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First ECA Biennial Regional Review of Progress on the Istanbul Programme of Action

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I. Introduction

1. The Fourth United Nations Conference on the Least Developed Countries held in May 2011 in Istanbul, Turkey, adopted the Istanbul Programme of Action (IPoA) for Least Developed Countries (LDCs), which called on the regional commissions of the United Nations to undertake biennial reviews of the implementation of the programme of action. It also requested that the review should be undertaken in close coordination with global- and country-level follow-up processes as well as with subregional and regional development banks. This document is the maiden draft biennial LDC review report for Africa. It will be finalized following consultations with national and global follow-up processes. The first part of the report assesses the performance of African LDCs with respect to the graduation criteria (i.e., per capita Gross National Income (GNI)); the Human Asset Index (HAI); and the Economic Vulnerability Index (EVI)). This will be followed by an analysis of African LDC performance on the eight IPoA priority areas for action.¹ The third section of the report focuses on the challenges and opportunities associated with smooth transition from LDC status. A central theme of the report is that graduating from LDC status based on GNI alone masks fundamental structural weaknesses of Africa's LDCs and calls the robustness of the criteria and the extent to which graduation is sustainable into question.

II. Performance on graduation indicators

2. Countries on the LDC list are eligible for graduation if they meet two of the three criteria for inclusion (i.e. HAI and EVI scores). An exception is made if the GNI per capita of an LDC is more than twice the level of the graduation threshold, even if the country does not meet any of the other criteria for graduation. A country has to meet the graduation criteria in two subsequent triennial reviews of the list of LDCs before being recommended for graduation by the Committee for Development Policy.

3. African countries account for the majority (34² of the 48) LDCs³. Several of these countries depend largely on primary commodities and extractive industries for their economic survival. The structure of their economies, however, renders them vulnerable to commodity price shocks. Furthermore, the enclave nature of primary commodity production undermines the capacity of African LDCs to create jobs, even during periods of steady economic growth. The Fourth United Nations Conference on the Least Developed Countries aims to address the structural challenges facing LDCs and ensure that at least 50 per cent of LDCs meet the criteria for graduation by 2020.

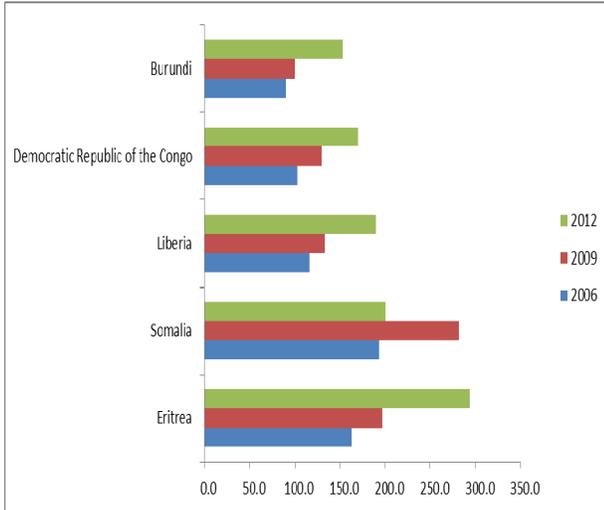
¹ The priority areas are: productive capacity; agriculture; food security and rural development; trade; commodities; human and social development; multiple crises and ongoing challenges; mobilizing financial resources for development and capacity-building; and good governance.

² 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 and Zambia.

³ Countries defined by the United Nations as countries suffering from severe structural handicaps to growth, particularly low human resources and high economic vulnerability. This United Nations category of countries dates back to 1971, when the General Assembly confirmed the importance of identifying LDCs (Resolution 2724/XXV) and devoted a section of the international development strategy to special measures for LDCs (Resolution 2626/XXV).

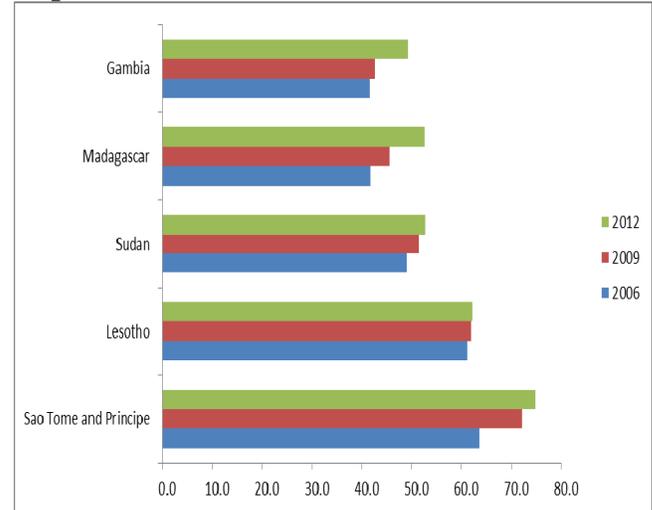
4. The latest LDC review of 2012 revealed an average overall increase in per capita GNI of African LDCs from \$415 in 2006, to \$1,107 in 2012. Indeed, even the bottom five countries experienced an increase in per capita GNI. Two African LDCs (Angola and Equatorial Guinea) qualify for graduation, based on the per capita GNI criteria.

**GNI per capita for African LDCs is rising:
 Bottom 5 countries**



Source: ECA calculations on UN-DESA, Statistics Division, National Accounts Main Aggregates Database.

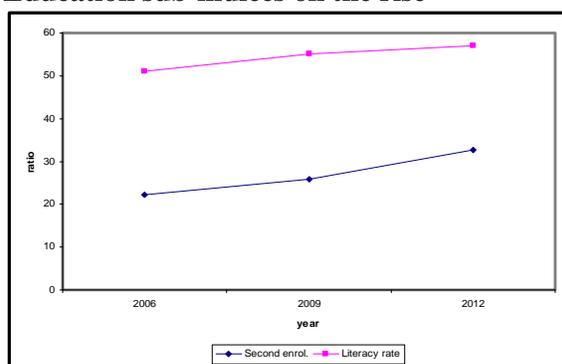
**HAI for African LDCs is rising:
 Top 5 countries**



Source: ECA calculations based on UNSD data.

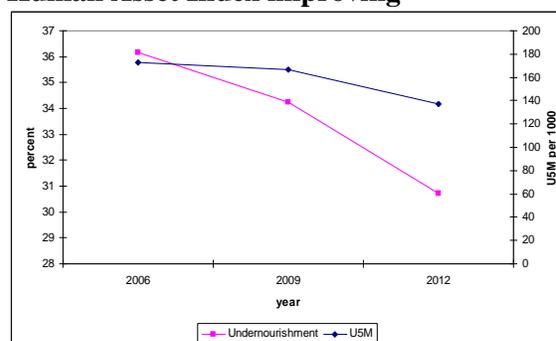
5. The performance of African LDCs on the HAI also improved, albeit marginally. All sub-indices of the HAI improved from an average of 34.4 to 37.6 between 2006 and 2012, due largely to a substantial decline in under-five mortality from 173 to 137 deaths (per 1000 live births) over the same period. Secondary enrolment and literacy rates also improved on average. The best performing countries on the HAI in 2012 were the Gambia, Lesotho, Madagascar and Sao Tome and Principe. On the other hand, Burundi, the Central African Republic, Chad and Somalia were the bottom four countries in this category.

Education sub-indices on the rise



Source: ECA calculations based on Committee for Development Policy Secretariat data (2012).

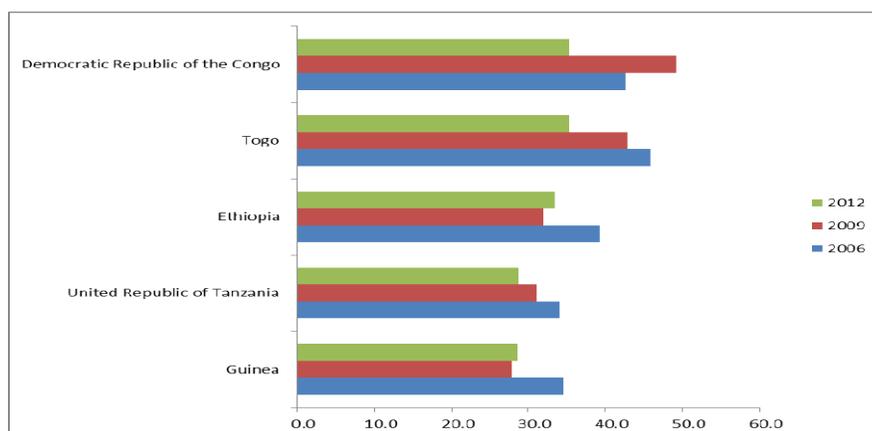
Human Asset Index improving



Source: ECA calculation based on United Nations Inter-agency Group for Child Mortality Estimation: Levels and Trends of Child Mortality Report 2011 (available at www.Childinfo.org - accessed 17 October 2011) and FAO.

6. The EVI improved on average (from 51.9 to 44.9 from 2006 to 2012). However, performance was not uniform across the components of this index. The exposure index⁴ improved, while the shock index deteriorated, largely as a result of natural shocks.

EVI for African LDCs improving but high: Top 5 Countries (2012)



Source: ECA calculations based on Committee for Development Policy Secretariat data

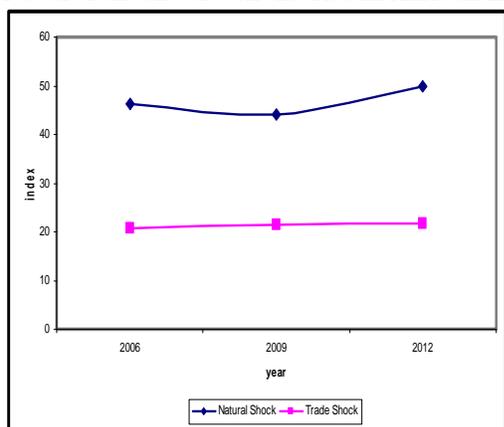
7. The agricultural instability and victims of natural disaster⁵ sub-indices of the EVI increased over the 2006-2012 period. Similarly, as a percentage of the population, (homelessness due to natural disasters⁶) increased from 57.8 per cent to 59.3 per cent over the 2006-2009 period. These trends point to greater exposure and vulnerability of African LDCs to natural hazards. Djibouti, Eritrea, Malawi, the Niger and Somalia are the African LDCs with the largest victims of natural disaster. The Gambia, Eritrea and Senegal are the most vulnerable to agricultural instability.

⁴ The exposure index is a combination of population size; remoteness; merchandize export concentration and share of primary sector of GDP. The shock index is combination of victims of natural disasters; instability of agricultural production and instability of goods and services.

⁵ In 2011, the sub-index of “homelessness due to natural disasters” was replaced by “victims of natural disasters”.

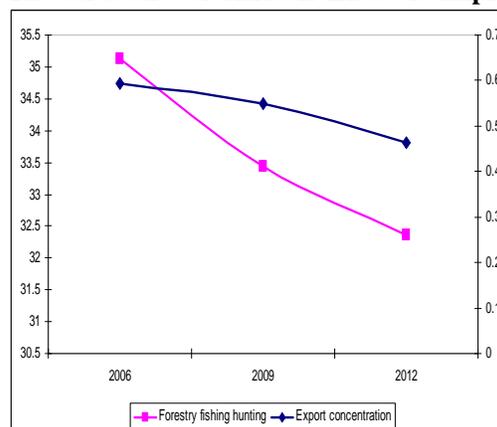
⁶ This index was replaced by the “victims of natural disasters” sub-index in 2011.

Natural shocks are on the rise in African LDCs



Source: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2010 Revision and UNCTAD.

The structure of African LDCs is improving



Source: ECA calculation based on FAO data (2012).

8. On the other hand, African LDCs became marginally more diversified in terms of exports and less economically dependent on primary commodities (i.e., agriculture, hunting and fishing). In effect, the structure of their economies became slightly more resilient to shocks during the 2006-2012 period. However, Angola, Chad and Guinea-Bissau experienced the highest concentration ratios.

9. The performance of African LDCs in recent years suggests that despite some progress in export diversification and reduction in the share of agriculture, hunting and fishing in total GDP, they remain largely primary commodity producing countries that depend on a narrow range of exports. As a result, most African LDCs are very vulnerable to external shocks and have limited capacities to respond to such shocks, given their relatively low human asset scores. Secondly, rising commodity prices, particularly crude oil, have spurred growth in a number of LDCs, resulting in high GNI per capita incomes. While this trend renders them more likely to graduate, based on the GNI criteria, they are unlikely to sustain such progress without fundamental changes in the structure of their economies. Thirdly, trends in the natural shock index suggest that natural hazards, including those related to climate change, pose a serious threat to the graduation prospects of African LDCs. Such threats are manifested by increased agricultural instability and the number of victims of natural disasters.

III. Progress in the implementation of the priority areas for action⁷

10. The IPoA is anchored by eight priority areas for action by both LDCs and development partners. This section reviews progress of African LDCs on the IPoA.

A. Productive capacity

11. **Total road network.** Mali and Tanzania were the only two LDCs with updated data on road networks. From 2008 to 2009, Mali increased its total road network by 901 km, while Tanzania had the higher increase of 16,182 km.

⁷ Calculations to determine progress are based on data from UNSD, The World Bank and UNCTAD.

12. **Rate of growth of GDP per person employed.** The rate of growth of GDP per person employed increased on average by 1.51 per cent from 2010 to 2011 for the 14 African LDCs with data in 2011. Twelve of these LDCs registered increases, while rates for Madagascar and the Sudan fell by 2.35 per cent and 3.23 per cent respectively.

13. **Employment to population ratio.** While Africa's population is growing rapidly in general, LDCs are experiencing higher population growth rates compared to other African countries. Job growth, however, lags behind population growth. This is reflected in the employment to population ratio for 32 African LDCs, which fell from 69 per cent in 2009 to 67.25 per cent in 2010 (World Bank). Unemployment, particularly among the youth, constitutes a major challenge for African countries.

14. **Telecommunications.** Africa's telecommunications sector has attracted much investment and innovation in recent years. As a result of using mobile phones for basic communication services, the expansion of services to cover money transfers and mobile banking services has attracted more mobile cellular subscribers. The number of mobile subscribers (per 100 inhabitants) increased from 33.4 per cent in 2010 to 45.31 per cent in 2011 (for 32 LDCs). On the other hand, the number of fixed telephone lines and Internet users for LDCs generally remained low. Fixed telephone lines increased by less than 1 per cent, while Internet users increased by only 1.21 per cent from 2010 to 2011 for countries that provided data.

15. **Electricity production.** In 2010, nine of the 10 countries with data on electricity registered a 5.17-per cent increase in total electricity production. The exception was Mozambique, whose electricity production fell by 1.78 per cent in 2010.

B. Agriculture, food security and rural development

16. Food security has become one of the major development challenges for African countries since the global food crisis started in 2007. LDCs were the hardest hit by the crisis and have since not completely emerged from it. Soaring world food prices, rampant poverty and widespread political unrest in the region have put a strain on available resources and pushed many LDCs into a state of widespread food insecurity. Increasing land grabs are also hindering food production, hence contributing to food insecurity.

C. Trade

17. African LDCs remain largely marginalized in world trade. In 2011, the average value of imports for 31 countries was \$3944.13 million (at current prices and exchange rates). The Gambia had the lowest value and share of imports (\$344 million), while Angola had the highest, (\$21,736 million). At the same time, Angola also had the highest value of exports, (\$65,689 million) while the Gambia had the lowest share (\$95 million) (UNCTAD). Marginalization of African LDCs is exacerbated by the fact that most are landlocked and remote from global markets.

D. Commodities

18. Export diversification is still a big challenge to many African LDCs. In 2011, LDCs had an average Export Concentration Index (ECI) of 0.47. However, 10 countries had ECI of more than 0.5, with Angola posting the highest of 0.97. On the other hand, 2011 figures showed Tanzania to be the most diversified LDC, recording the lowest ECI of 0.2 and the highest number of products (254). Other relatively diversified LDCs are Benin, Djibouti, the Gambia, Madagascar, Senegal, Sierra Leone, Togo and Uganda, all of which had ECIs of between 0.2 and 0.3.

E. Human and social development

19. **Education and training.** In 2011, the 24 countries with available data for primary school enrolment maintained similar levels of enrolment as in 2010. Burundi and Chad increased their primary school enrolment rates by more than five percentage points, the Gambia, Madagascar, Mozambique, Rwanda, Senegal and Uganda experienced reductions in their primary school enrolments.

20. Secondary and tertiary school enrolment rates still remain low in African LDCs. Secondary school enrolment increased from 32.4 per cent in 2010 to 35.5 per cent in 2011. The high costs of secondary and tertiary education among a largely poor population accounts for the low levels of enrolment at those levels.

21. **Population and primary health.** African LDCs are making progress in under-five mortality rates (U5MR), the maternal mortality ratio (MMR) and infant mortality rate (IMR). However, these countries have the highest U5MR, MMR and IMR compared to other regions; and the pace of progress is slow.

22. For the 34 countries with available data, U5MR experienced a 44-per cent decline (from 199.4 in 2010 to 112 deaths per 1000 live births in 2011), which is remarkable by all standards. The IMR fell only marginally, from 75.8 to 71.88 deaths per 1000 live births over the same period. MMR declined significantly (20.8 per cent) from 629.7 in 2008 to 498.53 deaths per 100,000 live births in 2010. Maternal mortality rates are largely attributed to birth-related complications, poor access to health facilities and high HIV/AIDS prevalence and incidence rates. High U5MR and IMR are particularly worrying, especially as most deaths occur within the first year of birth due to malaria and tuberculosis. Measles also contributes significantly to U5MR. However, in 2010 the proportion of one year olds who were immunized against measles increased only marginally from 73.4 per cent in 2009 to 75.56 per cent for the 34 African countries (UNSD).

23. **Falling tuberculosis prevalence and death rates.** New tuberculosis infections in African LDCs are holding steady while tuberculosis-related death rates are declining. Tuberculosis prevalence and death rates declined for all 34 African LDCs in 2010, however, new infections (i.e. tuberculosis incidence rates) increased slightly from 299.3 to 300.27 per 100,000 of the population from 2009 to 2010. The prevalence rate declined from 435.3 to 388 per 100,000 of the population as did the death rate from 49.5 to 37.23 from 2009 to 2010.

24. **Shelter, water and sanitation.** African LDCs have experienced only marginal improvements in access to improved water sources and sanitation. In 2009, 80.6 per cent of the population used an improved drinking water source; the percentage was barely unchanged (81.0 per cent) in 2010. The proportion of the population using an improved sanitation facility was stagnant from 2009 (36.3 per cent) to 2010 (36.5 per cent). Without access to safe water, the population is likely to suffer outbreaks of diseases like diarrhoea and cholera, which are menacing sanitation problems.

25. **Gender equality and empowerment of women.** African LDCs are making good progress on gender parity in primary enrolment. The 11 countries with data in 2011 averaged a gender parity index (GPI) of 0.9 for primary enrolment. Although this represents a decline from a 0.93 GPI in 2010, all 11 countries increased their GPI, with the exception of Sao Tome and Principe, whose fall in primary level GPI is attributed to efforts to correct the imbalance against boys. GPI for secondary and tertiary enrolment are still lower compared to primary enrolment. In 2010, GPI for secondary

enrolment was at 0.85 (seven countries), an increase from 0.82 (20 countries) in 2010. The tertiary enrolment GPI was the lowest, averaging 0.5 in 2011 for four countries. The lower GPI at secondary and tertiary levels are partly a result of financial constraints, cultural factors such as early marriage and gender bias in household decision-making regarding education.

26. In terms of women's empowerment, the number of women that held seats in national parliaments increased steadily from 18 per cent in 2010 to 19.0 per cent in 2011. Countries like Uganda and Rwanda have passed laws that guarantee seats for women in their parliaments, thereby encouraging women's participation in politics.

27. **Social protection.** Measured using health expenditure as a percentage of GDP, social protection is essential for achieving human and social development. Public health expenditure as a percentage of GDP has generally been low among African LDCs. It fell from 3.05 per cent in 2009 to an average of 2.95 per cent in 2010. Inevitably, this drop is bound to impact social protection measures and is already evident in the primary health care indicators which posted worsening situations or limited improvements.

F. Multiple crises and other ongoing challenges

28. Although figures for 2011 are not available, there is evidence from several African LDCs that the proportion of land area covered by forests is declining and the rate of deforestation alarming. Dependence on timber for foreign exchange, illegal logging activities and encroachment on forest areas by communities for wood, livelihoods and agricultural expansion are significant contributors to declining forest cover in African LDCs. In addition, extreme and erratic climatic conditions, particularly floods, have also wreaked havoc on forest cover. Strengthening the human and institutional capacity of LDCs to adapt to climate-related hazards is essential to accelerating and sustaining progress on the IPoA.

G. Mobilizing financial resources for development and capacity-building

29. In 2011, the average gross domestic savings (as a percentage of GDP) for African LDCs was 9.71 per cent (for 21 countries). This was a decline from the 2010 figure of 11 per cent (for 16 countries). Burundi, Lesotho, Liberia and Swaziland had negative savings in 2011, while Equatorial Guinea and South Sudan had savings of more than 40 per cent, which can be attributed to the discovery of oil in both countries.

30. Data on gross savings (as a percentage of GDP) in 2011 was available for only 13 countries. These countries averaged gross savings of 16.1 per cent, which is lower than the 17.4 per cent for 11 countries in 2010. Guinea, however, posted negative gross savings. As a percentage of GDP (for 30 countries) foreign direct investment (FDI) remained largely unchanged from 2010 to 2011. In 2010, FDI inflows were 35.7 per cent of GDP but fell to 35.17 percent in 2011. FDI stock outflows, as a percentage of GDP, also fell to an average of 1.99 (20 countries) in 2011, from 2.9 (33 countries) in 2010. In effect, LDCs enjoyed a net inflow of FDI.

H. Good governance at all levels

31. Nearly all African LDCs have ratified the monitored treaties in the IPoA. All African LDCs, but Mozambique, have ratified the International Covenant on Economic, Social and Cultural Rights. All African LDCs have ratified the International Covenant on Civil and Political Rights. All African LDCs except Somalia and the Sudan have ratified the Convention on the Elimination of all

Forms of Discrimination against Women; and all but Chad, Eritrea, Equatorial Guinea and Somalia have ratified the United Nations Convention on Corruption.

32. Despite commitment to gender equality and empowerment of women through the Convention on the Elimination of all Forms of Discrimination against Women, in 2011, only an average of 28 per cent of parliamentary seats were held by women in African LDCs. While this represents an improvement from 2005 (20.5 per cent), African LDCs still have a long way to go to achieve equal representation of men and women in national parliaments.

33. Indicators that are not available include: percentage of donors and aid flows that use public financial management systems and LDC procurement systems; number of parallel project implementation units per LDC; and percentage of aid disbursements released to LDCs according to an agreed schedule.

34. Despite accounting for approximately 6 per cent of the world's population, African LDCs have only a 2.57-per cent share of votes at the International Monetary Fund (IMF), 2.53-per cent share of the International Bank for Reconstruction and Development (IBRD) votes and 1.18-per cent share of International Finance Corporation (IFC) votes. Their representation at the International Development Association (IDA) and the Multilateral Investment Guarantee Agency (MIGA) is relatively higher at 7.79-per cent and 5.08-per cent share of votes respectively. In Africa, improvement of governance can be also gauged through the African Peer Review Mechanism (APRM). The primary purpose of the APRM is to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated subregional and continental economic integration. The majority (23 of the 33) of African countries that have acceded to the APRM are LDCs. Likewise, 11 out of the 17 countries that have undergone the peer review process are LDCs.

I. Progress on smooth transition

Transition in Equatorial Guinea

35. Equatorial Guinea was recommended for graduation by the CDP and the Economic and Social Council in 2009. It therefore meets the criteria for the second consecutive time. Pending an imminent decision by the General Assembly, it will begin the pre-transition process. Angola, on the other hand, met the criteria for the first time in 2012 and will therefore only be recommended for graduation if it meets the criteria in 2015. Both Angola and Equatorial Guinea meet the eligibility criteria based on the income only rule.

36. Notwithstanding an overall improvement in the EVI of Equatorial Guinea, its relatively high export concentration (0.77) suggests that it is highly vulnerable to external shocks. Similarly, the HAI has not improved significantly. In 2012, it was 43, compared to the Africa LDC average of 37.6. In effect, graduation based on the GNI per capita criteria does not provide a robust basis for a smooth transition. There is a need for targeted measures to diversify the country's economy, promote value addition and enhance human development.

J. Reinforcing the smooth transition

37. The experience of graduating countries suggests that the apprehensions about graduation are unfounded. These apprehensions often stem from incomplete information and lack of clarity about the support measures that will be lost as a result of graduation and the potential gains arising from it. In this context, two proposals are worthy of consideration:

(a) CDP, in consultation with UNCTAD and the regional commissions, should draw up a catalogue of support measures that might be lost as a result of graduation; as well as the potential gains from graduation.

(b) Based on the above exercise, eligible LDCs must be assisted in undertaking a graduation cost-benefit analysis that quantifies the net benefit or loss from the graduation; while prioritization of policy areas that lead to possible graduation should be given due attention.

IV. Outlook and conclusions

38. The global economic crisis, coupled with climate change, poses grave downside risks for developing countries, in general, and LDCs in particular. Notwithstanding the impressive growth record of African LDCs (7 per cent from 2000 to 2009) the performance has been driven by a narrow range of primary commodities whose benefits accrue to small segments of society and which tend to be characterized by price volatility and vulnerability to shocks. A key priority of development partners should be to support LDCs to develop a more diversified economy that increases resilience and promotes inclusiveness and access to a minimum standard of basic social services. To this end, ECA is undertaking activities to support LDCs in Africa. They include:

(a) Mainstreaming the Africa Mining Vision into the national development strategies of African countries;

(b) Building the capacity of LDCs to use the ECA-designed LDC monitor to track progress on the implementation of the IPoA;

(c) Focusing on policy areas with the greatest impact on graduation;

(d) Servicing of the Eighth Session of the Committee on Trade, Regional Cooperation and Integration to ensure that preferential rules of origin applicable to imports from least developed countries are simple, transparent and predictable and contribute to facilitating market access;

(e) Building capacity needs of national statistical offices to monitor the IPoA.

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