Economic Commission
for Africa

African LDCs:
Progress and Emerging Issues

Economic Commission for Africa (ECA)

African LDCs: Progress and Emerging Issues

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Introduction

The Third United Nations Conference on the Least Developed Countries adopted the Brussels Programme of Action (BPOA) in 2000. The Programme of Action places the responsibility for the development of LDCs primarily on the countries themselves. However, given the considerable constraints facing LDCs, the international community has also an important role to play in assisting LDCs move towards a sustainable path of development.

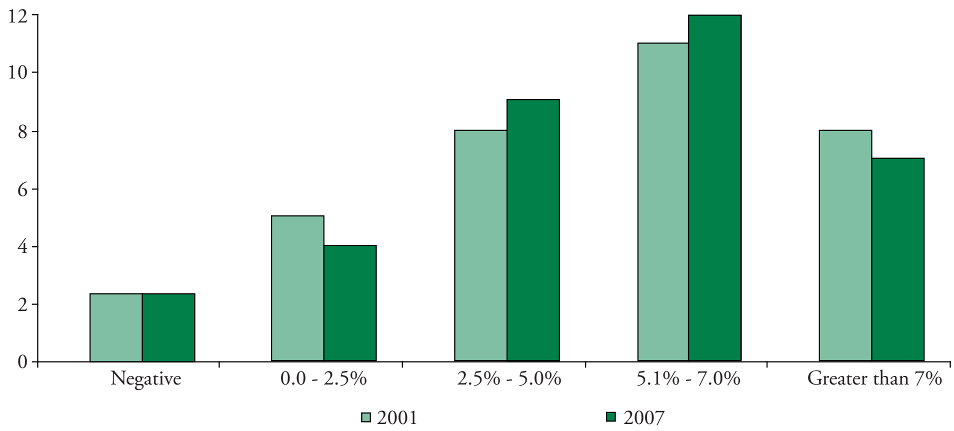
The Brussels Programme of Action (BPOA) for the Development of the Least Developed Countries (LDCs) for the decade 2001-2010 contains specific goals and targets along with action-oriented commitments in seven crosscutting areas. These are: (1) fostering a people-centred policy framework; (2) Good governance at national and international levels; (3) Building human and institutional capacities; (4) building productive capacities to make globalization work for LDCs; (5) enhancing the role of trade in development; (6) reducing vulnerabilities and protecting the environment; and (7) mobilizing financial resources.

The Programme of Action calls on the United Nations system to provide support to the implementation of the BPOA, and more specifically to facilitate follow-up actions for ensuring that the needs and problems of LDCs are addressed. It also calls on the UN system to support LDCs in strengthening cooperation between LDCs and other countries in their respective regions, and to monitor progress in the implementation of the BPOA. It is in this context that this progress report is prepared. The report benchmarks LDCs' performance and progress vis-à-vis the Brussels Programme of Action. It also highlights, albeit briefly, ECA activities in supporting African LDCs meet the goals of the BPOA, and eventually graduate from the LDC category.

Commitment 1: Fostering a people-centred policy framework

African LDCs have shown remarkable progress in recent years as evidenced by improved economic performance. For example, average real GDP grew by 6.8 per cent per annum in the period 2001-07. This is, however below the BPOA growth target of 7 per cent deemed necessary for meeting the goals of the POA as well as the Millennium Development Goals (MDGs). However, considerable variations in growth performance is observed between oil and non-oil producing LDCs. Oil producing LDCs grew faster, with real GDP averaging nearly 11 per cent over the period 2001-07, compared to 5.2 per cent for the non-oil LDCs.

Figure 1. Growth Distribution for African LDCs (2001-2007)



Source: UN-DESA online database

An analysis of growth distribution (Figure 1) shows that a large number of African LDCs registered improved economic performance in recent years. However, this performance is modest in relation to BPOA target. For example, 7 out of 34 LDCs met the BPOA target of 7 per cent compared to 8 countries at the start of POA in 2001. These included some of the oil-exporting countries such as Angola, Equatorial Guinea, and Sudan— together with Ethiopia, Sierra Leone, Mozambique, Tanzania and Liberia. Furthermore, a large number of LDCs have been recording positive real GDP growth rates. Only 2 countries, notably Chad and Somalia had negative real growth in 2007. More LDCs had growth rates above 5 per cent (19 countries out of 34). Ten LDCs grew by less than 3.5 per cent, which, given high population growth rates, was inadequate to ensure positive real per capita growth. Only five LDCs had real GDP growth below 2.5 per cent over the period 2001-2007. These include Central

African Republic, Comoros, Guinea Bissau, Somalia and Togo. Furthermore, there has been notable progress towards several quantitative goals of human development.

The BPOA stipulates that, one of the criteria against which the success of the implementation of the programme will be judged is the graduation from the LDCs category. On the recommendation of Committee for Development Policy, Cape Verde was graduated from the LDCs group effective January 2008.

It seems that the impressive growth performance of African LDCs in recent years has been driven mainly by high commodity prices for their exports. LDCs' exports have also grown considerably over the period under review and, this coupled with increased ODA flows and relative macroeconomic stability contributed to improved growth performance. Although there has been a build-up in inflationary pressure in recent years on account of high oil prices, inflation remained relatively stable.

Despite improvement in growth performance, the persistence and severity of poverty remains a serious challenge in many African LDCs. According to UNCTAD, the incidence of poverty in LDCs as a group has not declined in the 1990s and remained at over 50 per cent of the total population (UNCTAD, 2007). The data show that if this trend continues, the number of people living in poverty in LDCs is likely to increase to nearly half a billion in 2010 from 334 million in 2000. This statistic underscores the nature of the challenge facing African LDCs in promoting people-centred development.

Recognizing this challenge, UNECA continues to provide support to LDCs in the formulation and implementation of poverty reduction strategy papers (PRSPs) and MDG based national development strategies.

Through its advisory services, UNECA has provided support to Liberia and Ethiopia in the design and implementation of MDG-based PRSPs. In collaboration with UNDP, support was provided to Liberia in updating the country's MDGs report. The findings of the report informed the formulation of Liberia's Interim Poverty Reduction Strategy.

Through its analytical work and research, UNECA disseminated findings on critical issues relating to poverty. UNECA prepared two reports, one on "Accelerating Africa's Development to meet the Millennium Development Goals by 2015" and another on "Monitoring Progress in Meeting the MDGs in Southern Africa". The reports show that Africa lags significantly behind other regions in terms of meeting the MDGs by 2015. They argue that while economic growth is a necessary condition for meeting the MDGs, growth alone is not sufficient and a big challenge remains in translating this growth into wealth creation for the benefit of the vast majority of the population. The reports proposed concrete measures for scaling up progress towards the MDGs. The reports also emphasized the importance of continuous monitoring of progress towards the MDGs and other development goals.

The importance of quality, reliable data is crucial for monitoring progress towards the MDGs and other Internationally Agreed Development goals. However, many LDCs lack the required data for evidenced-based policy formulation and planning. Recognising this challenge, in the context of the repositioning exercise undertaken in 2005, UNECA's statistical function has been considerably strengthened with the creation of a new programme, the African Centre for Statistics (ACS). ACS is supporting LDCs in the production, dissemination and use of socio-economic statistics. The Commission continued to provide support to LDCs in the preparation of the 2010 Round of Population and Housing Censuses. To facilitate exchange of experiences and best practices in the preparation of the 2010 Round of Population and Housing Censuses, UNECA organized the Third Africa Symposium on Statistical Development (ASSD) in Accra, Ghana. A key objective of ASSD with respect to the 2010 Round of Population and Housing Censuses is that country-level monitoring becomes an indispensable element in assessing progress towards the Millennium Development Goals.

There is a dearth of employment related statistics in many LDCs. In those LDCs were data exist, it is of poor quality and less reliable. To address this challenge, UNECA organized an expert group meeting on "*Employment Measurement in Household Surveys"*. The meeting reviewed various methods used for capturing unemployment data from various sources. The outcome of the meeting was the preparation of a draft Manual on Methodology for unemployment statistics.

UNECA has also been contributing to the production and dissemination of statistics through its "*Annual Statistical Yearbook".* The country and data coverage has been considerably expanded in the latest version of the yearbook, including data on MDG indicators, health and education. UNECA has also been assisting LDCs in the implementation of the System of National Account (SNA). To assess progress and challenges in the implementation of SNA, UNECA prepared a "*Report on the Implementation of the 1993 System of National Accounts*. The report shows that LDCs have made considerable progress in implementing SNA.

However, national accounts as currently constituted underestimate the actual size of African economies as they do not take into account the informal sector, which is growing in many African countries, especially LDCs. Against this context, UNECA prepared a "*Study on the Measurement of the informal sector*". In light of the challenges that the measurement of informal sector pose for national statistical offices in LDCs, the study represents an important step towards statistical harmonization and the implementation of the 1993 SNA. The study will assist African countries in developing methods to conduct survey and to measure the contribution of the informal sector to the economy, in terms of GDP, employment etc. ACS intends to conduct training workshops to train national statistical officers on the methodologies for measuring the informal sector.

Commitment 2: Good governance at national and international levels

Lack of good governance affects development, through increasing opportunities for rent-seeking activities, which diverts resources away from critical development priorities. Therefore, good governance at national level is crucially important for sustainable development and the attainment of the MDGs. However, given the increasing interdependence of the world economy, measures pursued at national level to strengthen good governance must be complemented by measures at international level. After all, most of the issues at the heart of development, including trade, finance, debt relief, climate change and others have global governance dimensions and must therefore be addressed through a comprehensive global approach.

Given its mandate and comparative advantage, UNECA's interventions aimed at strengthening good governance are focused at national and regional dimensions of governance. Within this focus, given its special role in the African Peer Review Mechanism as one of the strategic partners to the APRM, UNECA continues to devote substantial resources to supporting the implementation of the APRM at the national and regional levels.

At the country level, UNECA provided technical support to a number of APRM participating LDCs on the implementation of the African Peer Review Mechanism (APRM). Some of the LDCs that have benefited from this support include Burkina Faso, Lesotho, Mali, Mozambique and Sierra Leone. This support has entailed assisting the countries with the establishment of institutions for implementing the APR process; assisting with the organization of the multi-stakeholder forum; assisting with the preparation of background documents, including the country governance profile, national self-assessment and the national programme of action.

At the regional level, UNECA has been supporting the APR Secretariat with the organization of support and review missions, peer reviewing technical reports and assisting with the preparation of the country APR reports as well as providing substantive servicing to APR panel meetings. UNECA assisted in the finalization of Benin's APR report. The report was approved by the APR Heads of Government Implementation Committee at the African Union Summit in Addis Ababa, February 2-3, 2008. UNECA also supported Benin in formulating its Programme of Action (POA), which aims to address the identified areas of weaknesses in the country's governance. UNECA has also conducted training workshops for national APRM focal points in LDCs to enhance their understanding of APRM processes and issues. Another training was provided to civil society organizations in several LDCs, aimed at enhancing their knowledge and understanding of APRM processes and issues and how they can contribute to a credible and successful APR process.

UNECA prepared a study on "*The role of the judiciary in Combating corruption in Africa*". The report assesses the role the judiciary is playing in strengthening good governance through combating corruption. It also provides specific recommendations on how to strengthen the crucial role of the judiciary as the custodian of basic rights and freedom of citizens. This study is an important reference material for policy-makers in Africa, including LDCs on how to strengthen the role of judiciary in promoting good governance.

UNECA also prepared the Africa Governance Report (AGR 2008), including national governance report for 20 LDCs. UNECA has chosen to engage national research institutions in the preparation of country governance reports. To ensure high quality as well as cross-country comparability, UNECA conducted training workshops for national research institutions on the methodology for conducting assessments and reviews of the state of governance. This approach has strengthened country ownership of AGR as well as enhanced the capacity of national institutions in conducting assessment and reviews of the state of governance in their respective countries.

UNECA has endeavored to place the special problems of LDCs at the center of international attention and pushed for favourable and differential treatment of LDCs by the developed countries, especially in terms of trade, ODA and debt relief. Through its active involvement in the Africa Partnership Forum (APF) and the Mutual Review of Development Effectiveness with the OECD, UNECA has been able to mobilize meaningful support to LDCs from the international community.

Gender

Another serious constraint to good governance in African LDCs is the systematic marginalisation of women in decision-making structures as well as their limited access to resources and opportunities. This undermines efforts aimed at sustainable development and poverty reduction. Addressing gender equality is essential for good governance, which in turn is critical for achieving sustained economic growth, poverty reduction and the attainment of the MDGs.

LDCs have made noticeable progress towards gender equality and women empowerment. Concerted efforts have been made to enhance women participation in political decision-making processes. Perhaps the most common measure has been the reservation of quotas and seats for women in parliaments and other political structures. Comoros, Djibouti, the Gambia and Rwanda are some of the LDCs that have introduced quotas for women in the highest decision-making structures of governance. As a result, the proportion of parliamentary seats held by women has increased. LDCs are also making progress towards gender parity in access to education and health. For example, the ratio between girls' and boys' primary enrolment increased from 68 % in 1990 to 98 % in 2003 in Gambia and from 47 % to 77 % in Guinea.

Notwithstanding these accomplishments, a number of challenges still remain. On opportunities, African women lag behind their male counterparts in terms of access to and control of resources, employment and representation at managerial and decision-making levels. All these show that the goal of gender parity remains a long-term proposition.

Against this background, UNECA has been assisting LDCs in promoting gender equality, through gender mainstreaming and empowerment of women. To enhance capacity for monitoring progress towards gender equality and women's advancement, UNECA has developed the African Gender and Development Index (AGDI). A number of LDCs are already using the AGDI to track their own progress towards gender equality. These include Ethiopia, Cameroon, Mozambique, Madagascar, Burkina Faso, Benin, Tanzania and Uganda. In addition to these six countries, UNECA conducted training workshop for gender officials of Cape Verde, Gambia and Senegal. The training workshop strengthened the capacity of policy-makers to use AGDI to monitor progress towards gender equality. Furthermore, UNECA initiated national research and data collection to build the index in more LDCs, including the Gambia, Guinea and Senegal. Through the AGDI, UNECA has strengthened the capacity of LDCs to assess their progress in addressing gender inequalities and women's empowerment.

Technical support was also provided to the Statistical Office of Djibouti in developing a "*Manual on National Satellite Account of Household Production*". UNECA also organized two sub-regional workshops on gender mainstreaming.
Empirical evidence shows that women tend to bear the brunt of poverty in Africa. Therefore, gender mainstreaming in national development frameworks is crucial if LDCs are to achieve the MDGs. UNECA's work in this area is aimed at raising awareness among African countries, including LDCs of the gender-differentiated impacts of policies and programmes and assist them in adequately integrating gender into national development programmes and frameworks with the view to achieving gender equality and women empowerment.

UNECA's interventions in this area have had a noticeable impact as evidenced by increased number of countries developing and or reviewing policies and elaborating plans of actions for promoting gender equality. Several LDCs, including Mauritania and Sudan developed plans of action for the implementation of the Outcome and

Way Forward of the Seventh African Regional Conference on Women (Beijing +10). Technical support was provided to Chad and Uganda on the formulation of a national gender policy.

Commitment 3: Building human and institutional capacities

Lack of human and institutional capacities constrains efforts towards meeting internationally agreed development goals, including MDGs and those contained in the Brussels Programme of Action. Therefore, building human and institutional capacities is critical for the development of LDCs.

African LDCs have demonstrated considerable commitment to strengthen their human and institutional capacities. A large number of LDCs are prioritizing investment in social sectors, including education, health, infrastructure development and poverty reduction. Many LDCs are implementing the ten-year education plans adopted at the 2006 Abuja Ministerial Conference on Financing for Development. Recognizing the profound impact of HIV/AIDS epidemic on their human capital asset, a number of LDCs have introduced care, including anti-retroviral drugs for people suffering from HIV/AID.

However, LDCs face considerable difficulties in strengthening their human and institutional capacities. Low human capital development, a result of decades of under-investment in education, coupled with the devastating impact of HIV-AIDS as well as brain drain undermine progress towards human and institutional development.

UNECA's interventions in this area are geared at supporting LDCs to build and strengthen their human and institutional capacities. Through its programme on technical cooperation, UNECA provides on demand technical assistance to LDCs in a wide range of areas, including governance, health, trade, finance etc.

Given the importance of knowledge in development and the limited capacity for knowledge generation in LDCs, UNECA has been implementing a project jointly with ECLAC on "Knowledge networking and sharing in a south-south partnership framework to achieve the MDGs". The project is aimed at strengthening the capacity of African policy communities in both LDCs and non-LDCs member states to undertake research in areas related to MDGs as well as improving the research-policy nexus. The staff exchange programme between African and Latin American research centers has contributed to strengthening knowledge sharing and networking on MDGs.

The project is also aimed at strengthening the capacity of national research institutions in LDCs to produce research, which can aid policy-makers in addressing the major development challenges facing their countries. A number of factors limit the impact of domestic research on policy-making in LDCs. Firstly; there is a mismatch between supply of research and demand for research by policy-makers. Secondly, and perhaps more importantly, policy-makers are often unaware of the existence of research output to inform policy formulation. This is due to weak outreach and dissemination of research results by national research institutions. It was against this backdrop that UNECA in collaboration with African Development Bank organized the Second African Economic Conference on the theme "*Opportunities and Challenges of Development for Africa in the Global Era*" in November 2007 in Addis Ababa. The conference was attended by researchers and policy-makers from across Africa, including LDCs as well as leading international researchers and African researchers in the diaspora. The broad objective of the conference was to facilitate dissemination of research findings on economic issues of relevance to Africa. This is particularly important given the crucial role that knowledge plays in the development process. The impact of knowledge on development depends critically on the extent to which policy-makers in governments and political leaders take into account research findings when formulating policy. Since the link between research and policy-making in Africa is rather weak, the conference sought to contribute towards bridging the gap between research and policy-making, by providing a forum for exchange of ideas among African economists and policy-makers with a view to improving access to latest research findings on economic issues.

Commitment 4: Building productive capacities to make globalization work for LDCs

UNECA's research has shown that African countries, particularly LDCs are unlikely to reap substantial benefits from multilateral trade liberalization, even under the most ambitious scenarios. This is due to structural and supply-side constraints facing LDCs. UNECA continues to support LDCs to address these constraints so as to position them to better benefit from globalization.

UNECA organized a High-level dialogue on *Mobilizing Aid for Trade* in collaboration with the World Trade Organization, the African Development Bank and the Government of the United Republic of Tanzania. The high level dialogue focused on mobilizing increased and effective financial resources for building Africa's trade capacity and infrastructure so as to reap substantial benefits from globalisation. The meeting came up with clear recommendations on how to mobilize the resources required to strengthen Africa's trade capacity.

Mining

Mining is highlighted in the Brussels Programme of Action (Section F, paragraph 59) as one of the important sectors for LDCs and a potential source of foreign exchange. UNECA's activities are geared at strengthening the contribution of the mining sector to growth and poverty reduction in LDCs. UNECA prepared a study on *Tanzania minerals clusters*, which was a follow-up to the pilot study of the minerals clusters of South Africa and Mozambique conducted by UNECA in 2005. The current study assesses the impact of the mining industry on the Tanzanian economy, including the level of intersectoral linkages and the multipliers between the mining industry and other economic activities. This has allowed the identification of lessons, policy options, and strategies that could lead, in the long term, to the development of a mineral sector that is better linked to the local economy and engenders broad-based growth and development. Overall, the study of the Tanzanian minerals clusters and the pilot studies of South Africa and Mozambique raised awareness on the importance of integrated natural resources development, and building knowledge on minerals clustering.

UNECA also organized a sub-regional workshop on integrated resource planning in 2007, in Maputo, Mozambique. The workshop contributed to raising awareness on the potential of minerals in supporting long-term economic development and growth as well as enhancing participants' knowledge and capacity on mineral-related subjects.

Participants requested UNECA's assistance in the operationalization of a minerals cluster development strategy. NEPAD is championing a new spatial development initiative (SDI) anchored on the exploitation of Africa's natural resources endowments. UNECA provided technical support to Liberia and Angola on mining sector policy reforms, (legal, regulatory and fiscal regimes)

Transport

Road of infrastructure in African LDCs is of poor quality. The percentage of total roads paved in significantly lower than for other developing countries. Rural road connectivity is also low. This causes considerable delays in delivering agricultural products to the market. There are few roads connecting neighboring countries and, this undermines efforts aimed at regional integration. UNECA interventions in this area are aimed at raising awareness in LDCs on the importance of quality road infrastructure for economic development as well as supporting LDCs in formulation and harmonization of transport sector policies. UNECA prepared a report on " *Effective Provision of Regional Public goods: the Case of Rationalization and Coordination of Transport sector policies and Programmes"*. The report assessed the extent to which improved transport sector and harmonized transport policies can help African countries achieve their set objectives. Using intra-African trade as an example, the report established that the return to transport infrastructure in Africa with respect to trade is low because of the disorganized state of related policies and programmes. It recommended greater harmonization of policies and programmes across countries, as this will reduce transactions costs and promote regional integration.

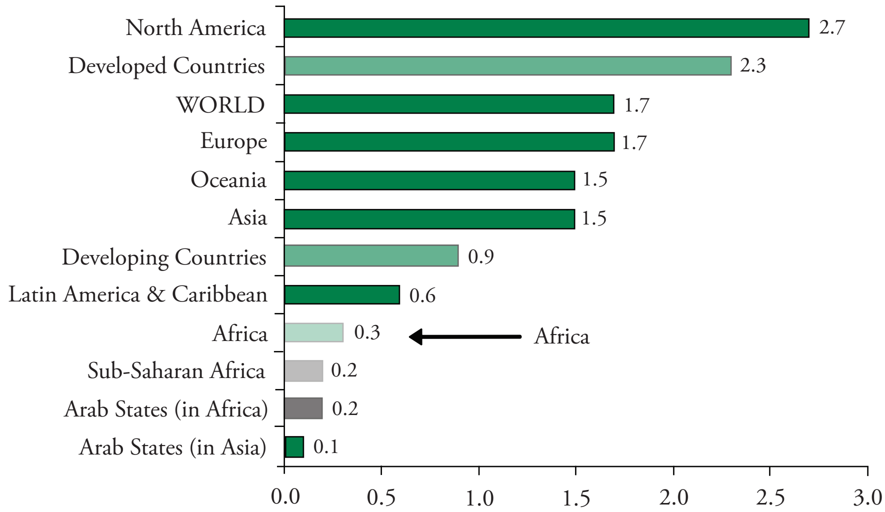
UNECA organized the "*African Road Safety Conference*", which was attended by most of the 34 LDCs in Africa. The major outcome of the Conference was the adoption of the Accra Declaration on Road Safety, later endorsed by the AU Ministers of Road Transport meeting in Durban. African countries committed themselves to improving transport infrastructure and health services in order to prevent road accidents. They also undertook to set and achieve measurable national targets for road safety and traffic injury prevention and to reduce by half road accident fatalities in Africa by 2015. They also undertook to scaling up investment into transport infrastructure.

The Annual Meeting of Sub-Saharan Transport and Policy Program (SSATP), which was organized by UNECA in Ouagadougou, Burkina Faso presented an opportunity to review progress on the implementation of transport policies and programmes for Africa.

Technology

The level of technological development in LDCs is low and their technological learning through international market linkages is weak (UNCTAD, 2007). For example, LDCs as a group rank at the bottom of UNIDO's Competitive Industrial Performance. Similarly, the UNDP Technological Achievement Index (TAI) classified LDCs in the category of marginalized countries. They also ranked at the bottom of UNCTAD's Innovation Capability Index.

Figure 2: Gross Domestic Expenditure in R&D) as a percentage of the GDP



Source: UIS (UNESCO Institute for Statistics) Estimates 2003

African countries, including LDCs fare poorly on most science and technology related indicators. As can be seen from figure 2 above, gross domestic expenditure on Research and Development as a proportion of GDP in Africa averaged 0.3 per cent in 2003, which is among the lowest in the world. It is significantly below the ratio for other developing countries of 0.9 per cent. However, they are few African LDCs, including DR Congo and Mozambique that allocated more than the average 0.3 per cent of their GDP on R&D.[1] In spite of this progress, their expenditure on R&D is below the 1 % GDP target set by the Second Conference of African Ministers Responsible for the Application of Science and Technology in 1987. The low R&D intensity in Africa is one of the principal factors for the continent's marginalisation in global trade

1 The Democratic Republic of Congo and Mozambique spend 0.48 % and 0.52 per cent of their GDP respectively on Research and Development in 2005 (UNESCO 2007.

as it constraints the capacities of African countries to produce goods and services that can compete on the world market.

If African countries are to have a chance of competing in the global market, they need to increase their spending on Research and Development. More importantly, as the UN Under Secretary-General and ECA's Executive Secretary, Mr. Abdoulie Janneh noted at the Science for Africa Conference, held in Addis Ababa from 3-7 March 2008 "strong linkages are needed between industry and S&T to prioritize innovation as part of the broader strategy to improve market competitiveness of Africa's products".

Therefore, promoting technological progress is key to development of productive capacities, which in turn can lead to sustained economic growth and poverty reduction. Aid can help to build the knowledge system of LDCs. Against this backdrop; UNECA continues to support LDCs in the formulation of science and technology, including ICT policies as well as geographical information system technologies and management.

Within the framework of the Science with Africa Initiative, in collaboration with the African Union Commission, UNECA organized the "*Science and Africa Conference*", held from 3-7 March 2008 in Addis Ababa, and was attended by representative from all the African countries, including LDCs and other countries that have significant strides in the area of technology such as Korea, India and the European Union.

The main objectives of the conference were:

- To create synergies between European, US and other global science based organisations and those in Africa, where there is an ongoing need to strengthen and improve existing R&D activities, centres of excellence and partnerships;
- Improve linkages between international research programmes and business in order to foster economic growth in Africa; and
- To provide a framework for using Science and Technology options to support economic progress in Africa;

The Conference came up with innovative ideas and suggestions across a number of areas, including Energy, Transport, Infrastructure, ICT, Health, Life Sciences, Agriculture, Climate Change and Water.

Through its Harnessing Information for Development sub programme, UNECA has been driving the implementation of the African Information Society Initiative (AISI) since 1996, which is aimed at promoting an inclusive information society in Africa. This has served as an important framework for the development of national capacities in the use of Information and Communication Technologies (ICTs) for accelerated and sustainable development. The core of UNECA's activities in this area focuses on supporting African countries formulating their e-strategies, enhancing information and knowledge development, strengthening outreach and communication, and promoting partnership and networking.

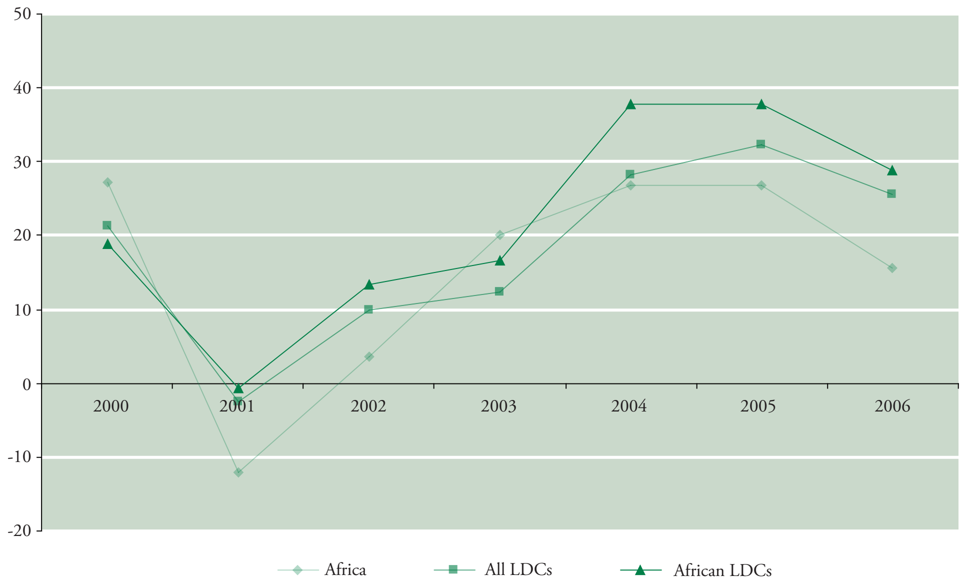
UNECA conducted a study on "*The role of development information in African economies: African e-Markets*". The report indicates that although Africa remains one the least connected regions in the world, ICT penetration rate and its contribution to African development is phenomenal. Several African countries have experienced triple-digit growth rates in Internet and mobile phone usage. Furthermore, ICT has enhanced economic transactions in conventional economic sectors (e-banking, e-finance, e-travel and tourism handling), and also contributed to the emergence of new information based-markets and the provision of social services (virtual-library, virtual-university, tele-shopping, e-governance). The report proposed specific measures for fully maximizing the potential of ICT for Africa's development.

UNECA also provided support to a number of LDCs in the preparation of NICI plans. The LDCs that benefited from the support were Burundi, Chad, Malawi, Rwanda, Sierra Leone and Togo. The Commission also organized a regional workshop on information and knowledge management for development, whose objective was to discuss issues, strategies, processes and mechanisms for managing and using information and knowledge to empower all members of the community.

Commitment 5: Enhancing the role of trade in development

LDCs traditionally faced serious problems in optimizing the benefits from trade. In recognition of this challenge, the BPOA called for enhanced market access and special and differential treatment to be accorded to LDCs. The BPOA also called on development partners to assist LDCs in developing human and institutional capacities for effective negotiations and informed participation in the multilateral trading system, in order that they reap benefits from it (United Nations, 2001). The BPOA also called on development partners to support LDCs in their diversification efforts, including local processing of primary commodities.

Figure 3: Growth of Real Merchandise Exports (%), 2000-2006



Source: UNCTAD online database (accessed on 07 April 2008)

LDCs' exports, in real terms, have grown significantly since the adoption of the BPOA from nearly 0.1 per cent in 2001 to 28 per cent in 2006 (Chart 2). More interestingly, LDCs' exports have been growing faster than for other African countries since 2003. Despite the increase in exports, the share of LDC's in global export, although it increased from an average 0.3 % over the period 1995-2000 to 0.43 per cent in 2001-06, still remains miniscule. This reflects the difficulties that LDCs are facing in taking full advantage of trade preferences to increase their share of global export. Evidence shows that, for example, nearly a half of the preferences granted to LDCs are unutilized. This is due partly to supply-side constraints facing LDCs. Onerous eligibility criteria, restrictive rules of origin, coupled with non-tariff barriers also undermines the ability of LDCs to take full advantage of trade preferences. Moreover, LDCs' exports are concentrated in a narrow range of primary commodities with stagnant global demand.

The Least Developed Countries need technical assistance to maximize gains from the multilateral trading system and preferential trading regimes. Supporting LDCs to benefits from globalisation has been a major preoccupation of UNECA's activities in LDCs. One of UNECA's major contributions to LDCs has been strengthening their human and institutional capacities for trade negotiations (bilateral, regional and multilateral). This has been through preparing analytical and policy-oriented research on trade related and specific issues of relevance to multilateral trade negotiations, with the view of informing LDCs trade negotiating positions. UNECA has also supported African trade negotiators in Geneva in their preparation for the Doha negotiations on modalities for Non-Agricultural Market Access (NAMA) and modalities on agriculture.

UNECA has also been supporting African LDCs in their negotiations for Economic Partnership Agreements with the European Union through (i) preparing analytical studies[2] assessing the potential implications of the EPAs on their economies and (ii) through conducting training workshops on the application of WITS and SMART/ WITS general equilibrium models for a number of LDCs, including Cameroon, etc. This contributed to strengthening the analytical capacity of trade officials to assess the impact of trade agreements on their respective countries.

Through the organization of expert group meetings, UNECA has been able to provide a platform for exchange of views and forging common positions on a number of issues of relevance to the multilateral negotiations, including draft modalities (i.e. NAMA and agriculture). For example, the "*Ad hoc Expert Group Meeting on Sensitive Products in the WTO Negotiations*", which was organized by UNECA in collaboration with the African Union and UNDP on 4-5 May 2007 led to the formulation of a common African position on the treatment of sensitive products.

UNECA has, through its Interregional Advisory Services Mission in Geneva organized numerous retreats for African Ambassadors, trade negotiators and experts based in Geneva and Brussels. This included the "*Retreat of African Ambassadors and Experts based in Geneva*", held in Montreux 22-23 June 2007; "*Retreat of the African Ambassadors and experts based in Brussels*", held in Ostende, 2-3 June 2007. These retreats have

2 This included a study on *EPA negotiations and the African countries continental review*, (2007), and a study on *EPA for CEMAC and Cameroon*, May 2007.

served as important platforms for African trade negotiators and experts to exchange views and strategize on pertinent issues in the multilateral trade negotiations, and fashion common negotiating positions on draft modalities.

In addition to support aimed at strengthening human and institutional capacities for trade negotiations, UNECA continued to support LDCs in their efforts towards economic diversification. This is based on the commission's strong belief that diversification and development of productive capacities are crucial if the LDCs are to achieve sustained economic growth and poverty reduction. To raise awareness on the importance of diversification, UNECA devoted its Economic Report on Africa (ERA) 2007 to the theme of "*Accelerating Africa's Development through Diversification*". The report argues that African countries have made limited progress towards diversification, and that some of the countries that made considerable progress in the 1970s have regressed. The report finds that diversification in Africa was influenced by investment, per capita income, degree of trade openness, macroeconomic policy stance and institutional framework. The report recommends a number of measures for accelerating diversification. These are:

- Sound macroeconomic policies are essential for diversification. However, the report cautions against rigid and orthodox approach to macroeconomic economic stabilization. Though macroeconomic stabilization is necessary for growth and development, narrow pursuit of stabilisation through contractionary fiscal and monetary policy may hinder rather than facilitating diversification.
- Sectoral policies and microeconomic reforms are critical for industrialization and diversification. Trade and sectoral policies must be used strategically to support industrialization and diversification.
- Institutions are indispensable for diversification. Sound institutions, including a capable bureaucracy is needed for implementing macroeconomic, sectoral policies in support of diversification. Strengthening institutions that enhance good governance is important in this regard.

If trade is to be an engine of development, there is a need for mainstreaming trade into LDCs' national development plans and strategies for poverty reduction. This would also ensure that trade-related technical assistance and capacity building are delivered within a coherent policy framework rather than on a stand-alone basis. Through the African Trade Policy Center (ATPC), UNECA has been supporting LDCs in mainstreaming trade into their national development strategies and frameworks.

UNECA's activities in support of LDCs contributed toward improving the capacity of African countries to participate effectively in bilateral and multilateral trade negotiations; as evidenced by increased number of African countries adopting better-informed positions on trade-related issues and issues concerning the WTO. Furthermore, it enhanced the analytical capacity of African LDCs trade officials and trade negotiators on trade-related issues.

Commitment 6: Reducing vulnerability and protecting the environment

The effects of climate change on the economies of developing countries are real. Weak capacity and limited resources render the Least Developed countries extremely vulnerable to climate change.

Within the framework of its mandate, UNECA is increasing the emphasis of its work on climate change, an emerging challenge that threatens to derail progress in achieving the MDGs and sustainable development in Africa. UNECA has been collaborating with other continental institutions, within the framework of the Joint Secretariat of the African Union Commission (AUC), ECA and the African Development Bank (AfDB), to support LDCs in adapting to and coping with effects of climate change.

UNECA has played a central role in preparing a major " Climate for Development in Africa Programme" (ClimDev-Africa), with a view to guiding the effective integration of climate information and services into development planning and processes. Through its Sub-Regional Office for West Africa (SRO-WA) based in Niamey, Niger, and in partnership with the Interstate Committee for Drought Control in the Sahel (Commite Inter-Etat de Lutte contre la Secheresse dans le Sahel - CILSS) and the African Centre for Meteorological Applications to Development (ACMAD), UNECA organized in Ouagadougou, Burkina Faso, from 25 to 27 January 2007, an international conference on "*The reduction of the vulnerability of natural, economic and social systems to climate change in West Africa*". The conference reviewed the National Adaptation Programmes of Action (NAPAs) of countries within the sub-region, raised the awareness of decision makers and planners, and development partners, and adopted a programme of work towards the preparation of a sub-regional action plan on climate change. UNECA also contributed technical support on the "*Review of the Implementation of Measures to Combat Drought and Desertification in Africa, at the Pan Africa Parliament Workshop on Desertification and its Implications*".

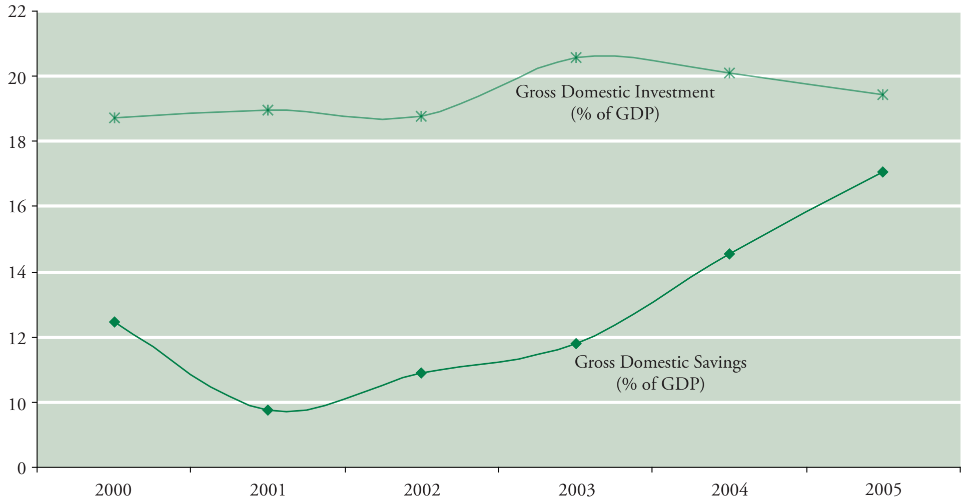
In collaboration with the United Nations Environment Programme, UNECA organized a Regional Workshop on Capacity Building in Trade and Environment. The workshop contributed to deepening LDCs' understanding of priority issues on trade and environment. It also contributed to enriching the regional study on "Trade and Environment: selected issues of concern for Africa."

UNECA co-organized, in partnership with the Climate Change Adaptation in Africa (CCAA) programme of the International Development Research Centre (IDRC), an inception workshop for a regional capacity building programme on research on climate change in Africa. This workshop paved the way for concrete projects on participatory action research, knowledge sharing and training on climate change adaptation.

Commitment 7: Mobilizing financial resources

The mobilisation of financial resources is crucially important for LDCs', without which sustainable development is possible. The BPOA emphasizes that LDCs are primarily responsible for their own development, with external support playing a complimentary role. The BPOA established an investment to GDP ratio target of 25 per cent. Although investment ratios improved since the start of the BPOA, they are still below the BPOA target of 25 per cent of GDP. This is due to difficulties in mobilizing domestic savings. Despite measures taken by LDCs to stimulate domestic savings through strengthening macroeconomic policy and reforming revenue collection institutions, domestic savings ratios are inadequate relative to investment requirement to finance the MDGs (See chart 3).

Figure 4: Gross Domestic Savings & Gross Domestic Investment in African LDCs (% of GDP)



Source: World Bank WDI online database (accessed on 08 April 2008)

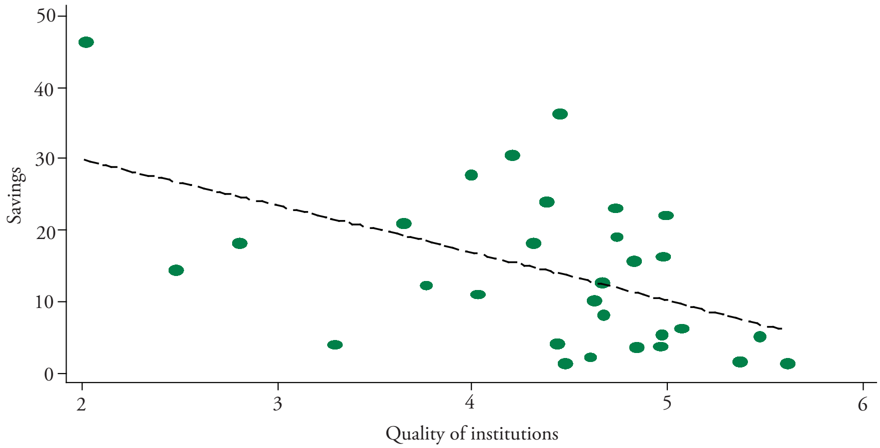
As can be seen from the Figure 3, saving ratios have increased modestly, with aggregate savings ratios rising from 12.5 per cent of GDP in 2000 to over 17 per cent in 2005. However, this is considerably below the level required to finance a meaningful growth rate. Although some countries have raised their savings rates to over 20 per cent of GDP, there are a large number of LDCs recording negative savings rates.[3]

3 These are Burundi, Cape Verde, Comoros, Eritrea, Lesotho, Liberia, Malawi, Mauritania and Sierra Leone.

Lack of sufficient domestic resources has had a negative impact on investment. Domestic investment as a percent of GDP has remained relatively stagnant, rising marginally from 18.7 per cent of GDP in 2000 to 19.5 per cent in 2005. This is considerably below the BPOA investment target of 25 per cent deemed essential for financing the required growth rate to meet the goals and target of the BPOA. Very few LDCs have managed to raise their investment ratio to the 25 per cent target in 2006. These include Equatorial Guinea, Gambia, Lesotho, Chad, Madagascar, Mozambique, Sudan, Uganda and Zambia. In this regard, LDCs must strengthen their capacity to mobilize domestic resources for their development from various sources, including tax, capital markets and micro-finance institutions. Furthermore, they also need to strengthen domestic institutions, which are key to savings mobilization.

Empirical evidence shows that the quality of institutions influences savings mobilization efforts. As can be seen from Figure 4.2, for a sample of African countries for which data are available, domestic savings decline as the quality of institutions deteriorate[4]. The correlation coefficient between these variables is 33 per cent. It should be noted that the quality of institutions affects domestic savings through a variety of channels. The first is through the direct effect that weak institutions may have on long-term economic growth, as has been documented extensively in recent studies. This in turn can lead to lower savings[5]. The second possible channel is through the effect of weak institutions on reducing public savings due to the incidence of corruption.

Figure 5: Institutions and domestic savings in Africa (average 1984-2004)



Source: Computations based on data from World Development Indicators (WDI) and Investment Country Risk Guide (ICRG).
Note: Higher figures on the index of institutional quality indicate a worsening situation.

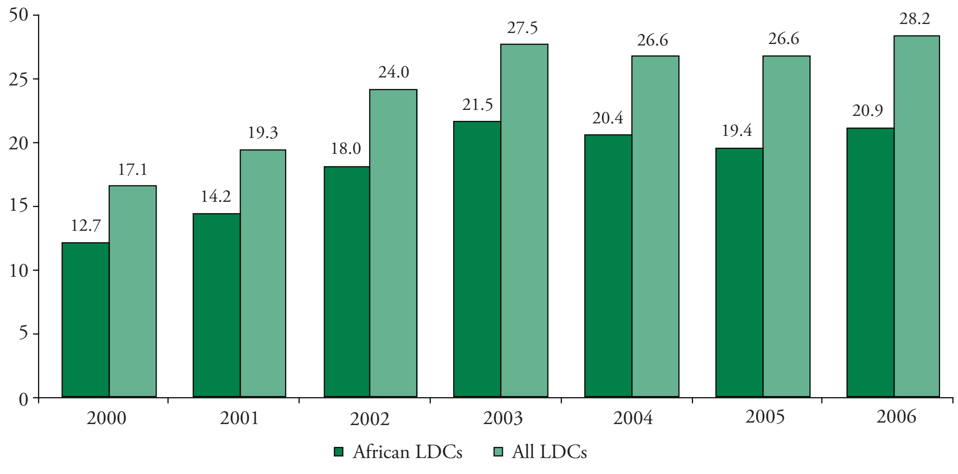
4 The data on the quality of institutions are based on the International Country Risk Guide data set, which provides an index on 12 indicators of political instability in a given country.

5 See, for example, Ndulu and O'Connel 1999; Collier and O'Connell, 2005.

Given the challenge of resource mobilization in African LDCs, UNECA has been assisting LDCs in formulating sound policies for efficient resource mobilization. UNECA recognizes the important role that capital market development can play in savings mobilization. It was in this context that the Commission developed a project on Capital Market Development in Africa. The project sought to promote the development of capital markets in Africa and their role in achieving sustained economic growth and development. This is important in light of the shallow nature of the financial sector in many Least Developed Countries, with hardly any capital market in existence. The project was also aimed at strengthening the capacity of capital market regulators in developing sound regulatory frameworks as well as developing the requisite technical infrastructure for efficient capital market operation. One of the major outcomes of the project has been the provision of capacity building in critical areas of capital market development, which has contributed to deepening beneficiaries' knowledge and understanding of capital markets and their role in the development process. Some LDCs such as Sierra Leone and Burundi have put measures in place for establishing stock exchanges.

Given the challenges facing LDCs in mobilizing domestic financial resources for their development, international resources play an important role in in financing LDCs' development. The international environment has been favourable to LDCs, as evidenced by increased ODA, more FDI inflows, enhanced debt relief.

Figure 6: Total Net ODA Disbursements (Billions of 2006 US$)



Source: OECD Online Database

Net Official Development Assistance (ODA) flows to African LDCs have grown considerably since the adoption of the BPOA, from US$12.7 billion to US$20.9 billion in 2006. ODA flows to African LDCs in 2006 represented nearly three-fourths of total ODA to LDCs. However, the growth rate in net ODA flows to LDCs, in real terms, which reached a high 26.2 % in 2002 has since tapered off to a modest 7.9 per cent in 2006, after recording negative growth rates of 5.0 per cent in 2004 and 2005, respectively

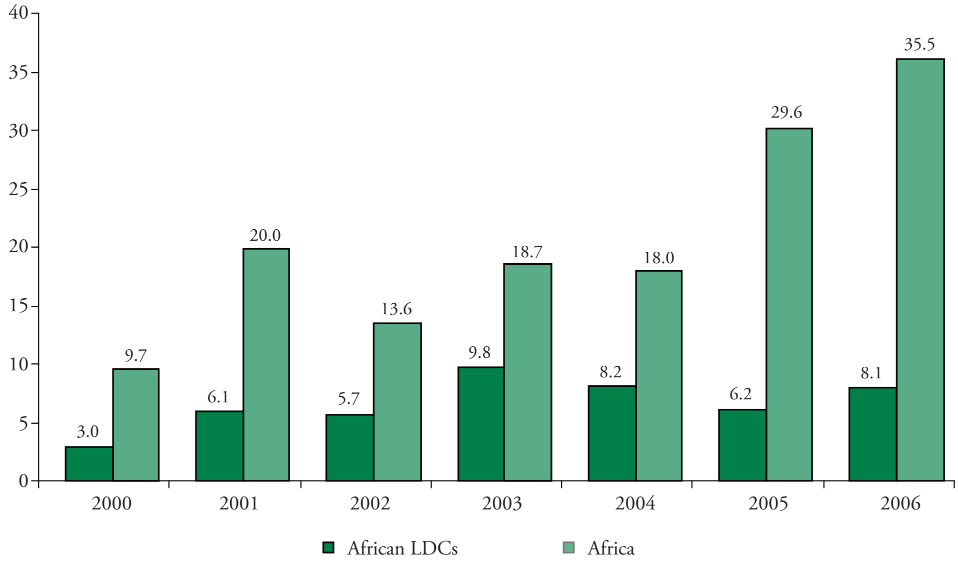
In terms of the BPOA, donors were expected to provide at least 0.20 per cent of their GNP as aid to Least Developed Countries. According to UNCTAD, seven OECD/DAC member countries[6] met this target (UNCTAD, 2007). Several African LDCs, including Ethiopia, Tanzania, and Mozambique have been receiving more than U$1 billion in ODA per annum in recent years.

Aid quality has also improved, with an increasing proportion of aid to LDCs untied. For example, nearly 70 per cent of DAC aid to LDCs was untied compared to only 55 per cent over the period 1999-2001. According to the new EU policy which was adopted in 2005, all expertise, e.g. technical cooperation and food aid to LDCs will be untied. This will contribute further to aid effectiveness (OECD, 2006). The composition of aid has also changed, with large share of OECD/DAC aid to LDCs provided in grant form. The adoption of the Paris Declaration has also contributed to aid effectiveness. Evidence shows that progress have been significant in the area of ownership, with more LDCs taking actions to strengthen ownership and leadership of their development.

Apart from official financial flows, private capital has also become an important source of development finance for the least developed countries, albeit to varying degrees. FDI inflows to African LDCs grew from US$3 billion in 2000 to US$8.1 billion in 2006. FDI flows to African LDCs represented only 22 per cent of total flows to Africa in 2006. Even within LDCs, the distribution of FDI is uneven, with the lion's share directed to resource-rich countries, especially oil-exporting countries. Moreover, FDI flows have had a limited impact on poverty reduction as they have been concentrated in extractive industries which are capital intensive.

6 These were Denmark, Ireland, Luxembourg, the Netherlands, Norway, Portugal, and Sweden.

Figure 7: FDI Inflows to Africa & African LDCs, 2000-2006 (Billions of Current US$)



Source: UNCTAD online database

This statistics on FDI flows points to considerable difficulties facing LDCs in attracting foreign direct investment. This is due to a number of factors, including unfavourable macroeconomic conditions, high cost of doing business and poor state of physical infrastructure. To help address some of these factors, UNECA organized an expert group meeting, in collaboration with the NEPAD's Investment Climate Facility (ICF) on "*Mobilizing Private Investment into Africa*". UNECA and ICF agreed to collaborate in strengthening investment climates in Africa and addressing the image problem.

Since the overarching objective of development is the attainment of the MDGs, in its effort to help African LDCs accelerate progress towards the goals, UNECA conducted an empirical study on "*Financing economic growth to reduce poverty by half in Africa by 2015: Exploratory Analysis Using Cross-country data*". The study shows that, while growth was central to accelerating progress towards the MDGs, addressing income inequality was equally important for meeting the MDGs. The study was an important contribution to the debate on the role of foreign aid in financing the required growth rate for reducing extreme poverty by half by 2015 in Africa.

Given the crucial role of finance in meeting the MDGs, UNECA undertook assessments of the progress in meeting the objectives of the Monterrey Consensus.

Two methods were followed to assess the degree of progress in the achievement of the objectives of the Monterrey Consensus in Africa. The first approach was based on published macroeconomic data provided by international organizations and national governments. This was complimented by an ECA survey of African policy-makers on the implementation of the Monterrey Consensus, which provides an African perspective on the issue implementation of the Consensus.

The evidence presented, based on published macroeconomic data as well as the survey of African policymakers, show that, overall, progress in realizing the objectives of the Monterrey Consensus in the Africa region has been limited. Although significant progress has been made in the area of external debt, performance in the areas of international trade as well as domestic and external resource mobilization has been either fair or disappointing.

The two reports provide specific recommendations for scaling up progress towards the objective of the Monterrey Consensus, including: Boosting domestic resources mobilization by improving governance and financial infrastructure; exploiting the potential of capital market and reducing capital flights; Increasing aid quantity and quality; Providing enhanced market access for products of special interest to African LDCs and improving LDCs' participation in institutions of global governance.

UNECA also devoted its Economic Report on Africa 2008 to the theme "*Africa and the Monterrey Consensus: Tracking Performance and Progress*. All these reports will be useful reference materials for African policy-makers, including LDCs in their preparation for the UN Follow-up International Conference on Financing for development slated for September 2008 in Doha, Qatar.

Conclusion

An assessment of the implementation of the Brussels Programme of Action in Africa shows that African LDCs still face considerable challenges in meeting the goals and targets of the BPOA. Economic performance has improved in a large number of African LDCs as evidenced by improved growth, rising exports and a relatively stabile macroeconomic environment. This, notwithstanding, the persistence and severity of poverty remains a serious problem in African LDCs.

Furthermore, African LDCs lack the required internal capacity for sustained growth and development. The average Gross Domestic Savings ratio of 15 per cent over the period 2000-2006 is small relative to investment requirement to finance a meaningful growth rate to meet the MDGs. Furthermore, the financial system in most African LDCs is shallow and thus limits LDCs' capacity to mobilize additional finance for development. Not surprisingly, investment to GDP ratio is small (averaging around 18 per cent) over the period 2000-2006, which is considerably below the BPOA target of 25 per cent of GDP. This, coupled with weak technological innovation and adaptation constrain the development of productive capacities in African LDCs, which is critical for sustained economic growth and poverty reduction.

In response to this challenge, and cognizant of the fact that the majority of its member States are LDCs, ECA has sharpened the focus of its activities on the special problems of LDCs. Through its interventions in the area of trade, finance, gender, governance, ICT and statistical development, the commission has sought to strengthen the capacity of LDCs to formulate and implement policies and programmes aimed at ensuring sustained growth and human development. As a result a large number of African LDCs are implementing MDG-based PRSPs, which are prioritizing social development with gender equality and women empowerment as explicit objectives. Furthermore, recognizing the unprecedented opportunities presented by globalization, LDCs are participating actively in multilateral trade negotiations and other international fora—often forging strategic alliances with like-minded groups of developing countries to defend their common interests.

However, more remains to be done by LDCs themselves to accelerate progress towards the goals and targets of the Brussels Programme of Action and more generally the Millennium Development Goals. The Ministerial Meeting of the African Least Developed Countries, held on 5-8 June 2006 in Cotonou, Benin, adopted the Cotonou Strategy—an action-oriented framework highlighting additional measures needed to further the implementation of BPOA. The implementation of the Cotonou Strategy will go a long way in accelerating progress towards the goals of the Brussels Programme of Action.

Appendix 1A. Domestic savings and investment ratios in African LDC (2000-06)

Country	2000	2001	2002	2003	2004	2005	2006
Gross Domestic Investment (% of GDP)							
Angola	15.1	13.4	12.6	12.7	9.1	7.5	..
Benin	18.9	19.2	17.7	18.8	18.2	19.6	..
Burkina Faso	22.7	18.9	17.8	18.7	..	..	..
Burundi	6.1	6.2	6.4	11.3	13.7	12.1	..
Cape Verde	19.7	18.3	20.9	18.7	..	..	20.9
Central African Republic	10.8	14.0	14.8	..	..	..	..
Chad	23.3	40.3	60.2	52.4	24.3	20.2	21.5
Comoros	10.1	10.1	11.0	10.3	9.4	9.3	9.8
Congo, Dem. Rep.	3.5	5.2	9.0	12.2	12.8	14.2	16.2
Equatorial Guinea	58.8	71.5	31.3	58.3	44.5	37.7	40.6
Eritrea	31.9	28.7	26.0	25.4	22.8	20.1	18.7
Ethiopia	19.2	19.5	22.4	21.6	21.4	20.5	19.8
Gambia, The	17.4	17.4	21.2	20.3	28.1	25.0	24.3
Guinea	19.7	15.4	13.5	10.2	11.3	13.8	12.9
Guinea-Bissau	11.3	15.0	9.6	12.6	13.2	14.6	17.2
Lesotho	42.6	40.8	41.6	41.2	35.9	35.1	37.2
Liberia	..	4.9	4.7	9.4	13.2	16.5	..
Madagascar	15.0	18.5	14.3	17.9	24.3	22.5	24.8
Malawi	13.6	14.9	11.4	11.8	15.3	15.3	16.3
Mali	24.6	31.0	18.6	24.2	21.0	22.7	24.1
Mauritania	19.4	22.0	21.1	25.9	46.4	44.8	23.3
Mozambique	33.5	25.9	29.8	27.4	22.6	21.7	24.9
Niger	11.4	12.1	14.2	14.2	16.4	18.5	..
Rwanda	17.5	18.4	16.9	18.4	20.5	22.4	21.4
Sao Tome and Principe	..	..	..	..	..	..	..
Senegal	20.9	19.2	16.7	20.7	23.4	23.4	23.7
Sierra Leone	8.0	6.7	10.1	13.9	10.6	15.0	15.0
Somalia	..	..	..	..	..	..	..
Sudan	18.3	17.6	19.5	20.0	22.5	23.6	24.6
Tanzania	17.6	17.0	19.2	18.7	18.3	18.2	18.6
Togo	17.8	20.4	18.5	18.9	18.0	18.4	..
Uganda	20.0	18.6	19.3	20.5	22.3	21.2	24.9
Zambia	18.7	20.0	23.0	26.1	26.0	25.8	27.1
Djibouti	8.8	7.9	10.0	14.3	22.0	24.3	..
Gross domestic savings (% of GDP)							
Angola	41.8	15.1	23.9	19.2	25.1	32.8	..
Benin	6.0	6.5	3.7	6.0	5.5	6.9	..
Burkina Faso	6.5	5.0	4.7	3.9	..	..	..
Burundi	-7.3	-9.0	-11.4	-8.2	-8.4	-15.8	..
Cape Verde	-14.2	-15.1	-15.7	-15.8	..	..	-2.1
Central African Republic	7.8	11.1	10.3	..	..	..	..

Country	2000	2001	2002	2003	2004	2005	2006
Chad	5.5	5.3	..	18.1	24.5	35.6	42.0
Comoros	-5.7	-5.2	-4.0	-5.8	-10.6	-12.9	-14.0
Congo, Dem. Rep.	4.5	3.2	4.0	5.0	4.0	6.5	4.7
Equatorial Guinea	72.0	80.8	78.1	78.7	83.0	86.9	84.9
Eritrea	-34.7	-27.0	-33.7	-59.7	-61.4	-26.8	-23.3
Ethiopia	6.8	7.4	7.8	6.6	3.7	-1.6	-6.1
Gambia, The	8.5	12.0	12.9	11.1	10.5	4.4	..
Guinea	15.4	14.1	9.5	7.8	7.3	11.1	10.2
Guinea-Bissau	-8.5	-19.3	-12.1	1.2	-3.0	1.5	6.2
Lesotho	-20.6	-16.6	-19.8	-17.3	-14.7	-4.8	-7.0
Liberia	..	-3.4	-3.3	-3.2	-0.7	2.4	..
Madagascar	7.7	15.3	7.7	8.9	9.4	8.4	13.6
Malawi	3.8	3.8	-10.1	-10.7	-9.1	-9.5	-8.5
Mali	12.0	14.0	11.3	13.3	8.6	9.8	21.5
Mauritania	-8.6	3.1	-1.9	-5.0	-3.1	-15.0	18.8
Mozambique	11.6	8.0	11.0	11.7	14.3	11.9	20.2
Niger	3.5	4.4	5.3	5.0	6.1	9.3	..
Rwanda	1.3	2.6	0.0	-0.8	2.4	2.0	1.6
Sao Tome and Principe	..	..	..	..	..	..	..
Senegal	10.9	9.5	5.6	7.7	9.8	9.0	8.8
Sierra Leone	-13.3	-11.6	-9.4	-7.4	-1.9	-2.3	0.1
Somalia	..	..	..	..	..	..	..
Sudan	15.9	9.8	13.3	15.7	18.7	13.8	14.1
Tanzania	10.2	8.8	11.8	12.0	11.2	10.9	12.0
Togo	-2.2	1.0	0.6	5.3	4.5	4.9	..
Uganda	8.1	6.5	4.7	6.3	8.4	7.1	7.9
Zambia	8.3	17.3	17.7	18.7	18.2	17.0	18.1
Djibouti	-6.5	-0.6	4.9	5.2	4.8	7.3	..

Source: World Bank Online Database