15. Economic diversification is a key tool for promoting job creation and economic development in least developed countries. Unfortunately, the pace of diversification continues to be slow in Africa. However, of the 29 countries with data, 19 experienced a decline in their concentration ratios, which contributed to a decline in the average export concentration index, from

0.5 in 2005 to 0.46 in 2013. Nonetheless, countries like Angola (0.95), Chad (0.86) and Equatorial Guinea (0.79) have extremely high concentration ratios.

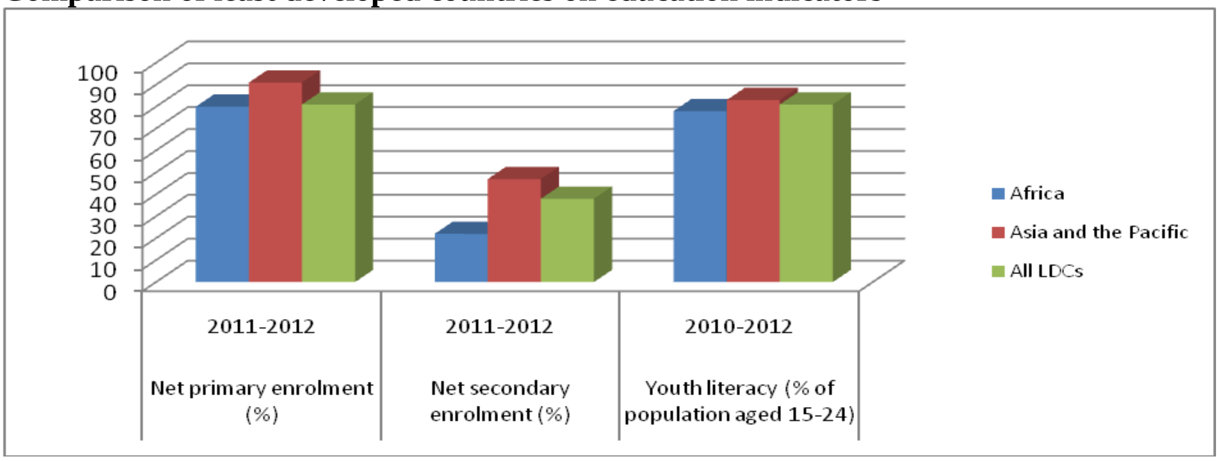
16. Resource-based economies were generally the worst performers on the concentration index. For example, another measure of export concentration based on the number of products accounting for more than 75 per cent of exports showed that Angola, a resource-based economy, had only one product (petroleum), while the United Republic of Tanzania had 31 products, in 2009 (African Development Bank and others, 2011). In this regard, more effort is needed to improve economic diversification in Africa. In the light of the above, the Economic Commission for Africa (ECA) has been increasing its focus on issues related to economic diversification, structural transformation and commodity-based industrialization. The member States have therefore been encouraged to design and implement innovative development plans to achieve these objectives.

5. Human and social development

(a) Education and training

17. Access to education and training is important for skills development and the strengthening of productive capacities. Data on primary enrolment rates provide an indication of access to basic education. Among the 34 African least developed countries, only 20 have reported statistics for 2010 and beyond. Among them, the average adjusted net enrolment rate is 79 per cent (2010–2013), but this figure ranges from 99 per cent (Sao Tome and Principe, 2010) to 41 per cent (Liberia, 2011). In fact, only seven countries exhibited rates over 90 per cent during 2010–2013: Benin, Burundi, Rwanda, Sao Tome and Principe, Togo, Uganda and Zambia. A great number of children in African least developed countries are not even able to enrol in school for basic education.[1] Such outcomes are of course reflected in literacy rates. Estimates from the UNESCO Institute for Statistics reveal that the average literacy rate among young people (15–24 years of age) in 30 African least developed countries for the current year (2015) stands at 70 per cent, ranging from 98 per cent in Equatorial Guinea to 27 per cent in the Niger. The equivalent average for adult (15 years and over) literacy is 60 per cent, ranging from 95 per cent in Equatorial Guinea to 19 per cent in the Niger. Of course, none of the education indicators address the issue of quality. The paucity of data makes it very difficult to draw conclusions on trends in that regard.

Figure 5
Comparison of least developed countries on education indicators



Source: World Bank, 2014.

[1] Estimates are based on 18 countries for the period 2010–2012.

(b) Youth development

18. Africa's youthful population can yield a demographic dividend if it is effectively harnessed through investments in its productive capacities. Access to secondary and tertiary education as well as vocational training is a relevant indicator of youth capacity development. Gross enrolment in secondary education has increased by 23 per cent in the 21 African least developed countries with data over the period 2008–2012. In terms of tertiary education, the developments are even more encouraging. Among the 18–23 African least developed countries with data over the period 2008–2012, enrolment increased by 52 per cent. These are positive developments that can be enhanced through investments aimed at improving the quality of education and increasing completion rates. It should be noted, however, that there are many countries without data, and countries with very low participation rates in tertiary education. As noted above, the literacy rate among the youth in African least developed countries is still quite low, reflecting low educational quality. In general, African least developed countries score lower than their Asian and Pacific counterparts and the overall average on literacy rates and net primary secondary school enrolment among least developed countries (see figure 5).

(c) Population and primary health

19. The availability of health data is significantly better. Figures from the United Nations Statistics Division for under-5 mortality rates for 32 African least developed countries over the period 2005–2013 reveal a 28 per cent decline in under-5 mortality, from 128 deaths per 1,000 births in 2005 to 92 in 2013. Improvements were recorded across the board; Angola and Eritrea registered the steepest declines between 2005 and 2013, from 205 to 167 and from 70 to 50, respectively. Infant mortality rates have also improved in African least developed countries, as average deaths per 1,000 births have consistently fallen, from 80 in 2005 to 62 in 2013, an average improvement of 18 per cent. A similar positive performance is evident in maternal mortality rates, where average deaths per 100,000 births fell from 676 in 2005 to 506 in 2013. The highest and lowest values have also fallen, from 1,600 to 1,100 (Sierra Leone) and 260 to 210 (Sao Tome and Principe) between 2005 and 2013. Although these improvements are commendable, the rates are still high from a global perspective. On the positive side, even small additional investments in basic health (see public expenditures in health below) generate substantial improvements in human development, hence the need to increase such investments.

(d) Shelter and water sanitation

20. The proportion of the population using an improved water source has continued to improve steadily but slowly in recent years. Based on 30–32 African least developed countries, depending on the reference year, the average improved from 62 per cent in 2005 to 67 per cent in 2012. Similarly, based on 29 countries, the proportion of the population using an improved sanitation facility has increased, albeit only marginally, from 25 per cent (the best value being 62 in Djibouti, and the worst value being 8 in the Niger) in 2005 to 29 per cent in 2012 (the best value being 65 in Rwanda, and the worst being 9 in the Niger). Overall, only four African least developed countries provide improved sanitation facilities to half or more of their citizens.

(e) Gender equality and empowerment of women

21. Some positive changes are evident among African Least developed countries with regard to gender parity in education. Improvements are greater at higher education levels. For 15–18 countries, gender parity at the secondary level increased 8 per cent, from 0.78 to 0.85 between 2005 and 2012. At the tertiary level, there was a 14 per cent improvement from 0.54 to 0.62 during the

same period, based on data from 11–17 African least developed countries. The variance among these countries is, however, large. Chad exhibits the lowest gender parity with 0.17, while Lesotho consistently displays ratios greater than 1, reflecting a higher representation of females over males (1.51 in 2012). The representation of women in parliaments of African least developed countries has been impressive, rising by 50 per cent between 2005 and 2014. This performance is, however, due to trends in a few countries like Rwanda. In 2014, only 7 of 34 least developed countries had women holding 30 per cent or more of the seats in national parliaments, while the representation of women in national parliaments was less than 10 per cent in three countries (Benin, the Gambia and Mali). Rwanda has emerged as a pioneer on this indicator, with the proportion of women holding seats in the national parliament reaching an unprecedented level of 64 per cent in 2014. The other African least developed countries with no less than a 30 per cent representation are Angola, Burundi, Mozambique, Senegal, Uganda and the United Republic of Tanzania (2014). In the spirit of improving women's empowerment, African leaders held the twenty-fourth ordinary session of the Assembly of the African Union under the theme "Women's empowerment and development in Africa", and launched 2015 as the Year of Women's Empowerment and Development towards Africa's Agenda 2063 (African Union, 2015).

(f) Social protection

22. Social protection programmes cushion households from economic shocks and reduce poverty while helping to narrow inequalities. In recent years, African least developed countries have put in place a number of formal social safety nets aimed at cushioning the vulnerable from shocks. One social protection area that is gaining momentum worldwide and among African least developed countries is school-feeding programmes. According to a report by the World Food Programme, nearly all African least developed countries (except Equatorial Guinea and Eritrea) had such programmes (provided by the Government, the World Food Programme or others). These programmes reached a total of 16.5 million children, representing an average of 36 per cent of all children in primary education in African least developed countries. However, there was once again a great variance among African least developed countries, with coverage ranging from 100 per cent (Burkina Faso, Lesotho, Liberia, and Sao Tome and Principe) down to 1per cent (Uganda). There is, thus, a significant delivery gap, averaging 74 per cent, which amounts to at least 84 million children (since Angola, the Comoros, Equatorial Guinea and Eritrea have not provided coverage data) (WFP, 2013). Social safety nets however tend to be fragmented pilot projects and largely donor financed, hence unsustainable. The Ethiopian Productive Safety Net Programme, for instance, is fully funded by donors (UN-OHRLLS, 2014). Social safety nets in Rwanda and the United Republic of Tanzania have, however, been assessed to be more institutionalized and sustainable (World Bank, 2014b).

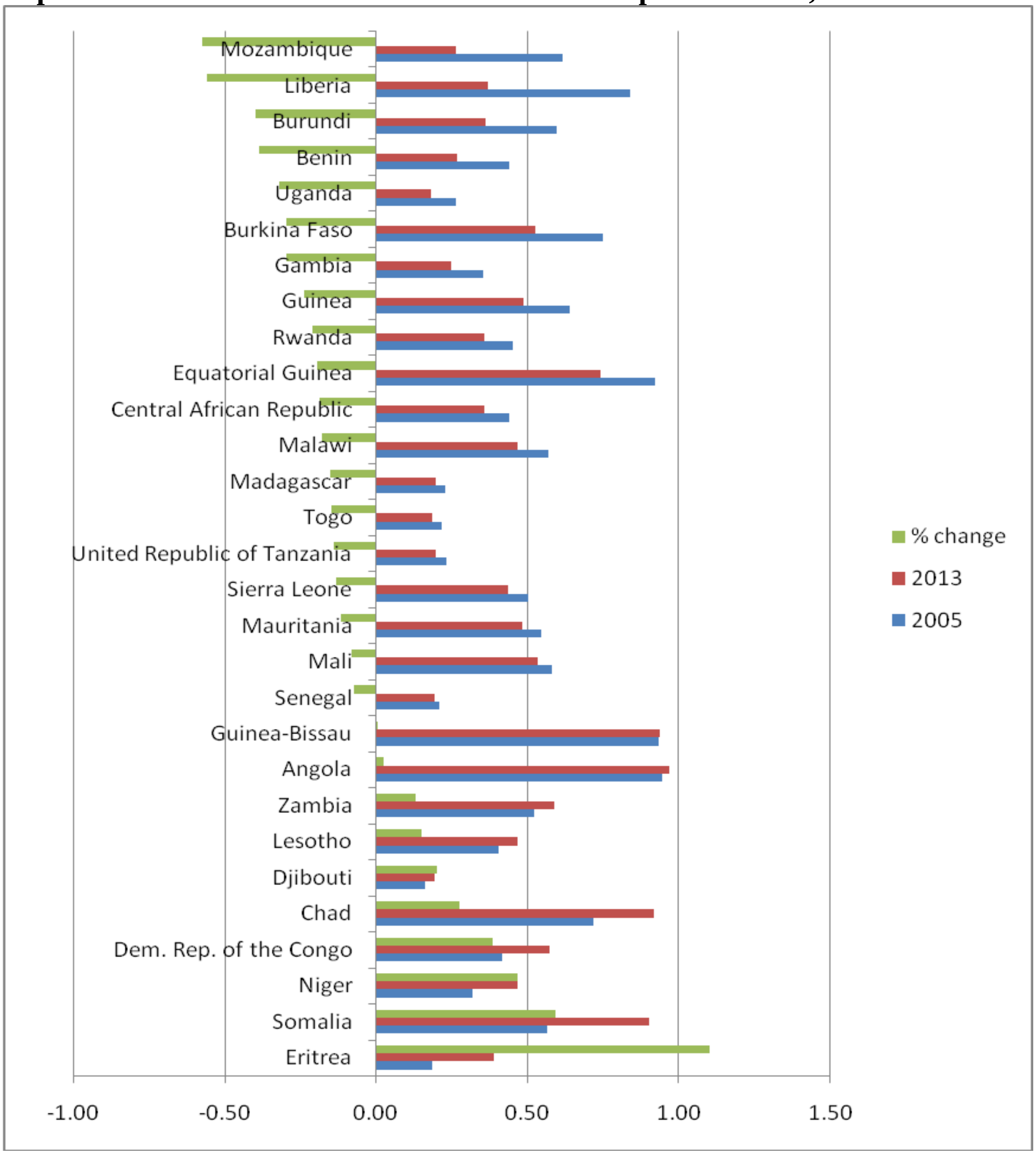
6. Multiple crises and ongoing challenges

23. African countries remain extremely vulnerable to economic shocks and climate change. Moreover, Africa's efforts to mitigate both challenges remain weak, especially among the least developed countries. In 2010, for example, only an average of 27 per cent of Africa's land among the least developed countries was covered by forest, while the percentage of terrestrial and marine areas protected was an even lower 12.76 per cent in 2012. Individually, however, the United Republic of Tanzania and Zambia had more than 30 per cent terrestrial and marine areas protected. Efforts must be stepped up to not only mitigate the effects of but also to adapt to climate change. This can be achieved by developing and improving local adaptation systems for monitoring emissions and improving emergency response and early warning systems, among other measures.

24. Similarly, although the average export concentration index among African least developed countries dropped from 0.5 in 2005 to 0.46 in 2013, some countries registered large increases, indicating higher concentration levels of their exports (see figure 6). African countries are continuing to pursue structural transformation in order to build their economic resilience, but this must be complemented with sound, innovative and effective industrial policy institutions, mechanisms and processes.

25. Since 2014, parts of West Africa have been ravaged by the Ebola virus. The hardest-hit countries – Liberia, Sierra Leone and Guinea – are all in the group of least developed countries, and they suffered serious impacts, including a slowdown in economic activity, a fall in revenues, and an increase in expenditure and fiscal deficits. Most importantly, they demonstrated Africa's weak, and in some cases, zero resilience to crises.

Figure 6
Export concentration index in African least developed countries, 2005–2013



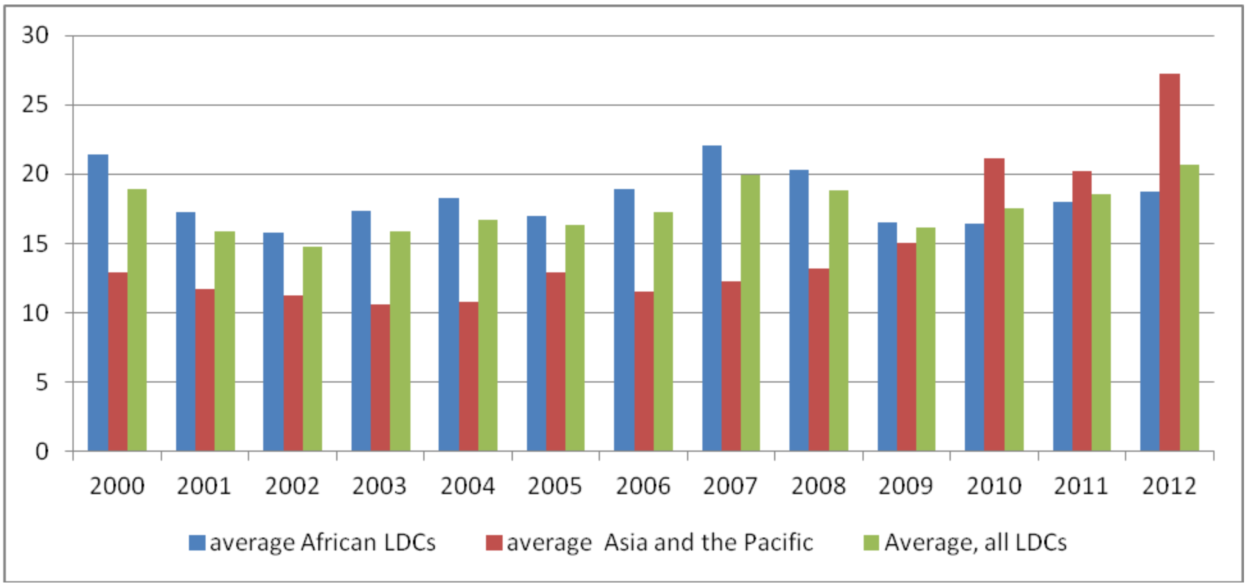
Source: UNCTAD, 2014.

7. Mobilizing financial resources for development and capacity-building

(a) Domestic resource mobilization

26. Revenue, excluding grants, as a percentage of GDP, increased marginally from 16.5 per cent in 2005 (based on 16 countries) to 18.8 per cent in 2012 (based on 14 countries) but is below the level in 2007 (22 per cent). Lesotho (61 per cent with latest data in 2008), Equatorial Guinea (48 per cent) and Angola (40.9 per cent) exhibit extremely high ratios, while Sierra Leone, Ethiopia and Madagascar have the lowest ratios (below 10 per cent).

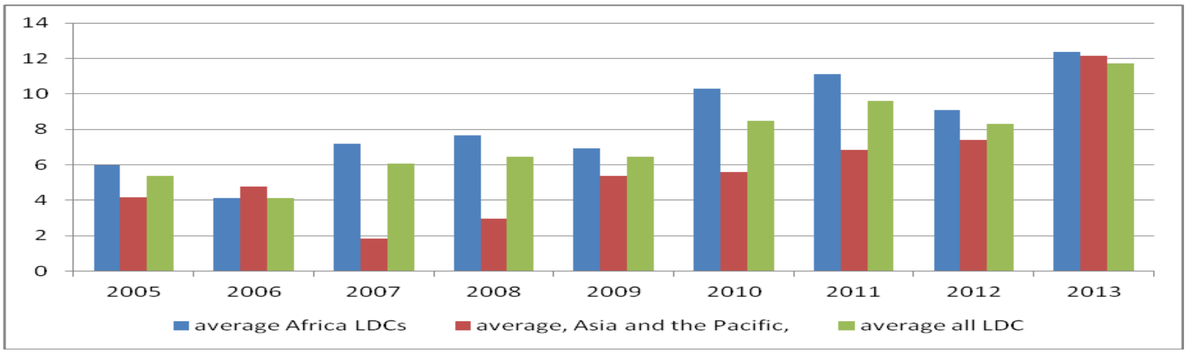
Figure 7
Government revenue, excluding grants, as a percentage of gross domestic product



Source: ECA calculations based on World Bank, 2014.

27. The relatively low ratios reflect constraints in the capacity of African least developed countries to mobilize domestic resources. Nevertheless, prior to 2008, domestic resource mobilization was higher in African least developed countries compared to the situation on the overall category of least developed countries and to the Asia-Pacific average. Since 2010, however, mobilization has fallen short of the average for least developed countries and Asian countries have surpassed the African and overall average (see figure 7).

Figure 8
Trends in gross domestic savings (as a percentage of gross domestic product)



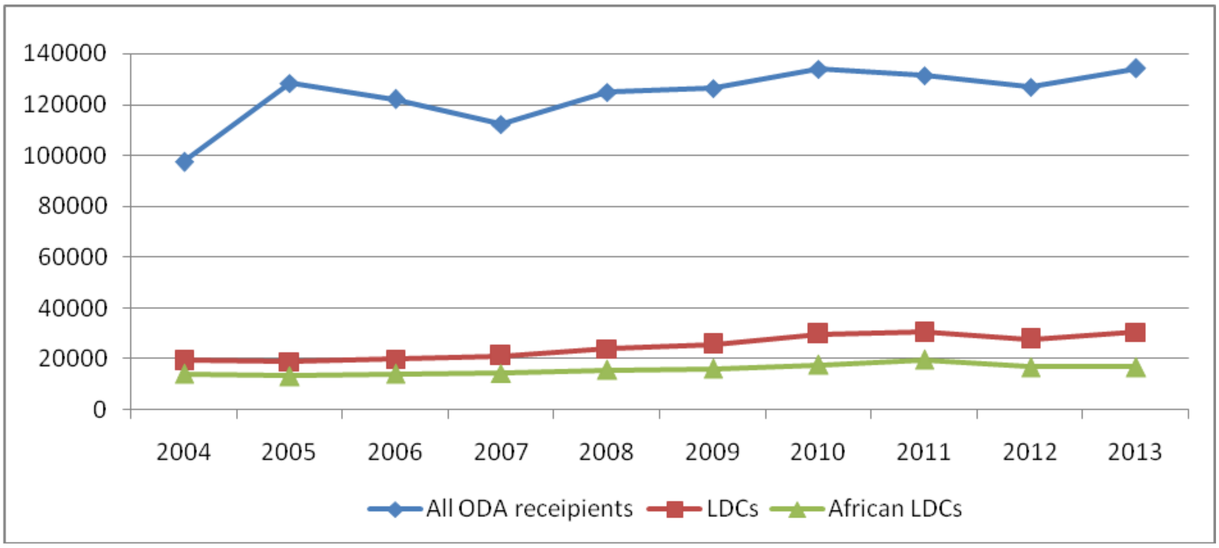
Source: ECA calculations based on World Bank, 2014.

28. Since 2005, African least developed countries have exceeded or equalled the average gross domestic savings rate for least developed countries. The performance was boosted by very high savings in natural-resource-rich countries, particularly Equatorial Guinea and Angola. Gross domestic savings increased during the 2005–2013 period from 4.9 per cent (2005, 29 countries) to 9.5 per cent (2013, 22 countries), with the average ranging from a high of 37.7 per cent in Angola to a low of -51.9 per cent in Liberia. In fact, over the 2005–2013 period, six countries posted large positive gross domestic savings average values (Angola, Mauritania, the Sudan, South Sudan, Equatorial Guinea and Chad) while five exhibited negative values (Burundi, the Comoros, Eritrea, Liberia and Lesotho). In other words, there is a clear distinction between resource-rich countries and resource-poor or post-conflict countries. African least developed countries will have to strengthen measures to improve resource mobilization, including through strengthening tax administration capacities, stemming the tide of illicit financial flows and improving the intermediation capacities of financial institutions.

(b) Official Development Assistance

29. Official development assistance flows from the Development Assistance Committee to the least developed countries and African least developed countries in particular have not changed much since 2004. Between 2004 and 2013, the share of official development assistance flows averaged 20 per cent for least developed countries and 15 per cent for African least developed countries. The level of disbursements has remained constant at around $20 billion per year (see figure 9).

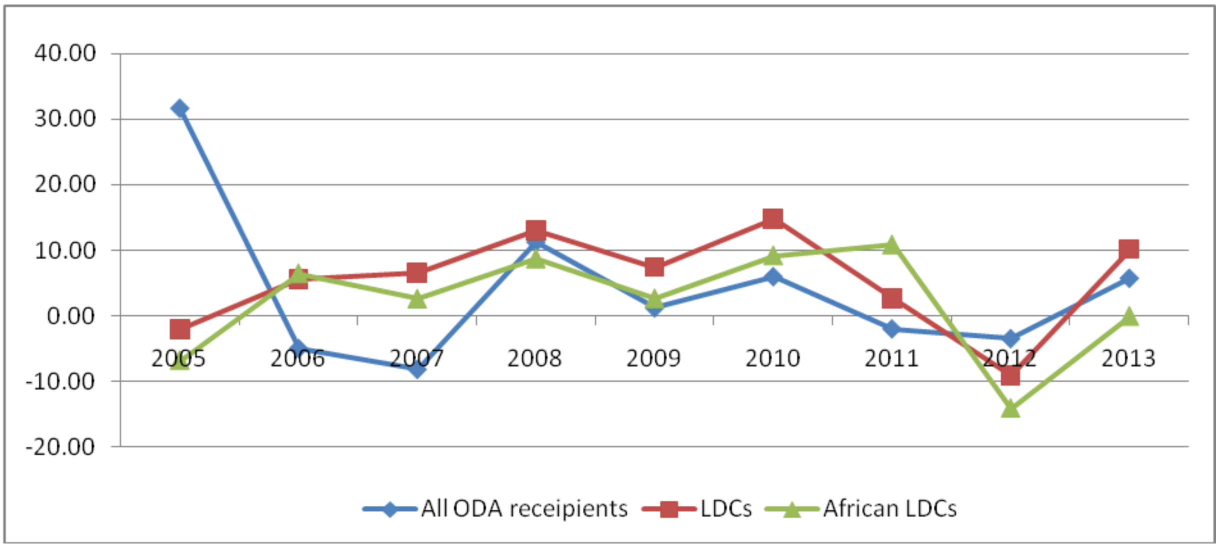
Figure 9
Official development assistance from the Development Assistance Committee for 2004–2013, in constant 2012 United States dollars (millions)



Source: OECD, 2014.

30. However, official development assistance delivery is volatile, as shown in figure 10. Official development assistance to African least developed countries declined in 2012 relative to 2011. Overall, such assistance from the Development Assistance Committee to all recipients grew on average by 4.2 per cent annually over 2005–2013, while the same average for the group of least developed countries is 5.4, but only 2.1 for African least developed countries.

Figure 10
Annual growth rate of official development assistance from the Development Assistance Committee for 2005–2013, based on constant 2012 United States dollars



Source: OECD, 2014.

(c) External debt

31. There has been significant improvement in the external debt stock of African least developed countries. As a per cent of gross national income the debt stock declined from 112 per cent (30 countries) in 2005 to 35 per cent in 2013 (30 countries). The reduction occurred mainly over 2005–2009 and there have been worrying signs of an uptick in the debt stock in recent years. Ten countries have seen their external debt stock increase over the years 2010–2013. Also, only nine countries exhibit low levels of external debt (below 25 per cent), while 10 exhibit modest external debt levels (26–50 per cent). These developments call for close monitoring of this indicator for a selection of African least developed countries. In particular, ECA calls for significant debt relief for Ebola-affected countries.

(d) Foreign direct investment and remittances

32. Net foreign direct investment inflows to African least developed countries have shown an upward trend in recent years, increasing by an average of 6 per cent of GDP over 2004–2013. In 2004, this average stood at 4.6, rising to 6.4 in 2013. In fact, in terms of absolute values, net FDI inflows to African least developed countries more than doubled, standing at 7.2 billion in 2004 and 17.3 billion in 2013, in current dollars (see table 1). However, the variance is great among the 31 African least developed countries with FDI data. FDI to African least developed countries is concentrated in natural-resource-rich countries. Mozambique ($6.69 billion), Equatorial Guinea ($1.9 billion), the Democratic Republic of the Congo ($1.69 billion) and Mauritania ($1.1 billion) were the top destinations for foreign direct investments among the African least developed countries. Foreign direct investment accounted for over one third of the GDP of Liberia, at least prior to the Ebola crisis, reflecting strong investor confidence.

33. There is a clear trend towards higher foreign direct investments in resource-rich countries but, average annual net flows to Angola were negative (-1.7 billion dollars in current dollars between 2004 and 2013). In other words, Angola exhibits more disinvestment than investment across its borders. Altogether, there was a net inflow of $122.5 billion (current dollars) to African

least developed countries over the period 2004–2013. This represents 76 per cent of the total for the entire group of least developed countries, 40 per cent of the total for Africa, excluding North Africa, 2.4 per cent of the total for all developing countries, but only 0.7 per cent of the world's total of $1.7 trillion (World Bank, 2014).

Table 1
Net foreign direct investment inflows, 2013

	Foreign direct investment net inflows (balance of payment, current dollars)	*Foreign direct investment net inflows (percentage GDP)*
Angola	-7,120,017,424	-5.7
Benin	320,057,273	3.9
Burkina Faso	374,319,286	3.2
Burundi	6,884,807	0.3
Central African Republic	800,000	0.1
Chad	538,417,942	4.0
Comoros	13,935,399	2.3
Congo, Dem. Rep.	1,697,585,831	5.2
Equatorial Guinea	1,914,000,000	12.3
Eritrea	43,859,000	1.3
Ethiopia	952,959,700	2.0
Gambia, The	25,280,000	2.8
Guinea	135,330,000	2.2
Guinea-Bissau	14,501,862	1.5
Lesotho	44,895,533	1.9
Liberia	700,267,800	35.9
Madagascar	837,532,519	7.9
Malawi	118,437,890	3.2
Mali	410,287,672	3.7
Mauritania	1,126,004,760	27.1
Mozambique	6,697,422,432	42.8
Niger	631,444,822	8.5
Rwanda	110,780,484	1.5
Sao Tome and Principe	10,594,345	3.4
Senegal	298,256,720	2.0
Sierra Leone	144,089,846	3.5
Sudan	2,179,116,544	3.3
United Republic of Tanzania	1,872,392,115	5.6
Togo	84,246,700	1.9
Uganda	1,194,398,346	5.6
Zambia	1,810,900,000	6.8
African least developed countries	17,296,092,204	6.4

Source: World Bank, 2014.

8. Good governance at all levels

34. As at 2013, most African least developed countries had ratified at least 10 of the 17 international human rights treaties and optional protocols. Specifically, with the exception of Chad, Equatorial Guinea, Eritrea, the Gambia and Somalia, other African least developed countries have signed on to or have ratified the United Nations Convention against Corruption.[2] The adoption of this convention shows their commitment and willingness to fight corruption and bad governance.

35. At the regional level, the African Peer Review Mechanism continues to serve as a framework for self-monitoring and good governance among countries that have acceded to it. By 2015, 35 African countries had acceded to the Mechanism, 17 of which have completed their self-assessment. Most least developed countries that have acceded to the Mechanism have completed their peer reviews or are in the process of being peer reviewed; the others have not started the review process (table 2). An important factor in the design of the Mechanism is its holistic approach to governance, focusing on four thematic aspects: economic, political, corporate and socioeconomic development. Indeed, the results of the 17 countries reviewed give a detailed and balanced analysis of the situation in the identified country. In recognition of the importance of the Mechanism, the African Union is currently integrating it as an autonomous entity into its system, following a decision of African Heads of State adopted at the twenty-fourth ordinary session of the Assembly of the African Union, held in July 2014.

Table 2
Progress by least developed countries on the African Peer Review Mechanism

Least developed countries that have been peer reviewed	*Least developed countries that have begun the peer review process*	*Least developed countries that are yet to launch the peer review process*
Rwanda Benin Burkina Faso Uganda Mali Mozambique Lesotho Ethiopia Sierra Leone Zambia United Republic of Tanzania	Chad Gabon Djibouti Liberia Sudan Senegal	Angola Equatorial Guinea Malawi Mauritania Sao Tome and Principe Togo Niger

Source: African Peer Review Mechanism, 2014.

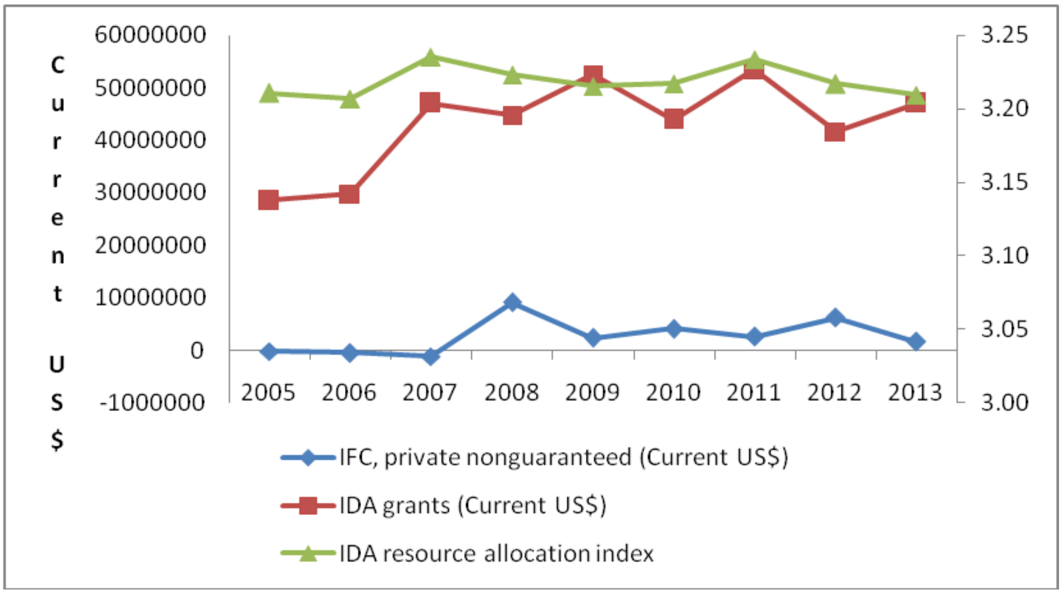
36. The extractives sector is one of the major conduits of illicit financial flows in Africa. In an effort to promote transparency in financial flows from natural resources, 17 African least developed countries have joined the Extractive Industries Transparency Initiative; six of these countries (Burkina Faso, the Democratic Republic of the Congo, Liberia, the Niger, the United Republic of Tanzania and Zambia) are among a group of 12 countries that have signed up for a pilot project on beneficial ownership. The aim of the project is to share information with citizens about the ownership and beneficiaries of extractive companies operating in their countries by disclosing the

[2] See https://treaties.un.org/pages/viewdetails.aspx?src=ind&mtdsg_no=xviii14&chapter=18&lang=en.

identity of the real owners behind the ventures. It is hoped that this pilot will lead to a widely applicable procedure for reporting on beneficial ownership.

37. African least developed countries have maintained an average International Development Association resource allocation index of between 3.21 and 3.24 between 2005 and 2013. The index is used to determine countries' eligibility to borrow funds from the International Development Association based on a combination of governance indicators of the World Bank's Country Policy and Institutional Assessment. The average for African least developed countries places them at the midway point of the index range (from a low of 1 to a high of 6). The score reflects average performance based on an aggregate of governance indicators in the areas of economic management, public sector management and institutions, structural policies and policies for social inclusion and equity. During the 2005–2013 period average International Development Association grants fluctuated between $41 million and $53 million, with the exception of 2005 and 2006, where the average was less than $30 million. Nonetheless, Association grants were still higher than net lending from the International Finance Corporation (see figure 11), which is favourable for least developed countries, given that the Association provides a concessional fund from which poor countries can borrow at zero interest.

Figure 11
International Finance Corporation private, non-guaranteed flows, International Development Association grants and resource allocation index, 2005 to 2013



Source: World Bank, 2014.

III. Progress toward graduation and smooth transition

38. To be recommended for graduation, certain eligibility criteria must be met in two consecutive reviews. The graduation thresholds for the 2015 review are as follows:

- Gross national income per capita: $1,242 or more ($2,484 for the income-only rule)
- Human asset index : 66 or above
- Economic vulnerability index: 32 or below

39. There are currently 10 countries that are eligible for graduation based on the 2015 thresholds. Of these countries, two (Vanuatu and Equatorial Guinea) are scheduled to graduate in 2017. Only Nepal meets the economic vulnerability index graduation criteria. In total, there are three African least developed countries that are eligible for graduation. The eligibility of Equatorial Guinea and Angola is based on the income-only criterion. Sao Tome and Principe met the gross national income and human asset index criteria for the first time in 2015, and will be eligible for graduation if it meets the criteria for a second time during the second triennial review of the Committee for Development Policy.

Table 3
Least developed countries eligible for graduation

	Gross national income	*Human asset index*	*Economic vulnerability index*	*Eligibility*
Nepal	659	68.7	26.2	Human asset index or economic vulnerability index
Bhutan	2277	66.8	39.9	Gross national income, human asset index
Solomon Islands	1402	71.7	50.6	Gross national income, human asset index
Sao Tome and Principe	1431	77.4	39.1	Gross national income, human asset index
Timor Leste	3767	57.4	54.9	Gross national income only
Angola	4518	41.9	39.5	Gross national income
Kiribati	2489	86.3	71.5	Gross national income, human asset index
Tuvalu	5788	87.6	54.5	Gross national income, human asset index
Vanuatu	2997	81.3	47.3	Gross national income, human asset index
Equatorial Guinea	16089	54.8	39.5	Gross national income only

Source: Committee for Development Policy, 2015.

1. Gross national income criterion

40. Eight African least developed countries[3] have gross national income per capita equal to or higher than the 2015 graduation threshold of $1,242. Of this group, two countries (Equatorial Guinea and Angola) have gross national incomes that are more than double the threshold (i.e., $2,484), which makes them eligible for graduation based solely on the gross national income criterion. Equatorial Guinea was recommended for graduation by the Committee for Development Policy in its second triennial review in 2012. Angola met the criteria for the second time in 2015 and may be recommended for graduation by the Committee. Sao Tome and Principe met the gross national income criteria by exceeding the $1,242 threshold. Combined with its human asset index,

[3] Angola, Djibouti, Equatorial Guinea, Lesotho, Mauritania, Sao Tome and Principe, Sudan and Zambia.

the country became eligible for graduation for the first time, making it the only African country to meet two of the criteria for graduation.

2. Human asset index criterion

41. The human asset index for African least developed countries averaged 45.11 over 2011–2013, which is far below the threshold of 66 required for graduation. Graduation through the human asset index criterion is a challenge for these countries. Their graduation has been buttressed by natural resources and consequently has been achieved primarily through the income criterion. Even after or during the process of graduating, improvement on the human asset index is slow. Botswana, which graduated in 1994, still had a human asset index score of 64.4 in 2006, while Equatorial Guinea and Angola had relatively low human asset index scores of 43 and 31.6 respectively in 2012.[4] Recent estimates reveal improvements on the index for Angola (41.9) and Equatorial Guinea (54.8), but those scores are still below the graduation threshold of 66. Sao Tome and Principe, however, met the human asset criteria, with a score of 77.4.

42. While 2014 data are not factored into the analysis, a discussion on the likely impact of the Ebola virus disease on the human asset index is worthwhile, given the fact that two of the indicators that make up the index are health based (under-5 mortality) and nutrition based (percentage of undernourished population).

3. Economic vulnerability index criterion

43. Based on 2012 data, African least developed countries score high on the economic vulnerability index, with an average of 44.9 as compared to the graduation threshold of 32. By way of comparison, the average economic vulnerability index score among African non-least developed countries is 31.3, showing a substantial gap that remains to be covered by the least developed countries for the purposes of economic vulnerability index convergence. The top five performers among African least developed countries are Guinea, the United Republic of Tanzania, Ethiopia, Togo and the Democratic Republic of the Congo, with scores ranging from 28.6 to 35.4.

44. In general, African least developed countries are highly dependent on exports of mineral resources and commodities. With declining oil prices, for instance, a number of them might therefore see a decrease in their revenues from exports and in their economic growth rates. Since June 2014, world oil prices have declined by more than half, from around $110 a barrel in 2010 to below $50 a barrel now. On the other hand, this situation might turn out to be beneficial to net oil-importing countries, since it will reduce their import costs. Similarly, the world iron ore prices declined by 47 per cent in 2014, and the trend has not abated since the beginning of 2015. Guinea and Sierra Leone are two least developed countries that are directly affected by this development, with the former on the verge of exploiting its huge iron ore reserves and the latter depending heavily on that resource for its exports and growth.

45. As far as graduation is concerned, Equatorial Guinea and Angola are the two African least developed countries that are closest to being considered for a change in status. Despite this favourable outlook, both countries score low on the economic vulnerability index, with scores of 43.7 and 39.5 for Equatorial Guinea and 51.3 and 39.5 for Angola in 2012 and 2015 respectively. The recent decline in the price of oil, a resource on which the two countries are heavily dependent, might affect their prospects for a smooth exit from the least developed countries category.

[4] See http://esango.un.org/sp/ldc_data/web/StatPlanet.html.

IV. Impact of the Ebola virus disease on least developed countries

46. With the recent Ebola virus disease outbreak in West Africa, chances are high that performance in all three graduation criteria will deteriorate for at least the three least developed countries most affected by the outbreak, namely Guinea, Liberia and Sierra Leone.

47. Overall, the Ebola crisis has had a negative impact on economic and social activity in these countries particularly agricultural output and consumption, investments, government revenue, health services, education, employment, tourism, mining output and mine expansion, imports and exports, inflation, balance of payments, the budget deficit, and national and personal security. All these factors have been deteriorating and would continue to do so if immediate recovery strategies are not implemented.

48. The crisis will result in a decline in the gross national income of the affected countries due to a projected drop in the 2014 GDP growth rate of between 2 and 5 percentage points. Initial projections for 2015 have also been revised downward, with a zero-growth scenario envisaged by Liberian authorities and negative growth rates forecasted by the World Bank for Guinea and Sierra Leone. Beyond the huge death toll, the outbreak has also adversely affected productive activity. Workers, including small farmers, women and private school teachers, were not paid during the outbreak, when schools were closed. The decline in economic activity also dragged down the tourism industry, resulting in lay-offs of workers in the entertainment and hotels sub-sectors. The reduction of income due to the loss of family members, the closing of markets and schools, restricted cross-border trading and decreased agriculture production due to quarantines and fear, are all factors that had a negative impact on livelihoods. Furthermore, the Ebola crisis has had catastrophic effects on the income-generating capacities of village savings and loan associations and small and medium-sized enterprises.

49. The shock sub-index of the economic vulnerability index includes shocks related to natural disaster, instability of agricultural production and instability of exports of goods and services. The Ebola crisis will likely have an impact on the economic vulnerability index owing to its effect on agricultural and export stability.

50. In all the three countries, agriculture has been hit hard by the Ebola disease, both for domestic consumption and for export. The projections for growth of agricultural output for 2014 have been revised downwards by at least 2 percentage points in each of the three countries. In areas hit hardest by the disease, impacts are much greater than shown by national figures, especially as regards rice production and consumption.

51. The mining sector is strategic to all three countries, due to its contribution to exports and economic growth. The sector experienced some short-term operational closures due to the hysteria sparked by the outbreak, but longer-term impacts may also be experienced due to the behaviour of some major players in the sector. In Sierra Leone, London Mining, one of the biggest investors in the country, filed for bankruptcy after failing to secure financing due to Ebola concerns, which was exacerbated by falling iron ore prices. Arcelor Mittal has had to slow down its $1.7 billion expansion in Liberia following the withdrawal of its subcontractors, and Rio Tinto has put a hold on its $20 billion investment in the Simandou project in Guinea.

52. The adverse impact of the crisis on livelihoods will spill over into the social sectors, notably by affecting the nutritional status of large segments of the population. This will have implications for the human asset index.

53. The 2014 scores on the human asset index of the affected countries will inevitably deteriorate, as the disease has had a severe impact on nutrition and health. The Ebola virus contributed significantly to food insecurity by limiting agricultural activity and access to and availability of a balanced diet. It is estimated that the virus left more than 500,000 people food-insecure in 2014,[5] and this number is expected to rise in early 2015 (ECA, 2015). This is likely to worsen the prevalence of malnutrition in these countries, where close to 30 per cent of the population is already undernourished (in Liberia, 28.6 per cent and in Sierra Leone 29.4 per cent between 2011 and 2013) and close to 20 per cent of children under the age of 5 are underweight (15 per cent in Liberia and 19.9 per cent in Sierra Leone) (International Food Policy Research Institute and others, 2014). Under-5 mortality is also likely to increase. The Ebola virus strained and stretched health facilities in the affected countries, to the extent that many had to cease their operations. This forced many women to give birth at home, and deprived children of immunization and basic medical care. In Sierra Leone, the Ministry of Health and Sanitation estimated that, while the number of children dying of curable diseases such as malaria and diarrhoea far exceeds the number dying of Ebola, a significant percentage of these deaths (50 per cent) are the result of a behavioural response to the disease which can be characterized as “Ebola-phobia”. This includes the refusal, based on fear, to seek medical treatment when suffering from treatable diseases (Sierra Leone Ministry of Health and Sanitation, 2014).

54. At the macroeconomic level, the crisis also contributed to a diversion of expenditures from investments and development projects to responses against the disease, which may have long-term effects on economic growth and performances on the economic vulnerability index and the human asset index.

55. A major factor that caused the crisis to escalate was the insufficiency of financial and human capacities at the domestic level, which made the response to the disease conditional on the availability of international support. That high dependence on external support is also a sign of economic vulnerability and a consequence of low revenue, low gross national income and low exports. All African least developed countries should learn from this crisis and should make efforts to enhance their domestic resource mobilization capacities. Economic and structural transformation efforts must also be accelerated to strengthen resilience to economic and health-related shocks.

[5] 170,000 people in Liberia, 120,000 in Sierra Leone and 230,000 in Guinea.

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