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THE LEAST DEVELOPED COUNTRIES REPORT 2011

The Potential Role of South-South Cooperation for Inclusive and Sustainable Development

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New York and Geneva, 2011

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What are the least developed countries?

Forty-eight countries are currently designated by the United Nations as “least developed countries” (LDCs). These are: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People’s Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, the Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

The list of LDCs is reviewed every three years by the United Nations Economic and Social Council in the light of recommendations by the Committee for Development Policy (CDP). The following three criteria were used by the CDP in the latest review of the list of LDCs, which took place in March 2009:

(a) A “low-income” criterion, based on a three-year average estimate of the gross national income (GNI) per capita, with a threshold of $905 for possible cases of addition to the list, and a threshold of $1,086 for graduation from LDC status;

(b) A “human assets weakness” criterion, involving a composite index (the Human Assets Index) based on indicators of (i) nutrition (percentage of the population that is undernourished); (ii) health (child mortality rate); (iii) school enrolment (gross secondary school enrolment rate); and (iv) literacy (adult literacy rate); and

(c) An “economic vulnerability” criterion, involving a composite index (the Economic Vulnerability Index) based on indicators of (i) natural shocks (index of instability of agricultural production, share of the population made homeless by natural disasters); (ii) trade shocks (an index of instability of exports of goods and services); (iii) exposure to shocks (share of agriculture, forestry and fisheries in GDP; index of merchandise export concentration); (iv) economic smallness (population in logarithm); and (v) economic remoteness (index of remoteness).

For all three criteria, different thresholds are used for identifying cases of addition to, and cases of graduation from, the list of LDCs. A country will qualify to be added to the list if it meets the addition thresholds on all three criteria and does not have a population greater than 75 million. Qualification for addition to the list will effectively lead to LDC status only if the government of the relevant country accepts this status. A country will normally qualify for graduation from LDC status if it has met graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews of the list. However, if the GNI per capita of an LDC has risen to a level at least double that of the graduation threshold, the country will be deemed eligible for graduation regardless of its performance under the other two criteria.

Only three countries have so far graduated from LDC status: Botswana in December 1994, Cape Verde in December 2007 and Maldives in January 2011. In March 2009, the CDP recommended the graduation of Equatorial Guinea. This recommendation was endorsed by the Economic and Social Council in July 2009 (Resolution 2009/35), but the General Assembly had not, by September 2011, confirmed this endorsement. In September 2010, the General Assembly, giving due consideration to the unprecedented losses which Samoa suffered as a result of the Pacific Ocean tsunami of 29 September 2009, decided to defer to 1 January 2014 graduation of that country.

After a CDP recommendation to graduate a country has been endorsed by the Economic and Social Council and the General Assembly, the graduating country is granted a three-year grace period before graduation effectively takes place. This grace period, during which the country remains an LDC, is designed to enable the graduating State and its development and trade partners to agree on a “smooth transition” strategy, so that the possible loss of LDC-specific concessions at the time of graduation does not disrupt the socio-economic progress of the country.

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An ad hoc expert meeting on "South–South Integration and Cooperation for the Sustainable Development of LDCs" was held in Geneva on 11 and 12 April, 2011. It brought together specialists in the fields of international finance and development financing, South–South cooperation, macroeconomic policies, poverty and labour economics, and the role of developmental State in accelerating economic development. The participants in the meeting were: Rashmi Banga, Ben Fine, Pierguiseppe Fortunato, Charles Gore, Stephany Griffith-Jones, Richard Kožul-Wright, Željka Kožul-Wright, Antonio Carlos Macedo e Silva, Moazam Mahmood, Amelia Paulino-Santos, Igor Paunovic, Alfredo Saad-Filho, Gyekye Tanoh, Taffere Tesfachew and Giovanni Valensisi.

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The term "dollars" ($) refers to United States dollars unless otherwise stated. The term "billion" signifies 1,000 million.

Annual rates of growth and changes refer to compound rates. Exports are valued f.o.b. (free on board) and imports c.i.f. (cost, insurance, freight) unless otherwise specified.

Use of a dash (–) between dates representing years, e.g. 1981–1990, signifies the full period involved, including the initial and final years. An oblique stroke (/) between two years, e.g. 1991/92, signifies a fiscal or crop year.

The term "least developed country" (LDC) refers, throughout this report, to a country included in the United Nations list of least developed countries.

In the tables:

Two dots (..) indicate that the data are not available, or are not separately reported.

One dot (.) indicates that the data are not applicable.

A hyphen (-) indicates that the amount is nil or negligible.

Details and percentages do not necessarily add up to totals, because of rounding.

Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
ASEAN	Association of Southeast Asian Nations
BIMP–EAGA	Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BPoA	Brussels Programme of Action for the Least Developed Countries for the Decade 2001–2010
CABC	Chinese African Business Council
CDP	Committee for Development Policy (UN-DESA)
CDS	catalytic developmental State
CIS	Commonwealth of Independent States
DAC	Development Assistance Committee (OECD)
DS	developmental State
ECA	Economic Commission for Africa
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
FOCAC	Forum on China-Africa Cooperation
GCC	Gulf Cooperation Council
GDP	gross domestic product
GMS	Greater Mekong Subregion
GNI	gross national income
HIPC	highly indebted poor country (also HIPC Initiative)
IBSA	India, Brazil and South Africa
ICT	information and communication technology
IFI	international financial institutions
ILO	International Labour Organization
IMF	International Monetary Fund
IPoA	Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020
LDC	least developed country
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
n.e.s.	not elsewhere specified
NGO	non-governmental organization
NIDA	New International Development Architecture
NIE	newly industrialized economy
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
OHRLLS	Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
PRSP	Poverty Reduction Strategy Paper
R&D	research and development
RDB	regional development bank
RSM	regional support measure
S&T	science and technology

SADC	Southern African Development Community
SCME	State-controlled mixed enterprises
SEZ	special economic zones
SME	small and medium-sized enterprise
SOE	State-owned enterprise
STI	science, technology and innovation
SWF	Sovereign Wealth Fund
TNC	transnational corporation
UNCTAD	United Nations Conference on Trade and Development
UN-DESA	United Nations Department of Economic and Social Affairs
UN-OSAA	United Nations Office of the Special Adviser on Africa
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Classifications used in this Report

The least developed countries (LDCs) covered in this Report consist of all the 49 countries belonging to that category in 2010, as classified by the United Nations. Although Maldives graduated from LDC status as of 1 January 2011 (see box below), it is still included for analytical purposes as an LDC, since the data in this report do not refer beyond the year 2010, when Maldives was still part of the LDC group.

The following classifications have been used in this report, depending on the specific purpose of the analysis.

LDCs

Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia.

Geographical classification of LDCs

African LDCs (and Haiti): Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia.

Asian LDCs: Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal, Yemen.

Island LDCs: Comoros, Kiribati, Maldives, Samoa, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu.

Other country groupings

Developed economies: Andorra, Austria, Australia, Belgium, Bulgaria, Bermuda, Canada, Cyprus, Czech Republic, Denmark, Estonia, Faeroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Holy See, Hungary, Iceland, Ireland, Italy, Israel, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Saint Pierre and Miquelon, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America.

European Union: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

Transition economies: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Montenegro, Republic of Moldova, Russian Federation, Serbia, Tajikistan, The former Yugoslav Republic of Macedonia, Turkmenistan, Ukraine, Uzbekistan.

All developing countries: All other countries, territories and areas in Africa, Asia, America, Europe and Oceania not specified above.

Other developing countries: All developing countries excluding LDCs.

Newly industrialized economies, first tier: Hong Kong (Special Administrative Region of China), Republic of Korea, Singapore, Taiwan Province of China.

Countries with membership of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD): Australia, Austria, Belgium, Canada, Denmark, European Union, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Spain, Sweden, Switzerland, United Kingdom, United States.

Low-income, lower-middle-income, upper-middle-income and high-income countries: The classification used is that of the World Bank, as of July 2011, available from http://data.worldbank.org/about/country-classifications/country-and-lending-groups .

Advanced economies and emerging and developing economies: The classification used is that of the International Monetary Fund in the Statistical Appendix of the *World Economic Outlook 2011*, available from http://www.imf.org/external/pubs/ft/weo/2011/01/pdf/statapp.pdf .

Product classification

For analytical purposes, merchandise exports and imports have been classified, where appropriate, according to main product groups. Following the codes used in the Standard International Trade Classification (SITC), revision 3, product groups are designated as follows:

All food items: 0 + 1 + 22 + 4

Agricultural raw materials: 2 less 22, 27 and 28

Ores, metals, precious stones: 27 + 28 + 68 + 667 + 971

Fuels: 3

Manufactured goods: 5 to 8 less 667 and 68

Other goods non elsewhere specified: 9 excluding 971

Primary commodities excluding fuels: 0 + 1 + 2 + 4 + 68 + 667 + 971

Graduation of the Maldives from the Group of Least Developed Countries

Maldives was admitted to the category of LDCs in 1971, at the inception of LDC status. In 2000, the Committee for Development Policy observed that the performance of Maldives with regard to the critieria of income per capita and human capital was 27 per cent and 12 per cent, respectively, above the relevant graduation thresholds, and that the country's score under the new economic vulnerability criterion was only marginally below the relevant threshold of 96 per cent. The Committee accordingly found Maldives eligible for graduation, and recommended that the country be taken off the LDC list. The Committee, at the request of the Economic and Social Council (ECOSOC), re-examined the graduation case of Maldives in 2001, taking the view that "the high vulnerability of Maldives was not deemed sufficient for the Committee not to recommend graduation" from LDC status. Then ECOSOC decided to defer to the 2003 review of the list of LDCs the question of Maldives' graduation.

The 2003 review of the list generated broadly similar results regarding Maldives, which by then had a per capita income level more than double the relevant graduation threshold (220 per cent). ECOSOC and the General Assembly did not act upon this recommendation until 2004, with General Assembly resolution 59/210 of 20 December 2004 formally endorsing the recommendation that Maldives (as well as Cape Verde) be graduated from LDC status. The countdown to Maldives' graduation was interrupted on 30 November 2005, when the General Assembly decided to grant Maldives, on an exceptional basis, a three-year moratorium on the graduation process. The 2005 deferral resolution (60/33), in which the General Assembly recognized the severe disruption that had been caused to Maldives by the 26 December 2004 tsunami, postponed to 1 January 2008 the formal commencement of the regular three-year transition period before graduation. As a result, the new date for Maldives' graduation was set to take place on 1 January 2011, and Maldives was formally removed from the LDC list on that date.

Despite its graduation, Maldives is considered an LDC in this Report for analytical purposes, given that the data considered do not refer beyond the year 2010, when it was still part of the LDC group.

In 2009, international tourism accounted for 81 per cent of Maldives' total export earnings; the relative prosperity of the country owes arguably little to LDC-specific benefits, which do not involve concessions in services trade. However, the preferential market access Maldives enjoyed as a result of the European Union Everything but Arms (EBA) initiative has supported the fishing industry — the second largest sector of the economy and an important source of income for many households. Losing LDC treatment could therefore pose a real challenge to Maldives. Accordingly, government authorities have made a consistent plea for "smooth transition" concessions: phasing out rather than abruptly eliminating LDC benefits. Hence, EBA treatment and the right to continue to benefit from the "enhanced integrated framework of trade-related technical assistance to LDCs" are not lost upon its graduation from LDC status.

OVERVIEW

Introduction

This year has been a significant one for the least developed countries (LDCs). From 9 to 13 May, Heads of State and Government and Representatives of States gathered in Istanbul for the Fourth United Nations Conference on the Least Developed Countries (LDC–IV) to discuss the specific development challenges facing the LDCs and to deliberate on actions which could best enable their accelerated, inclusive and sustainable development. At the end of the Conference, member States declared their collective commitment to a renewed and strengthened global partnership for the development of the LDCs, and they adopted a new Programme of Action for the Least Developed Countries for the Decade 2011–2020.

The overarching goal of the Istanbul Programme of Action (IPoA) is "to overcome the structural challenges faced by least developed countries in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category" (para. 27). This goal is expected to be achieved through national policy actions and international support, which focus on (a) achieving sustained, equitable and inclusive economic growth in LDCs of at least 7 per cent per annum; (b) building human capacities; (c) reducing the vulnerability of LDCs to economic shocks and disasters, as well as climate change, and strengthening their resilience; (d) ensuring enhanced financial resources and their effective use; and (e) ensuring good governance at all levels. The aim is to enable half the LDCs to reach the criteria for graduation by 2020 (para. 28).

An important feature of the IPoA is the enhanced importance given to building the productive base of LDCs' economies and promoting structural change. In this regard, one third of the priority actions agreed by LDCs and their traditional development partners focus on (a) productive capacity–building; (b) agriculture, food security and rural development; (c) trade; and (d) commodities.

Only two LDCs graduated from LDC status during the last decade. It will therefore need a major up-scaling of effort at both national and international levels to ensure that at least half the LDCs reach the graduation criterion over the next 10 years. For part of the last decade, the gross domestic product (GDP) of the LDCs as a group grew by over 7 per cent. However, this growth did not generate sufficient productive employment opportunities, despite a rapidly growing labour force. Poverty reduction has therefore been slow. A shift in the development model is required to promote sustained and inclusive economic growth.

The key to achieving the ambitious goals of the IPoA is implementation. LDCs themselves have committed to integrate the policies and measures in the IPoA into their national and sectoral development strategies. Development partners have committed to integrate it into their respective national cooperation policy frameworks, programmes and activities. And developing countries have also committed to support effective implementation consistent with their capacities and through South–South cooperation. As paragraph 12 puts it:

"Guided by the spirit of solidarity with least developed countries, developing countries, consistent with their capabilities, will provide support for the effective implementation of the programme of action in mutually agreed areas of cooperation within the framework of South–South cooperation, which is a complement to, but not a substitute for, North–South cooperation".

The *Least Developed Countries Report 2011* focuses in particular on the potential role of South–South cooperation in supporting inclusive and sustainable development in LDCs. It puts forward a policy framework for enhancing the development impact of South–South cooperation. And it proposes how to leverage South–South financial cooperation for development in the LDCs.

Recent economic trends and long-term outlook and development perspective

In 2010, LDCs grew by 5.7 per cent, one percentage point higher than in 2009, but far below the average of 7.1 per cent attained during the boom period. Asian LDCs fared better than African and island LDCs, both during the crisis and afterwards, because of the "pull" effect of their regional trading partners, and their more diversified export structure. Although the LDCs taken as a group did not experience a contraction of economic activity during the global recession, one fifth of them did fall into a recession. The growth rate on a per capita basis was negative in

18 LDCs in 2009 and in 9 in 2010. Finally, six LDCs saw their economic growth in per capita terms contract in two consecutive years (2009 and 2010).

The outlook for the medium term is that the high growth rates of the pre-crisis economic boom are unlikely to be achieved. The International Monetary Fund (IMF) forecasts for the LDCs indicate that the growth rates from 2009 to 2016 would be on average around 5.8 per cent, i.e. almost one and a half percentage points slower than during the boom period. Thus, in the next five years, LDCs as a group would not be able to reach the growth rate of 7 per cent, which is one of the main goals of the IPoA for the decade 2011–2020. Forecasts by country indicate that only 10 LDCs of the total of 48 would reach the target rate.

International trade has a decisive influence on the economic performance of LDC economies. While the value of export of merchandise from the LDCs grew five-fold from 2000 to 2008, the volume exported increased by only 97 per cent. This illustrates the strong effect of commodity prices on the export boom during the 2000s. Exports declined sharply in value terms in 2009 (-28 per cent), driven by the slump in the exports of African LDCs (-33.6 per cent). They have since recovered, partly owing to higher commodity prices. But the exports of goods in 2010 were still below the 2008 level.

The substantial increase in fuel and food prices in the last two years has again adversely affected many LDCs. Combined with a drought in Eastern Africa, it has led not only to food insecurity but also to a widespread famine affecting around 9 million people in 2011. Given the high commodity dependence of the LDCs, both as net exporters and net importers, the volatility of their prices has clear detrimental consequences for these economies.

One of the salient features of the high growth rate during the 2000s in the LDCs was the increase in external financial flows. While the sum of foreign direct investment (FDI) inflows and workers' remittances barely reached $10 billion at the beginning of the decade, they were more than five times greater in 2008. However, the global recession reversed some of these previous trends, so the FDI in 2010 ($26.4 billion) was $6 billion smaller than in 2008 ($32.4 billion). In contrast, workers' remittances continued to grow even during the crisis, albeit more slowly. Likewise, the net ODA disbursement, together with the net debt relief, increased from almost $13 billion in 2000 to $38.6 billion in 2008. The aid to LDCs has continued to increase, even during the crisis, and reached a record level of $40.1 billion in 2009, the equivalent of 8.3 per cent of their GDP.

The current external conditions are such that lower growth rates and lower export dynamism of the LDCs may be expected in the present decade, coupled with more volatility, especially in commodity prices, and most worryingly, high fuel and food prices. The trends also portend somewhat weaker private external capital inflows and possibly less aid. The recovery from the recent food, energy and economic crisis is, at best, partial in the LDCs, and the current world economic situation and the outlook in the mid-term are not promising either.

The development challenge in long-term perspective

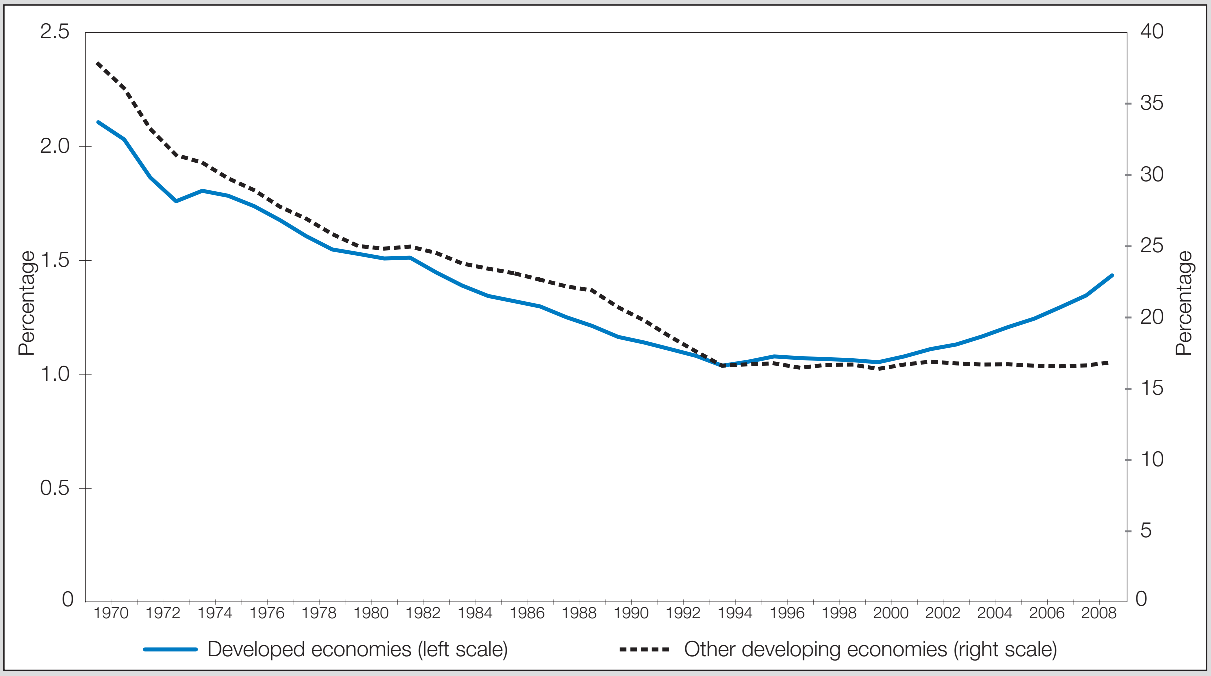
The scale of the development challenge facing LDCs is not simply a matter of the new post-crisis global economic environment — it also must be understood against the background of long-term economic and social trends.

In this regard, the continuing marginalization of LDCs in the global economy is apparent in a number of dimensions. While LDCs represent a significant and increasing share of world population (12 per cent in 2009), their contribution to global output remains below 0.9 per cent, considerably lower than what it was in the mid-1970s. In other words, one eighth of the world's population produces less than one 100th of the world total GDP. With regard to international trade, the LDCs' share of world merchandise exports hovered around 0.6 per cent between the 1980s and the early 2000s, and has climbed to 1 per cent more recently. The bulk of the recent improvements, however, is accounted for by fuels; excluding that product line, LDCs accounted for only 0.53 per cent of world exports in 2009.

The position of LDCs looks marginally better with regard to FDI flows. In 2009, their economies received around 2.5 per cent of total FDI inflows worldwide. This does indeed represent a small improvement compared to the last couple of decades, but should be evaluated against a global context of surging FDI flows to developing countries, and growing demand for primary commodities.

Finally, relative to other country groups (developed economies and developing economies excluding the LDCs), the real GDP per capita in LDCs decreased from the beginning of the 1970s until the mid-1990s (chart 1). During that period, the LDCs real GDP per capita, relative to that of developed countries, declined from above 2 per cent to only

Chart 1. Real GDP per capita in LDCs relative to other country groups, 1970–2009



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

1 per cent. Relative to the real GDP per capita of other developing countries, the LDCs had fallen from almost 40 per cent of their level in 1970 to less than 20 per cent by the mid-1990s. The increased dynamism of LDC economies during the 2000s has reversed these trends. But the real GDP per capita of LDCs was only 1.5 per cent of that of developed economies in 2009. Moreover, despite the economic boom in LDCs in the 2000s, there has been no improvement of the real GDP per capita of LDCs relative to other developing countries. Thus, even with the growth performance they recorded during the 2000s, LDCs were not able to start a process of closing the gap with other developing economies. To embark on a sustained catching-up path, the LDCs will have to substantially improve their economic performance.

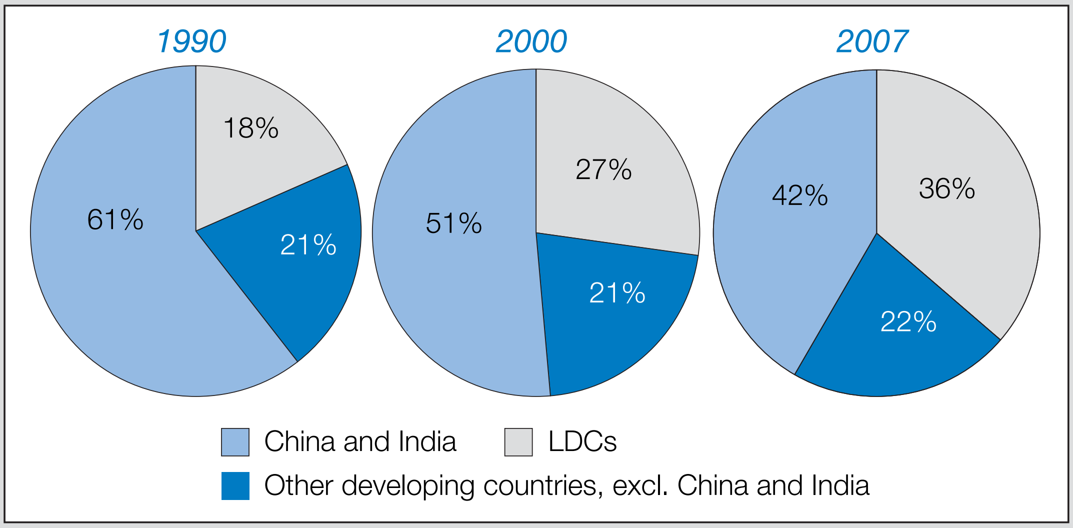
Turning to social trends, UNCTAD's assessment of poverty reduction trends and millennium development goals (MDG) achievements *(Least Developed Countries Report 2010:* chapter 1) indicates that some progress is being made in the LDCs, with an acceleration of achievement since 2000. Poverty reduction is, however, particularly weak and most LDCs are off track to meet most human development MDGs. Overall progress is very slow.

The main feature of poverty in LDCs remains its all-pervasive and persistent nature: in 2007, 53 per cent of the population was living on less than $1.25 a day, and 78 per cent on less than $2 a day. This implies that 421 million people were living in extreme poverty in LDCs that year. The incidence of extreme poverty was significantly higher in African LDCs, at 59 per cent, than in Asian LDCs, at 41 per cent. For the $2-a-day poverty line, however, the difference was less marked: 80 per cent in African LDCs and 72 per cent in Asian LDCs.

It is estimated that the number of extreme poor living in LDCs by 2015 will be 439 million, while if the MDG target were achieved it would be only 255 million.

Another way of looking at these trends is to compare the share of total number of people living in extreme poverty in developing countries who are in LDCs (chart 2). In 1990, China and India accounted for 61 per cent of the people living in extreme poverty in all developing countries. By 2007, this figure has gone down to 42 per cent, largely owing to China, where the number of poor people more than halved in 20 years. In contrast, the share of the global extreme poor who were living in LDCs has increased from 18 per cent in 1990 to 27 per cent in 2000, and reached 36 per cent in 2007. Given current trends, and the continuation of business as usual, it is clear that, over time, LDCs will become the major locus of extreme poverty in the world.

Chart 2. Distribution of people living in extreme poverty across developing countries, 1990, 2000 and 2007
(Below $1.25/day)



Source: UNCTAD, 2011c.

A major effort will be needed to make a difference now and achieve the goals of the IPoA. This will require action in a variety of areas. This *Report* focuses on the potential for South–South cooperation.

The rise of the South: Development implications for LDCs

One of the key features of the last decade or so has been the rising importance of some developing economies in the global economy and the intensification of South–South economic relationships. From the point of view of the LDCs, the multi-faceted process of reconfiguration of the world economy has translated, most notably, into a remarkable strengthening of their economic ties with Southern countries. As a consequence, although traditional Northern partners remain crucial, South–South relations now play an important and increasing role in LDCs' integration into the world economy. Further, they are likely to acquire an even greater prominence in the future, given the significant downside risks that loom on the recovery in developed economies, as well as the need for a global rebalancing.

A critical development issue for LDCs is whether the dynamism of their intensifying relationships with Southern economies can serve as a springboard for developing their productive capacities, facilitating structural transformation, and providing more productive jobs and livelihoods, which are the necessary basis for substantial poverty reduction.

The type and importance of LDC-South economic relations

The intensification of economic ties between the LDCs and other developing countries is a complex and multifaceted process, encompassing not only trade and investment, but also migration and official financial flows.

UNCTAD's analysis of international trade shows that, throughout the 2000s, the rapid expansion in LDCs' exports and imports has been driven by a mounting prominence of Southern markets and sources of supply. By 2009, LDCs' merchandise exports to Southern partners were worth $68.5 billion. This compares with $59.5 billion to developed and transition economies. In other words, developing countries in 2009 absorbed more than half of LDCs' merchandise exports, up from 40 per cent at the beginning of the decade. The above shift in LDCs' export destinations has been paralleled by the simultaneous evolution of their merchandise imports. In a decade during which the LDCs' imports bill rose from $42 billion in 2000 to almost $144 billion in 2009 (after the peak in 2008), developing countries expanded their market share by roughly 10 percentage points. As a result, nowadays they account for well over half of LDCs' total merchandise imports.

An important feature of LDCs' trade with Southern partners, however, is its geographic concentration. A few large developing countries (mostly in the Asian region) account for the overwhelming share of LDCs' exports to and imports from the South. Such a concentration is coupled with huge asymmetries between individual LDCs and their main Southern partners, in terms of economic size, as well as the dependency on each other's market. The two Asian giants, China and India, play a particularly prominent role in LDCs' growing integration with other developing countries. China and India became respectively the first and fourth largest markets for LDCs' exports, and the second and third source of LDCs' imports in 2009. Beyond them, though, a much broader array of countries is involved in the multifaceted process of South–South economic integration, ranging — just to name a few — from Brazil to South Africa, from Thailand to Saudi Arabia, and from Malaysia to Turkey.

A major feature of the composition of exports from LDCs to developing countries is the important role of commodity exports. Indeed, the growth of commodity exports has largely driven the expansion of LDCs' exports to the South while the growth of manufactures exports, often within the context of preferential market access schemes, has played a more prominent role in the expansion of LDCs' exports to the North. In 2009, only 15 per cent of LDCs' total manufactures exports went to Southern markets, while the latter received over half of LDC total exports of fuel and minerals. Besides, as much as 68 per cent of LDC agricultural raw materials exports (including products like cotton) were sent to Southern destinations. Manufactures imports, particularly from China, India, South Africa and Thailand, dominate the composition of imports of LDCs from developing countries.

Though less discussed in the literature, migration-related issues also deserve great attention in the context of the growing South–South economic relations. While data reliability is far from perfect, it is estimated that only one of four migrants coming from the LDCs moved to a developed country. One of five went to another LDC, and approximately half of all migrants went to other developing countries. Accordingly, it is estimated that in 2010 two thirds of the nearly $26 billion of remittances received by the LDCs originated in Southern countries, despite the fact that migrants working in developed nations tend to remit larger sums. In particular, Southern economies such as India, Saudi Arabia, Gulf Cooperation Council countries and South Africa play an important role for diasporas originating in many LDCs, including the largest recipients of remittances, namely Bangladesh, Nepal and Sudan.

Finally, there are increasing financial flows between LDCs and other developing countries, including both FDI and official financial flows. Between 2003 and 2010, when total FDI inflows to the LDCs were growing on average at nearly 20 per cent per year, the share of FDI projects accounted for by Southern investors climbed from 25 per cent to upwards of 40 per cent. While these investments are still largely related to extractive industries, there are signs of incipient diversification to other economic sectors, such as finance, telecommunication, tourism and manufacturing, with promising implications in terms of innovation and technological transfers. Southern official flows to LDCs have also surged rapidly over the last few years. Though South–South official financial flows are rather small in relationship to traditional ODA disbursements to LDCs, their focus on infrastructure and productive sectors render them very conducive to developing productive capacities.

Development implications for LDCs

The *Report* suggests that the development implications of these intensifying and multi-dimensional economic relationships between LDCs and other developing countries can be analysed through three major approaches: (a) the flying geese paradigm, (b) a traditional centre-periphery model, and (c) a growth pole approach.

The first approach — the flying geese paradigm — presents a broadly positive picture of evolving economic relationships between more advanced and less advanced developing economies which occurs as the former industrialize. It explains the successes of Newly Industrializing Economies by relating the life cycle of particular sectors over their course of development, with the relocation of industries from more advanced to less advanced countries in the region in response to shifts in competitiveness. Once they manage to emulate the "leader" and establish themselves as exporters of a new product, the "followers" are gradually encouraged by competitive pressures to repeat the same pattern of relocation to their less developed neighbours. Simultaneously, more advanced economies not only climb up the ladder of product sophistication, but also function as export markets for the "followers", by allowing reverse import. If the "follower" countries are in the same region, then the whole process fosters greater regional integration. The mental image of countries as flying geese, all advancing together but at different stages of development, can act in this context as an important indicative programme which establishes expectations.

The second approach is the traditional centre-periphery model. In contrast to the flying geese paradigm, this presents a negative view of the development impact of the rise of the South on LDCs. The centre-periphery model emphasizes the reproduction of old North–South relationships within the South, with the smaller and poorer countries being locked in to commodity dependence, and with asymmetric bargaining power.

The third approach is a growth pole approach. This recognizes that in the context of increasing global interdependence, large and dynamic developing countries have emerged as growth poles in the global economy. Growth poles can exert both positive and negative influences on the economic space to which they are related through a complex field of multifaceted forces.

The evidence presented in this *Report* indicates that the emerging patterns of trade and FDI flows are to some extent reminiscent of the centre-periphery dynamic. However, the actual pattern is more complex, as growing demand for natural resources from Southern countries is increasing the bargaining power of LDCs and boosting domestic resource mobilization thus enabling more policy space. Vibrant South–South trade is also broadening LDCs' access to low-priced intermediates and consumer goods, with unambiguous benefits for firms using those inputs, as well as final consumers, but some potentially detrimental effects on import-competing industries.

But beyond trade, the emergence of Southern growth poles has provided many LDCs with broader access to financial resources, through workers' remittances, private and official flows, as well as greater opportunities for technological upgrading. Partly in line with the flying geese paradigm, the incipient insertion of some LDCs into regional and subregional production networks may open up new opportunities of structural transformation, skills acquisition, and technological upgrading. This is particularly evident in Asia, where policy is playing an important role to facilitate the dynamic development of the regional division of labour and growing regional interdependence.

The specificities of each country, the multiple channels through which South–South relations take place, and the set of potential partners are so rich that no single narrative could possibly account for all aspects. But the growth pole approach, which recognizes an array of external effects from the rapid growth and transformation of a few rapidly growing developing countries, some of which are negative and some of which are positive, appears to be the most rounded approach. The key question, from the point of view of LDCs' development objectives, is to what extent these emerging relationships can be leveraged to promote the development of productive capacities and the diversification of their economies.

The next section of this overview summarizes a policy framework to help LDCs forge a proactive and strategic approach to their integration with Southern partners, while the final section presents a practical application of this framework for leveraging South–South financial cooperation for LDCs' development.

Activating the developmental State in LDCs: The role of South–South cooperation

The argument developed in this *Report* is that the benefits of South–South cooperation will be greatest when a dynamic (two-way) relationship is established in which policies carried out by "catalytic" developmental States in LDCs and South–South cooperation reinforce each other in a continual process of change and development. In such a dynamic relationship, South–South cooperation supports both the building of the catalytic developmental State in LDCs and the successful achievement of its objectives. The catalytic developmental State in LDCs in turn enhances and shapes the benefits of South–South cooperation. New modalities and structures are required to strengthen the interdependence between the two phenomena in the post-crisis environment. In this regard, developmental regionalism is particularly important.

The catalytic developmental State

There is a real and significant opportunity for rapid poverty reduction in LDCs through the development of productive capacities and associated expansion of productive employment. It can emerge from mobilizing underutilized resources, as well as the addition of new capacity through (a) investment in agricultural productivity, plant and equipment; (b) the diffusion of available technologies; (c) public spending on infrastructure, skills and capabilities; and (d) the creation of new products and markets.

There is no single way to combine these elements into a single "correct" strategy for inclusive growth. However, if history is any guide, a cohesive, strong, catalytic and effective State responsive to the needs of its constituents is one of the prerequisites for defining the content of a long-term development strategy.

The modalities, role and reach of the State in national economic management have tended to fluctuate over time. However, in all dynamic developing economies and in all countries now classified as developed market economies, the government has played an influential role in promoting and supporting economic development. In this context, the coordinating function of the developmental State is stressed, as well as its role in formulating a development vision and creating the policy space required to combine and integrate policy measures in support of structural transformation.

The *Report* defines the developmental State as a set of institutions, tools, capacities and capabilities committed to national development, with a capacity to implement its articulated economic and social strategies. But within this broad definition, it is possible to identify a number of different visions of the developmental State, including the East Asian developmental State and developmental State rooted in Latin American structuralism. Due to the specific vulnerabilities and structural constraints of LDCs and their initial conditions, there is a need to develop a more appropriate model of developmental State, which is especially tailored for LDCs. This *Report,* therefore, proposes the Catalytic Developmental State (CDS).

The CDS focuses on creating new productive capacities rather than "re-allocating" *given* resources and putting *given* productive capacities to more efficient use. In other words, its focus is on creating dynamic comparative advantage, and ensuring financial resources for long-term investment and for evolution of new productive capacities. The CDS approach is more holistic and integrated, encompassing both economic and social development, and needs to ensure that such development is served by finance rather than the other way around.

Each CDS will need to choose the trajectory of development suited for its own economy, ranging from the traditional path toward "modernity" through Rostow's well-established stages of development, including industrialization via textile and garments and other labour-intensive commodities, or through technological leapfrogging into services or skill-intensive capital goods. The CDSs have to identify and promote the type of industrialization which is best suited for the particular LDC. This type of search makes up a key component of the new functions of the CDS. Rather than taking industrialization as a given trajectory for all LDCs, the CDS "searches" (tries, experiments pragmatically) for the optimal path of development in its own economy, including choosing the optimal form of productive transformation, a process which requires policy space.

At early stages of development, the initiatives of the CDS will not rely solely on market forces to generate the desired structural change and economic transformation. In order to accelerate growth, the CDS will need to carry out significant shifting and reallocating of national and possibly international assets and resources to the growth-enhancing sectors. For this purpose, the CDS in LDCs should engage in a more strategic type of integration into the global economy, rather than pursuing rapid trade liberalization based on current and given comparative advantage. The CDS should assist LDCs in achieving an optimal degree of economic openness according to their own needs and circumstances, as well as the form of their integration into the global economy.

The CDS model is thus underpinned by a theory of openness within a managed trade policy that may enable a country to concentrate its relatively scarce resources in areas of production where world demand is highly income- and price-elastic; additionally from this analytical perspective, it needs to promote the diffusion of knowledge of the kind of learning needed for continuous upgrading of the quality of all of the local factors of production. Essentially, trade needs to be managed in order to gain all of the above-mentioned benefits, especially in the context of low income economies which are overly specialized on natural resources. Openness works positively only if the phenomenon of learning is suitably institutionalized on the policy side, involving appropriate government interventions that would make the domestic economy more responsive to change.

The success of the CDS will depend on effective development governance, and in particular the capacity to achieve and sustain high rates of investment and to implement policies that encourage the acquisition and learning of new technologies. In all cases, the allocation of public investment is the primary function of the CDS, along with setting up of a pro-investment regulatory framework that would enable rapid catch-up growth that could accelerate economic development along the lines discussed in previous *Least Developed Countries Reports.* Moreover, the State needs legitimacy and to be a truly representative State, which will enable it to ensure a consensus for the development drive. This is a question of political will that involves what the ***Report*** calls "development contracts" or a social consensus in support of national development objectives.

The catalytic developmental State and South-South cooperation

The benefits of South-South cooperation will be greatest when there is a dynamic two-way relationship in which South–South cooperation supports the building of developmental State capacities and the objectives of developmental States in LDCs, while the developmental State in LDCs in turn generates and augments the development impact of South-South cooperation. Action is required by both the LDCs and their Southern development partners to create positive synergies between the catalytic developmental State and South–South cooperation.

What LDCs can do

For LDCs, national ownership and leadership of policies are *sine qua non* for enhancing the development benefits of any kind of development cooperation, whether North–South or South–South. Mainstreaming South–South cooperation, both interregional and intraregional, into the national development strategies of LDCs is thus a necessary condition to ensure that South–South cooperation promotes rather than hinders the achievement of inclusive and sustainable development in LDCs. It is clear that, with current policies, globalization has not fostered the desirable kind of structural change in LDCs that could pull labour from less to more productive activities. A CDS would seek to use South–South cooperation to reshape integration into the global economy in way which would enable the structural transformations that are necessary for creating decent and productive employment opportunities and achieving substantial poverty reduction. The CDS in LDCs should also be able to shape the integration into the global economy in a way that promotes learning and enhances resilience.

Although intensified South–South economic relationships are likely to become a central element of the approach of the CDS in shaping its strategic integration into the global economy, this should not be treated as a simple substitute for traditional North–South relationships. The latter remain crucially important for most LDCs. Thus, the challenge for LDCs is to maximize the development benefits of both North–South and South–South cooperation and to articulate them in a positive way. This is a daunting task, particularly given the different modalities of cooperation. However, the new opportunities associated with South–South cooperation should enable greater policy space for LDC governments.

To use this policy space effectively, it is important that LDCs develop institutions which allow them to integrate different forms of cooperation at the national level. As discussed in earlier *Least Developed Countries Reports,* one possible tool is the establishment of an aid management policy, which includes both an information system for tracking both North–South ODA flows and South–South official financial flows, as well as regular national forums in which LDC governments discuss with their cooperation partners the development effectiveness of their support.

What Southern partners can do

While LDCs themselves must exercise leadership to make the most of South–South cooperation, it is clear that South–South cooperation has certain features which can particularly support the building of developmental State capacities in LDCs and also help to overcome the constraints facing CDSs. Southern cooperation partners can best support the LDCs if their cooperation efforts accentuate these features.

Two features are particularly important.

Firstly, given the experience of major development partners in the South, South–South cooperation is more likely to support and encourage developmental State–building than traditional forms of development cooperation.

This can happen through three main channels: (a) supporting capacity–building efforts; (b) sharing policy lessons; and (c) providing alternative sources of finance.

The great potential for knowledge-sharing which supports policy learning and institutional experimentation in LDCs is rooted in the fact that all developing countries face similar challenges. Thus, even the largest dynamic Southern economies face problems with respect to poverty levels, technological gaps and non-level playing fields, similar to those which LDCs face, though to a much less severe degree. But on top of this, successful developing economies continue to formulate and implement developmental policies and to build developmental institutional arrangements. In short, policy-learning based on experiences from the more advanced developing countries may help LDCs to create new instruments and institutions to develop their productive capacities in a way which promotes structural transformation, employment generation and poverty reduction.

Policy learning can be encouraged in various ways, including (a) the organization of seminars and round tables; (b) sponsoring internships and visits of LDC officials in key development planning institutions and ministries; and (c) enabling academic exchange on development policies and strategies between research institutions and universities of LDCs and Southern partners. However, it should be noted that this requires resources and commitment. In general, technical capacity–building should be pursued as well as South–South policy dialogues to draw policy lessons from experience.

The provision of alternative sources of finance is another major channel through which South–South cooperation can support the building of the CDS in LDCs. Financing public investment, particularly in productive sectors and for physical and technological infrastructure, are critical functions of the developmental State. At present, the effectiveness of the State in LDCs is handicapped by a scarcity of public resources. Finance from other developing countries can directly enable policy initiatives in LDCs which do not correspond with the preferences of traditional donors. Moreover, new demand for natural resources from Southern partners can help to boost natural resource rents in LDCs, which can also support domestic resource mobilization. Helping to lift the financial resource constraint of LDC governments, either directly or through indirect effects on domestic resource mobilization, can be as important a form of South–South cooperation as helping to lift the technical capacity constraint through support for policy learning.

The second feature of South–South cooperation which is likely to be particularly supportive to LDCs is that building productive capacities has been much more integral to South–South cooperation than traditional development assistance. Thus, South-South cooperation can not only support developmental State–building, but also support the objectives of developmentally effective States.

There are three main channels through which South–South cooperation potentially supports the development of productive capacities in LDCs: (a) through official financial flows for production and economic infrastructure; (b) through investment and technology transfer and support for technological learning at the enterprise-level in LDCs; and (c) through the provision of preferential market access in a manner which permits, or even promotes, learning. Currently, the first is most important while the second and third are developing.

Although official financial flows from Southern partners to LDCs cover a wide range of activities, they tend to focus more on infrastructure and production sectors compared with traditional donors, who increasingly target the social sectors. The situation is particularly striking in Africa, where China, India and Arab countries are all active in the provision of infrastructure finance to African LDCs.

South–South technology transfer is also an important channel for developing productive capacities in LDCs. Technologies available in Southern countries are often more suitable to the needs and requirements of LDCs, at similar level of development, thereby confirming the scope for technology transfer. Moreover, the necessary human capital requirements for utilizing and adopting the new technologies, originating in the South, may be more absorbable, cost-effective, and generally more available in other developing countries than in the North.

One way in which Southern partners have been enabling learning in LDCs is through implementing specially-designed regional and bilateral free trade agreements in a way which provides LDCs with breathing space — extra time to liberalize — so that they have the time to help their domestic enterprises develop necessary capabilities to compete. In recent years, various Southern countries have started preferential trade schemes for LDCs in the form of duty-free, quota-free market access provisions. A critical issue is whether these schemes will provide a training ground for LDC enterprises to upgrade production. As discussed in the Report, this is not likely to be automatic. Thus, designing these schemes in such a way that can realize the nascent potential of South–South trade to support learning and upgrading is important.

The importance of mutual advantage

While a dynamic relationship can be established between CDSs in LDCs and South–South cooperation, it is clear that, for this to occur in practice, the relationship between LDCs and their Southern partners should not only be valuable to the former but also lead to mutual advantage.

In this regard, the fundamental principles of solidarity and mutual respect which underpin South–South cooperation are important. Given their shared histories of colonialism and neo-colonialism, similar initial conditions and familiar economic and political constraints, there are strong reasons to believe that South–South cooperation and integration can avoid reproducing the asymmetries and biases that have overshadowed traditional development cooperation.

However, South–South cooperation should not be thought of as a panacea for development and should not be romanticized. While the donor–recipient relationship characteristic of aid and development is absent in the context of South–South cooperation, this does not mean that all can participate on an equal basis. South–South trade, investment and development aid also include both complementary and competitive relations between the domestic interests of LDC nations and those of investors and exporters from more advanced developing countries.

Nevertheless, it is possible to identify a number of reasons why Southern partners may be motivated to engage in the types of cooperation suggested above and mutual advantages obtained with LDCs. In particular:

- There is a potential to create mutually beneficial market gains and opportunities for both partners. South–South cooperation should be seen as a policy tool that can facilitate the building of new markets both in terms of production and consumption.

- LDCs offer access to natural resources that their Southern partners need. Southern investment in LDCs in exploitation of these resources can be mutually beneficial for both parties provided the policy framework focuses on its developmental impact in LDCs.

- Regional prosperity and regional stability cannot be achieved without the participation of all the countries in the region, including the LDCs. Strategic geopolitical interests also play an important rational that provides motivation for cooperation with LDCs.

- Finally, it is clear that the LDCs can work jointly with Southern partners to better articulate their common voice and exercise its collective influence in all forums. Other Southern partners could also gain from broadening the voice and participation of a larger membership of countries, in order to better articulate the needs of developing countries in general.

Developmental regionalism

Developmental regionalism is an important mechanism through which the CDS and South–South cooperation can reinforce each other. Developmental regionalism is understood here as a development-led regionalism that accepts globalization as a historical trend, but rejects the market-led approach to globalization. Developmental regionalism aims at maximizing the benefits of regional cooperation with the goal of achieving an advantageous insertion of the members' economies into world markets. This goal is not an end in itself, but only a means to accelerate economic, social and human development.

Developmental regionalism is concerned with both (a) internal economic development and domestic integration, while at the same time, with (b) strategic integration of the regional trading blocs into the world economy. As it is the case with other forms of regionalism, the most basic level of cooperation covered by developmental regionalism is that of trade. Most LDCs lack a sufficiently large and diverse home market, (that could allow diversification of the industrial structure) and thus regional markets provide an important economic space within which learning over time can take place.

However, the concept of developmental regionalism goes beyond the domain of trade *per se*, and includes other, more ambitious forms of intervention, such as industrial policy. There are major opportunities for the achievement of economies of scale through the provision of various kinds of regional public goods which would benefit LDCs and other developing countries within regional groupings. Such regional public goods include various kinds of physical infrastructure supporting transport, communications and energy, as well as regional science and technology infrastructure and regional innovation systems.

In addition, with regard to the agricultural constraints to development in LDCs, reflected in their inability to generate surplus and to guarantee food security for all, joint adaptive research with neighbouring countries, regional storage facilities and coordinated investment programmes at the regional level can all make a difference. Financial deepening can also have a strong regional dimension through regional development banks, as will be discussed in more detail below. What all this can add up to is a type of regional industrial policy which can involve a variety of policy tools, and not only those traditionally associated to trade policies proper — from tariff and non-tariff barriers, to subsidies, concessional loans, direct provision of infrastructure and other public goods, promotion of research and development and science and technology activities, State-owned enterprises and State-controlled mixed enterprises, and many others. For greatest impact and efficiency, these policies should be harmonized and coordinated among participating countries in the regional association.

Under developmental regionalism, trade amongst regional partners is favoured with respect to extraregional trade, implementing strategic trade policies consistent with each member State's domestic industrial policies. Strategic trade policies may include traditional or less traditional tools — such as tariffs, import and export quotas and bans, technical and phytosanitary standards. In tandem with its holistic vision of development, regional trade can also be promoted through coordination of investment to strategic areas such as regional transport and other ancillary infrastructure. Prioritizing investment in strategic areas of common interest and common constraints can help to overcome the pre-existing bias against regional trade caused by the colonial legacy that characterizes many LDCs and other poor countries.

The *Report* discusses various successful examples of developmental regionalism, particularly in Asia, which illustrate the potential. These include trilateral cooperation between China, the Republic of Korea and Japan on developing new technologies and the catalytic role of the Asian Development Bank and the Brunei Darussalam–Indonesia–Malaysia–Philippines East Association of Southeast Asian Nations (ASEAN) Growth Area. Another important example is the the development of economic corridors within the Greater Mekong Subregion, that is coordinated by the Asian Development Bank. This involves the development of economic corridors, which cover Cambodia, the Lao People's Democratic Republic and Myanmar and promise to link them more closely economically with their neighbours. However, past experience shows that the benefits of regionalism can be unequally shared. Thus, the *Report* argues that LDCs will benefit more through a policy of regional integration which involves an integrated regional development approach linking trade, finance, investment, technology and employment policies and also, where necessary, through specific regional support measures.

Leveraging South–South financial cooperation for LDCs' development

The *Least Developed Countries Report 2011* provides a practical application of this policy framework. It focuses on one of the most fundamental challenges in implementing the new IPoA for LDCs, namely mobilizing financial resources and directing them to productive use in a way which leads to sustainable and inclusive growth and development.

The *Report* argues, firstly, that regional and subregional development banks should play a larger role in supporting LDCs and also financing developmental regionalism. It then goes on to make a proposal aimed at mobilizing untapped resources from Southern partners in order to boost the provision of development finance through regional and subregional development banks. The central idea underlying this proposal is to channel a very small proportion of the foreign exchange reserves increasingly held by developing countries towards regional and subregional development banks. These banks would, in turn, intermediate these financial resources in support of development-oriented investments in the provision of regional, and also national, public goods which would enable the LDCs to build and strengthen their productive capacities.

As expressed in the IPoA, the policy suggestions should not be seen as a substitute for North–South development assistance. They are rather intended to improve the diversity and efficacy of development financing in LDCs. Although the proposals would generate additional external resources considering their implementation, it is also necessary to take account of the development challenges facing southern partners, and their capacity.

The role of regional development banks

Regional financial cooperation covers a wide spectrum of activities, including (a) regional payments systems which provide financial incentives to intraregional trade; (b) regional monetary systems which can provide liquidity finance to cushion against external shocks; and (c) regional and subregional development banks which provide long-term finance — development finance — to support private and public investment.

Revitalizing and strengthening the role of regional and subregional development banks is an important component of the agenda of reforming the international financial architecture and such banks should play an increasing role in financing development in the LDCs. Important regional development banks for LDCs at the moment include (a) the Inter-American Development Bank, created in 1959; (b) the African Development Bank, created in 1964; and (c) the Asian Development Bank, created in 1966. In general, the regional and subregional development banks in Asia and Latin America supply a much greater share of total multilateral ODA within their respective regions than the regional and subregional development banks in Africa do. Also, regional development banks provide a relatively low share of total multilateral ODA disbursements to LDCs.

There are a number of advantages of regional and subregional development banks. First, because of their regional ownership structure, regional development banks can facilitate a stronger voice to developing country borrowers, as well as enhance regional ownership and control. Second, they can be more effective because they tend to govern more through informal peer pressure rather than imposing conditionality. Third, information asymmetries are smaller at the regional level, given proximity as well as close economic and other ties. In this regard, it has been proposed that there should be a conscious effort to translate the principle of "subsidiarity" into the practice of development finance. That is, where development investments aspire to global or transregional objectives, there is an obvious rationale for a global institution to play the dominant role. But where investments seek to meet national or regional objectives, there is less need for a global institution to be the key player. Accumulation of development-related knowledge and expertise better occurs and is utilized closer to the ground. Regional or subregional development banks can be particularly valuable for small and medium-sized countries such as LDCs, which are unable to carry much influence in global institutions. Their voice can be better heard and their needs better met by regional and subregional institutions, rather than by global institutions.

Regional and subregional development banks may also be particularly suitable for provision of regional public goods. Since industrial development occurs increasingly within regional production networks, the provision of "social overhead capital" — such as infrastructures, energy, or telecommunication networks — at the regional level is likely to become more and more critical. Regional development banks, in this context, appear to be the most appropriate institutions to oversee the financing and implementation of such large-scale investments projects, while ensuring that the interests of even the smallest country involved are adequately taken into account.

However, for maximum success it is important that regional development banks' activities do not take place in a policy vacuum. They need to become an integral part of a broader developmental regionalism framework, supported by a catalytic developmental State. Indeed they should be regarded as a key instrument of developmental regionalism through which the benefits of integration accrue to least developed member countries. Moreover, an important factor affecting the working of both multilateral and regional development banks is their ownership structure. Some regional banks have both developed and developing country members, in varying proportions; others, notably subregional development banks such as the Andean Development Corporation, have a membership composed almost exclusively of developing countries. This matters because banks tend to respond to the political agendas of their major shareholders.

Experience indicates that regional and subregional banks have worked particularly well where their shareholders are also their clients. One good example is the European Investment Bank. It provided a significant financial mechanism to make economic integration in Europe equitable, providing grants and guarantees for building regional infrastructure in less developed areas. The Andean Development Corporation is also a good example. It is a regional development bank exclusively owned by developing countries and its features include the great average speed with which loans are approved, and the absence of conditionality.

At present, non-borrowing countries still have a strong position in most regional development banks. However, if an increasing share of regional development banks' financial resources comes from Southern countries, the relations of power inside the regional development banks is likely to change, with Southern countries being entitled to much higher quotas of capital and more governing board members. Such a change in the legal ownership of regional development banks could in itself powerfully enhance the sense of political ownership of the programmes and projects financed by the banks on the part of beneficiary countries.

Sovereign wealth funds as policy tools to promote South–South cooperation: A proposal

Between December 2001 and the end of 2010, the value of global reserves increased from $2.05 trillion to $9.30 trillion. The bulk of the increase was due to reserves accumulated by developing countries which, as a whole, accounted for more than 80 per cent of global reserve accumulation during this period. By the end of 2010, their reserves approached $6.1 trillion. Part of these reserves were held by commodity exporters, oil exporters in particular, who have been accumulating foreign exchange holdings thanks to the boom in commodity prices. Another part was by large and medium-sized manufacturing exporters, who have enjoyed trade and current account surpluses for many years. The latter group is made up by a small number of Asian developing countries.

Such an extraordinary process of reserve accumulation is without parallel in recent history. A significant proportion of those assets has been accumulated in Sovereign Wealth Funds, (SWFs), which are generally run independently from traditional reserve management by central banks and/or finance ministries. Total SWF assets were estimated in March 2011 to be valued at $4.3 trillion, of which $3.5 trillion were owned by developing and emerging countries, including $7 billion by three LDCs — East Timor, Kiribati and Mauritania.

Without underestimating the economic, institutional and political difficulties that such an initiative would entail, one promising way in which Southern countries could strengthen the role of regional financial institutions could be through channelling towards them a very small share of the financial resources presently managed by their SWFs. This proposal would provide the SWFs with an opportunity to diversify their long-term financial position — currently held mainly in developed countries. Moreover, SWFs could enhance the regional development banks' capacity for long-term lending and provide them with opportunities to match their long-term assets to long-term liabilities.

Assessing the viability of such initiative is beyond the scope of this *Report* and would require a full-fledged feasibility study; however, a "back-of-the-envelope calculation" suggests that this strategy could boost significantly the role of regional development banks, leading to large increases in the availability of development finance. If only 1 per cent of Southern SWF assets were invested into regional development banks, for example, this would increase their paid-in capital by $35 billion. Assuming a conservative ratio of authorized capital to paid-in capital of 2.8, this would translate into an additional $98 billion of authorized capital, corresponding to an additional annual lending capacity of over $84 billion. This figure would be higher than the total lending disbursements to developing countries by all multilateral and regional development banks — including the World Bank and the European Investment Bank — in 2009, the year when their lending activities peaked (at $64 billion) due to the extraordinary credit requirements caused by the global financial crisis.

A similar boost in regional development banks' lending capacities could clearly play a central role in financing the provision of region-wide infrastructures (thereby facilitating regional trade integration), as well as supporting the development of domestic productive capacities, particularly in the LDCs.

Two important caveats must be taken into account, however, when promoting the development of South–South financial cooperation. First, it is important to distinguish the growing opportunities for South–South financial cooperation from the longstanding responsibilities underlying the traditional development cooperation framework. South–South financial cooperation should be viewed as a complement, rather than as a substitute for, traditional North–South cooperation. The second caveat is that it is important that Southern partners can actively use this new modality for mutual advantage. Increased financial support should go hand-in-hand with increased voice in the governance of regional development banks.

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Secretary-General of UNCTAD

CHAPTER 1

RECENT TRENDS AND OUTLOOK FOR THE LDCS

A. Introduction

This chapter is intended to serve three distinct but interrelated purposes. The first is to describe and analyse the recent economic trends in the least developed countries (LDCs) and the economic outlook in the medium term. Recent trends in economic growth, international trade and external finance are assessed. In addition, this section gauges the possibilities of meeting the target of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011–2020 (IPoA) to enable half of the LDCs to meet the criteria for graduation from that category by 2020. The analysis suggests that prospects for achieving that goal are not particularly good.

The second objective of this chapter is to briefly analyse the current world economic situation and describe the medium-term growth prospects of the LDCs. It points to a slower and potentially more volatile growth and spells out several implications for them. Of particular concern is that developed economies are not likely to grow at rates consistent with full employment and thus would be unable to provide the required stimulus for world demand. Conversely, developing economies are likely to continue to be considerably more dynamic than developed ones in the medium-term, which means that the South would play a more prominent role in the world economy. This reconfiguration suggests that LDCs might need to rethink their development strategy by taking into account the so-called “rise of the South”.

LDC economies grew by 4.6 per cent in 2009, 5.7 per cent in 2010 and are forecasted to grow 4.9 per cent in 2011.

The third objective of the chapter is to present selected highlights of the IPoA. The Fourth United Nations Conference on the Least Developed Countries (LDC-IV) held in Turkey, adopted the IPoA in May 2011. This review presents the main focus of the IPoA, as well as some of its underlying themes. It also touches upon several long-standing issues faced by the LDCs, such as the absence of structural transformation and diversification, and the insufficient development of productive capacities. The last section presents the main conclusions of the chapter.

B. Recent trends in LDC economies

1. Trends in economic growth

The economies of the LDCs as a group grew by 5.7 per cent in 2010. This is a slight improvement — one percentage point — in comparison with the result in 2009, but is far below the 7.1 per cent average annual growth rate attained during the boom period between 2001 and 2008. The September 2011 forecasts of the International Monetary Fund (IMF) for LDCs point to a somewhat slower economic growth in 2011 (4.9 per cent), considerably below the rates recorded during the boom period (table 1).

In comparison with the average growth of 7.3 per cent of developing and emerging economies, the LDCs as a group underperformed in 2010 and are forecasted to underperform in 2011 as well. This differs radically from the situation preceding the triple crisis — the food, fuel and financial crisis — when LDC economies on average grew somewhat faster than other developing economies. If these trends continue, there is a danger that the LDCs will not only continue to diverge from other developing economies in per capita terms — the tendency before the crisis — but also in terms of total gross domestic product (GDP). In contrast, the growth rates of the LDCs have been much better when

Table 1. Real GDP and real GDP per capita growth rates of LDCs, developing economies and advanced economies, 2008–2011
(Annual weighted averages, percentage)

	Real GDP				Real GDP per capita			
	2008	2009	2010	2011[a]	2008	2009	2010	2011[a]
Total LDCs	**6.5**	**4.6**	**5.7**	**4.9**	**4.1**	**2.3**	**3.4**	**2.6**
African LDCs and Haiti	*7.3*	*4.5*	*5.2*	*4.7*	*4.6*	*1.8*	*2.6*	*2.1*
Asian LDCs	*5.4*	*5.1*	*6.3*	*5.2*	*3.5*	*3.3*	*4.5*	*3.4*
Island LDCs	*8.1*	*-1.9*	*5.1*	*5.4*	*5.9*	*-3.9*	*3.0*	*3.2*
Memo items:								
Emerging and developing economies	6.0	2.8	7.3	6.4	4.5	0.8	5.8	4.6
Advanced economies	0.1	-3.7	3.1	1.6	-0.7	-4.5	2.5	0.9

Source: UNCTAD secretariat calculations, based on IMF, *World Economic Outlook* database, September 2011.
a Forecasted.

compared with advanced economies, both during the triple crisis and in recent times.

The average growth rate per capita of the LDCs was stymied by high population growth rates. On average, the population growth rate of the LDCs is almost double that of emerging and developing economies and almost four times as high as in advanced economies. For that reason, the expansion of GDP per capita in the LDCs was on the order of 3.4 per cent in 2010. Again, that is far below the average annual real GDP per capita growth rate during the previous boom period, 4.4 per cent.

In terms of country groups' performance, the Asian LDCs fared better than other LDCs both during the crisis and afterwards because of the pull effect of their trading partners, and their more diversified export structure.

In terms of country groups' performance, the Asian LDCs fared the best both during the crisis and afterwards. Their economies slowed down to 5.1 per cent in 2009 from 5.4 per cent in 2008. They rebounded to an estimated 6.3 per cent growth in 2010, while forecasts for 2011 point to slower growth (5.2 per cent). The main reason behind this better performance is the overall dynamism of developing economies in Asia, especially Chinese and Indian, during the crisis and after. Developing economies in Asia grew 7.2 per cent in 2009 and 9.5 per cent in 2010, and are forecasted to expand by 8.2 per cent in 2011. The pull effect of their trading partners, together with a more diversified export structure, help explain why the Asian LDCs have recently fared better than other LDCs (see box 1).

The difference between the growth rate of the African LDCs in 2008 (7.3 per cent) and 2009 (4.5 per cent) was almost three percentage points, and the growth in 2010 picked up only marginally (5.2 per cent).

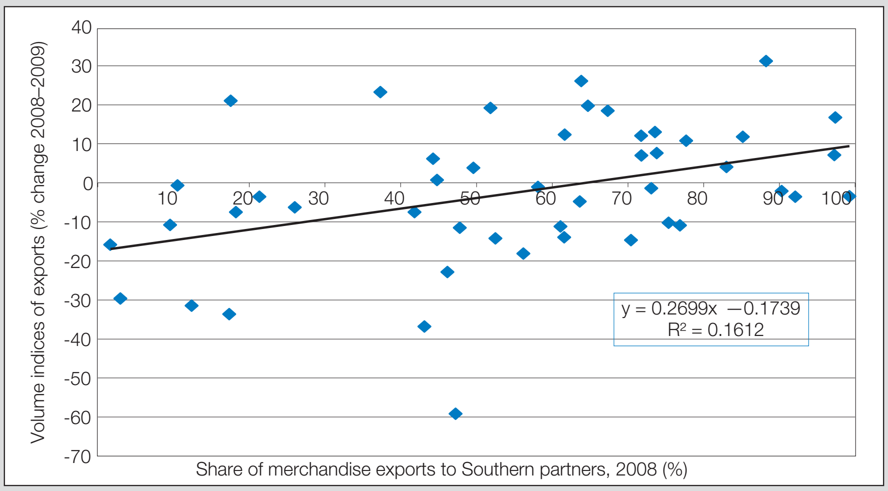
Conversely, the African LDCs were more affected by the crisis. The difference between their growth rate in 2008 (7.3 per cent) and 2009 (4.5 per cent) was almost three percentage points, and the growth in 2010 picked up marginally (5.2 per cent). The composition of their exports, more concentrated in commodities and less diversified than that of the Asian LDCs, makes them more vulnerable to external shocks. Since population growth is higher in African LDCs than in Asian LDCs, the underperformance of the former in terms of per capita growth is even starker. Finally, island LDCs have been hit harder by the crisis because of their extreme specialization in very few goods and services. Thus, a drop in the number of tourist arrivals caused by the recession in advanced countries had a profound impact on GDP in island LDCs in 2009 (-1.9 per cent). Subsequently, they recovered relatively quickly, attaining 5.1 per cent growth in 2010, and are forecasted to continue growing at a similar pace in 2011.

As could be expected from such a large group of countries, the performance of individual LDCs in the last two years has been very heterogeneous (table 2). It is worth emphasizing that the growth rate was negative in 10 countries in 2009. This shows that although the LDCs as a group did not experience a contraction of economic activity during the global recession, one fifth of those countries did fall into a recession. In addition, the per capita growth rate was negative in 18 LDCs in 2009. The subsequent timid recovery in 2010 was elusive for nine LDCs

Box 1. Countries whose exports are more diversified and oriented to the South have been hit less hard by the crisis

The gradual deepening of South–South economic linkages during the last decade has already altered the terms of the LDCs' integration into the global markets, and thus modified their vulnerability to exogenous shocks. The impact of the global demand shock hitting LDCs' export volumes during the recent crisis was negatively correlated with the share of merchandise exports destined to Southern partners — and the negative correlation was statistically significant at the 99 per cent level of confidence (Box chart 1). Similarly, the beneficial impact of geographical diversification has also been documented with respect to FDI flows and remittances. During the recent crisis, countries receiving FDI or remittances originating in other Southern partners experienced more resilient inflows (UNCTAD, 2010; World Bank, 2009). Thus, the higher geographical diversification brought about by the rise of the South is beneficial to LDCs in the same way it helped them mitigate the brunt of the downturn in the last couple of years.

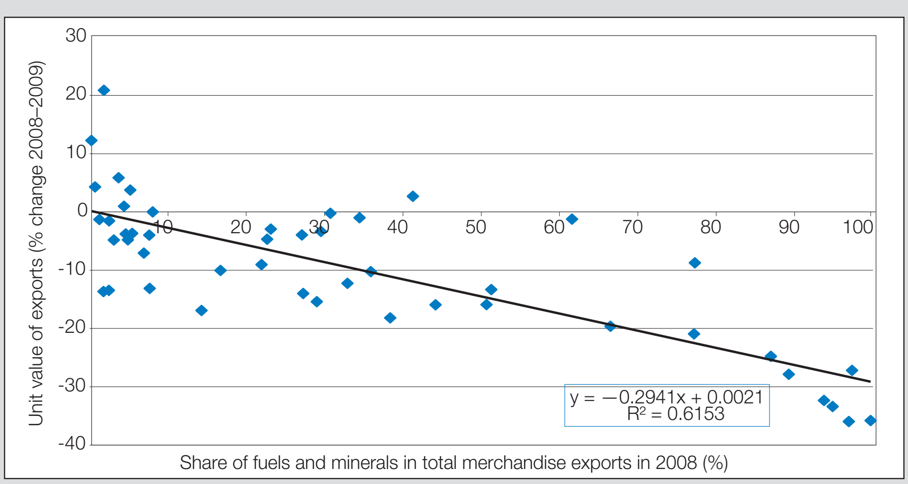
Box chart 1. South–South trade and the 2009 shock to LDCs' exports



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

The geographical distribution of international trade and investment flows is, however, only one facet of diversification; the same principle applies, mutatis mutandis, to their sectoral distribution. In that respect, the evidence concerning the impact of the recent crisis on LDC economies points to the structural weaknesses in their specialization patterns. Indeed, the LDCs, including big oil exporters such as Angola or Sudan, were particularly exposed to adverse price shocks in 2009 because of their heightened dependence on oil and mineral commodities (box chart 2).[a] Again, this result is largely explained by the differential slump in international prices across commodities, with prices of fuels and mineral commodities experiencing a free fall in the first half of 2009, while other commodities witnessed more contained reductions (UNCTAD, 2010). Thus, in general, a highly concentrated export structure implies a relatively higher risk of adverse price movements. This is particularly true in relation to primary commodities, characterized by volatile prices and short-term rigidity of demand and supply.

Box chart 2. Oil and mineral commodity dependence and the 2009 shock to LDCs' exports



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

[a] Across LDCs, the 2008—2009 percentage change in the unit price of exports is negatively correlated with the share of fuels and minerals in total exports and the negative coefficient is statistically significant at a 99 per cent confidence level.

as their economies contracted on the per capita basis that year. Finally, six LDCs saw their economic growth shrink in per capita terms for two consecutive years, 2009 and 2010.

According to UNCTAD (2010), the relative resilience of the LDCs to the global recession was mainly the result of offsetting factors, such as large inflows of official financial flows from the international financial institutions, the countercyclical behaviour of workers' remittances, a countercyclical fiscal policy in a few countries and the swift recovery of commodity prices in the second semester of 2009. In addition, the relative underdevelopment of financial systems in the LDCs shielded them from financial contagion. Instead, the main channels of transmission of the crisis were trade (the value of merchandise exports declined by 28 per cent in 2009) and investment (the inflow of foreign direct investment (FDI) to LDCs declined by 20 per cent in 2009).

Although the LDCs as a group did not experience a contraction of economic activity during the global recession, one fifth did fall into a recession. In addition, the per capita growth rate was negative in 18 LDCs in 2009.

In light of the persistent economic difficulties in the advanced countries (analysed in more details in section C of this chapter), the question arises as to what can be expected in terms of economic growth in the short and medium terms. The available forecasts by the IMF (IMF, 2011) point to a slower growth of the world economy than in the previous decade. This has obvious repercussions for the LDCs, given their open economies and their pursuit of export-led growth.

The IMF projections for the LDCs indicate that the growth rates of real GDP in the period from 2009 to 2016 would be on average around 5.8 per cent, i.e., more than one percentage point slower than the growth rate recorded from 2001 to 2008. While that growth cannot be considered sluggish, it is nevertheless slower than in the previous boom period and is also below the target rate of 7 per cent annual growth established in the IPoA (chart 1). Moreover, given the headwinds the global economy experienced throughout 2011 and the difficulties of finding solutions for various global, regional and national macroeconomic problems, such as global imbalances, the sovereign debt crisis and financial sector regulation, the IMF forecasts should indeed be viewed as a best-case scenario.

Be that as it may, even in that best-case scenario, neither group of LDCs would be able to reach the targeted growth rate in the next five years. The forecasted growth rates of 5.8 per cent for African LDCs suggest a slowdown of over one and a half percentage points compared with the average of the previous eight years, 7.4 per cent. The Asian LDCs are also likely to experience slower growth from 2009 to 2016, when compared with the previous period — 5.9 per cent and 6.8 per cent, respectively — but the slowdown is not as marked as in the case of African LDCs. The region's economic dynamism, already singled out as the main driver of the recovery of the Asian LDCs in 2010 and 2011, is likely to continue to exert a positive influence on their prospects in the medium-term.

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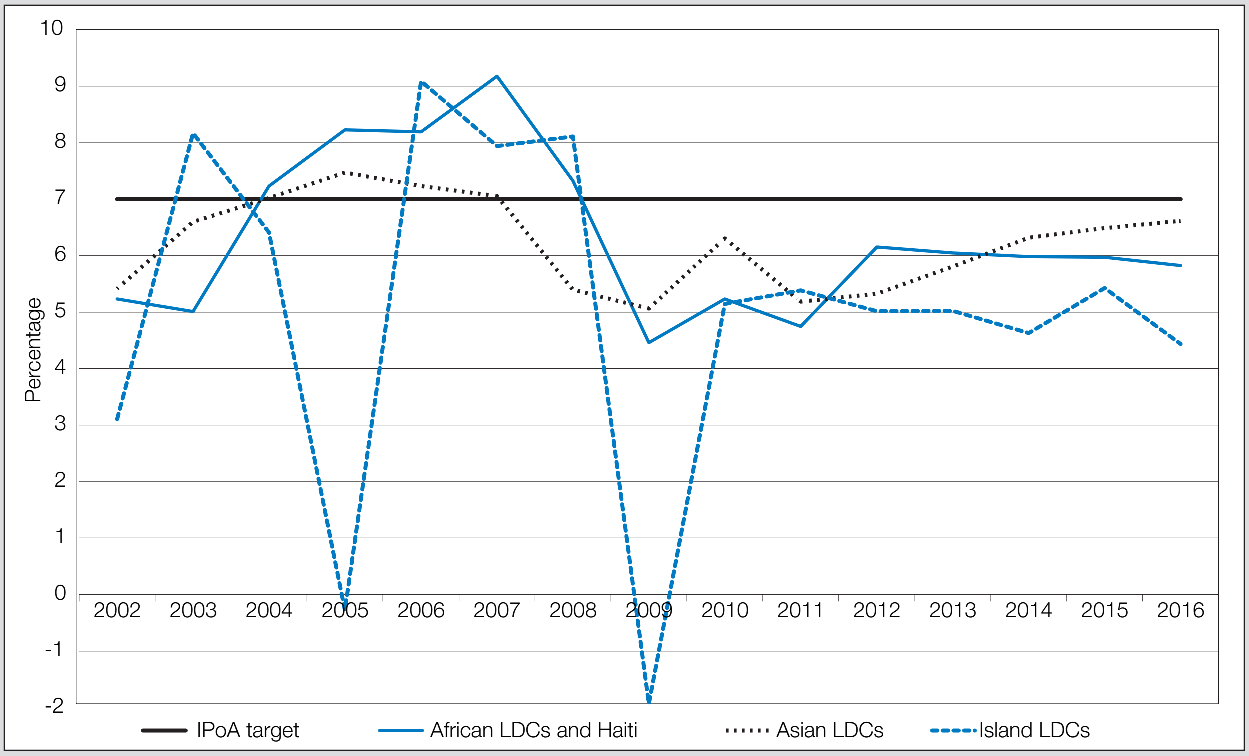
The pronounced volatility of economic growth has been a defining characteristic of the LDC economies over the years. In the 1980s and 1990s, their growth rates were several times more volatile than those of the developed countries. Island LDCs are the most vulnerable of the group to shocks coming from the global economy and natural disasters. The extreme volatility of economic growth of the island LDCs and their vulnerability stem from their specialized and narrow economic structure. As a result, they display the highest volatility of growth rates. The trough of 2005 was caused by the Indian Ocean tsunami of December 2004. The peak of 2006 (growth rate higher than nine per cent) was due to the reconstruction efforts. However, their growth suffered again in 2009 as a consequence of the global recession. As their economies depend to a large extent on tourist arrivals from advanced economies, it would appear that their economies should be more affected by the continuation of sluggish growth in these economies. Thus, they are likely to fall far short of the target

Table 2. Real GDP and real GDP per capita growth rates in LDCs, and forecasts until 2016
(Annual average growth rates, percentage)

	Real GDP						Real GDP per capita					
	2008	*2009*	*2010*	*2011*	*2001–2008*	*2009–2016*	*2008*	*2009*	*2010*	*2011*	*2001–2008*	*2009–2016*
Angola	13.8	2.4	3.4	3.7	15.5	6.6	10.9	-0.2	0.4	0.7	12.3	3.5
Bangladesh	6.0	5.9	6.4	6.3	6.1	6.6	4.5	4.5	4.9	4.9	4.4	5.1
Benin	5.0	2.7	2.6	3.8	3.8	4.4	2.2	-0.1	-0.2	0.9	0.7	1.6
Bhutan	4.7	6.7	8.3	8.1	8.5	8.9	3.0	5.2	7.1	7.0	5.8	7.7
Burkina Faso	5.2	3.2	7.9	4.9	5.8	6.1	2.8	0.8	5.5	2.5	3.1	3.7
Burundi	4.5	3.5	3.9	4.2	3.0	4.8	2.5	1.4	1.8	2.2	0.7	2.7
Cambodia	6.7	-2.0	6.0	6.7	10.1	7.0	5.6	-2.9	5.0	5.6	8.8	5.9
Central African Republic	2.0	1.7	3.3	4.1	0.9	5.1	0.0	-1.9	0.8	1.5	-1.1	2.5
Chad	1.7	-1.2	13.0	2.5	9.9	4.6	-0.8	-3.6	10.3	0.0	6.2	2.0
Comoros	1.0	1.8	2.1	2.2	1.8	3.5	-1.1	-0.2	0.0	0.1	-0.3	1.4
Dem. Rep. of the Congo	6.2	2.8	7.2	6.5	6.2	6.6	3.1	-0.2	4.1	3.4	3.1	3.5
Djibouti	5.8	5.0	3.5	4.8	3.9	5.3	3.3	2.4	1.0	2.2	1.8	2.8
Equatorial Guinea	10.7	5.7	-0.8	7.1	15.9	2.8	7.6	2.8	-3.6	4.1	12.6	-0.1
Eritrea	-9.8	3.9	2.2	8.2	-0.2	4.2	-12.6	0.7	-0.9	4.9	-3.9	1.2
Ethiopia	11.2	10.0	8.0	7.5	8.9	6.5	8.3	7.2	5.5	5.0	6.1	4.1
Gambia	6.3	6.7	6.1	5.5	3.9	5.6	2.7	3.1	2.6	2.0	0.6	2.1
Guinea	4.9	-0.3	1.9	4.0	2.6	4.7	2.6	-2.7	-0.5	1.4	0.6	2.1
Guinea-Bissau	3.2	3.0	3.5	4.8	2.4	4.6	1.0	0.7	1.3	2.5	0.0	2.4
Haiti	0.8	2.9	-5.4	6.1	0.7	5.5	-0.8	1.2	-4.8	4.5	-0.9	4.1
Kiribati	-0.7	-0.7	1.4	3.4	2.3	2.5	-2.7	-3.6	-0.6	1.5	0.3	0.8
Lao People's Dem. Rep.	7.8	7.6	7.9	8.3	7.3	7.8	5.8	5.6	6.0	6.3	5.5	5.8
Lesotho	4.3	3.1	3.6	5.2	3.5	4.9	2.4	1.3	1.8	3.3	1.6	3.0
Liberia	7.2	4.5	5.6	7.0	-0.4	7.5	2.0	-0.3	1.3	3.2	-3.3	4.2
Madagascar	7.1	-3.7	0.6	1.0	4.4	4.0	4.3	-6.2	-2.0	-1.6	1.6	1.5
Malawi	8.3	9.0	6.5	4.6	4.8	4.2	5.4	6.0	3.5	1.7	2.2	1.3
Maldives	10.9	-7.5	7.1	6.5	8.5	4.5	9.1	-8.9	5.4	4.8	6.7	2.8
Mali	5.0	4.5	5.8	5.3	5.0	5.3	2.5	2.0	2.8	2.2	2.5	2.3
Mauritania	3.5	-1.2	5.2	5.1	5.3	5.7	1.1	-3.5	2.7	2.6	2.8	3.2
Mozambique	6.8	6.3	6.8	7.2	7.9	7.6	4.7	4.2	4.7	5.1	5.8	5.5
Myanmar	3.6	5.1	5.5	5.5	12.3	5.6	1.6	3.1	3.4	3.5	9.9	3.5
Nepal	6.1	4.4	4.6	3.5	3.7	3.8	5.1	3.4	3.5	2.5	2.2	2.8
Niger	9.6	-0.9	8.0	5.5	5.1	7.5	6.3	-3.9	4.7	2.3	2.0	4.3
Rwanda	11.2	4.1	7.5	7.0	7.9	6.9	8.9	2.0	5.3	4.8	5.9	4.7
Samoa	4.9	-5.1	-0.2	2.0	4.2	2.1	4.3	-5.1	-0.7	1.4	3.9	1.8
Sao Tome and Principe	5.8	4.0	4.5	5.0	6.5	8.7	3.8	2.1	3.2	2.5	4.9	6.6
Senegal	3.2	2.2	4.2	4.0	4.5	4.8	0.8	-0.2	1.8	1.6	2.1	2.3
Sierra Leone	5.5	3.2	5.0	5.1	8.9	12.7	2.9	0.7	2.3	2.4	5.1	9.8
Solomon Islands	7.3	-1.2	6.5	5.6	5.9	5.8	5.0	-3.5	4.1	3.1	3.7	3.4
Sudan	3.7	4.6	6.5	-0.2	7.1	2.9	1.1	1.9	3.8	-2.6	4.4	0.5
Timor-Leste	10.9	12.9	6.0	7.4	3.2	8.5	8.3	10.2	3.4	5.0	0.6	5.9
Togo	2.4	3.2	3.7	3.8	2.5	4.4	-0.1	0.7	1.1	1.3	-0.1	1.8
Tuvalu	6.5	0.0	0.0	0.0	0.9	1.0	6.2	-0.2	-0.2	-0.2	0.4	0.7
Uganda	8.7	7.2	5.2	6.4	7.9	6.5	5.2	3.5	1.5	2.7	4.5	2.8
United Rep. of Tanzania	7.3	6.7	6.4	6.1	7.2	6.8	5.2	4.6	4.4	4.0	5.1	4.8
Vanuatu	6.2	3.5	2.2	3.8	4.7	3.9	3.9	1.2	0.1	1.2	2.3	1.5
Republic of Yemen	3.6	3.9	8.0	-2.5	4.0	2.5	0.5	0.8	4.9	-5.3	0.8	-0.5
Zambia	5.7	6.4	7.6	6.7	5.5	7.4	3.1	3.8	5.0	4.1	3.0	4.8
Total LDCs	**6.5**	**4.6**	**5.7**	**4.9**	**7.1**	**5.8**	**4.1**	**2.3**	**3.4**	**2.6**	**4.4**	**3.5**
African LDCs and Haiti	*7.3*	*4.5*	*5.2*	*4.7*	*7.4*	*5.8*	*4.6*	*1.8*	*2.6*	*2.1*	*4.6*	*3.1*
Asian LDCs	*5.4*	*5.1*	*6.3*	*5.2*	*6.8*	*5.9*	*3.5*	*3.3*	*4.5*	*3.4*	*4.1*	*4.1*
Island LDCs	*8.1*	*-1.9*	*5.1*	*5.4*	*5.9*	*5.0*	*5.9*	*-3.9*	*3.0*	*3.2*	*3.7*	*2.9*

Source: UNCTAD secretariat calculations based on IMF, *World Economic Outlook* database, September 2011.
Note: LDCs growth is calculated as the weighted average of each country's real growth (base year 2000).
No data for Afghanistan and Somalia.
Data for 2011–2016 are forecasted.

Chart 1. LDCs' real GDP growth and mid-term forecasts compared with the IPoA growth rate target, 2002–2016



Source: UNCTAD secretariat calculations based on IMF, *World Economic Outlook* database, September 2011.
Note: Data for 2011–2016 are forecasted.

rate of 7 per cent growth in the near term. Finally, on the basis of forecasts by country, only 10 out of 48 LDCs would grow fast enough to reach the target rate set out in the IPoA.

Given the emphasis in the IPoA on graduation of the LDCs from that category, it is worth exploring the medium-term outlook for the LDCs and the possibilities of meeting the graduation criteria during this decade. The LDC category is a United Nations grouping of countries based on three criteria: (a) income; (b) human assets; and (c) economic vulnerability. Each country needs to meet graduation thresholds in at least two criteria in order to graduate. The decision on graduation is made by the United Nations Economic and Social Council based on recommendations by the Committee for Development Policy.

On the basis of the IMF forecasts for growth rates in the medium term, only 10 out of 48 LDCs would grow fast enough to reach the target rate.

The income threshold for graduation is based on the gross national income (GNI) per capita (a three-year average) and was set in the 2009 review of the status of LDCs at $1,086. If only the income threshold criterion is assessed, the following picture, with three groups of countries, emerges (table 3). At present, there are 11 LDCs that have already achieved that threshold.[1] These countries should work during the decade to meet at least one additional criterion. It is encouraging that the probability of these 11 countries meeting the graduation criteria by the end of the current decade is relatively high.

In the second group, there are seven countries[2] that could meet the income threshold for graduation by 2020. The assumption used in table 3 to estimate the number of years needed to reach this target is that the average annual per capita growth rate forecasted by IMF for the period 2010–2016 would be representative of their growth rate during the whole of the present decade. Given that these seven countries would also have to meet at least one additional criterion to graduate, the probability of graduation for these countries within the next 10 years is lower than for the first group.

Table 3. Estimation of the number of years needed to meet the GNI graduation threshold for LDCs, by country

	GNI per capita[a]	Average annual growth rate[b]	Number of years[c]
	2010	*2010–2016*	
Countries that have reached the income threshold			
Equatorial Guinea	14,680	-0.2	Achieved
Angola	3,960	3.9	Achieved
Samoa	2,930	2.0	Achieved
Vanuatu	2,760	1.7	Achieved
Tuvalu	2,749	0.9	Achieved
Timor-Leste	2,220	6.2	Achieved
Kiribati	2,010	0.9	Achieved
Bhutan	1,920	7.9	Achieved
Djibouti	1,280	3.0	Achieved
Sudan	1,270	0.5	Achieved
Sao Tome and Principe	1,200	7.4	Achieved
Countries that should reach the income threshold ($1,086) by 2020[d]			
Lesotho	1,080	3.1	0.2
Zambia	1,070	4.8	0.3
Mauritania	1,060	3.3	0.7
Lao People's Dem. Rep.	1,000	5.7	1.4
Senegal	1,050	2.5	1.4
Solomon Islands	1,030	3.3	1.6
Cambodia	760	6.1	5.9
Countries that should reach the income threshold in the long term[d]			
Bangladesh	640	5.2	10.2
Haiti	650	4.9	10.4
Sierra Leone	340	9.8	11.8
United Rep. of Tanzania	530	4.9	14.6
Rwanda	540	4.6	15.2
Mozambique	440	5.6	16.1
Comoros	820	1.6	17.9
Burkina Faso	550	3.6	18.8
Benin	750	1.8	20.1
Niger	360	4.2	26.4
Uganda	490	3.0	26.9
Ethiopia	380	3.9	27.0
Mali	600	2.2	27.0
Guinea-Bissau	540	2.4	28.5
Nepal	490	2.8	28.8
Myanmar	380	3.5	29.8
Central African Republic	460	2.8	31.1
Liberia	190	4.4	39.2
Guinea	380	2.5	41.8
Gambia	440	2.0	45.1
Madagascar	440	2.0	45.3
Togo	440	1.9	46.5
Chad	600	1.3	46.8
Dem. Rep. of the Congo	180	3.4	52.9
Burundi	160	2.8	67.6
Eritrea	340	1.1	102.4
Malawi	330	1.1	112.1
Yemen	1060	-0.6	..
Afghanistan[e]	457	..	..
Somalia[e]	211	..	..

a GNI per capita, Atlas method (current dollar), World Bank, *World Development Indicators*, August 2011, except for Afghanistan, Haiti, Myanmar, Somalia and Tuvalu, GNI per capita current dollar, UNdata, 2009.
b GDP per capita average annual growth rate is calculated by UNCTAD secretariat based on IMF forecasts for the period 2011–2016.
c The years have been estimated using the formula ln(1086)- ln(GNI pc 2010)/(GDP pc growth rate 2010–2016).
d Assuming that the LDCs will grow at the same average annual growth rate as forecasted for 2010–2016 and that everything else remains constant.
e No forecast is available for Afghanistan and Somalia.

The third group of countries, 30 LDCs,[3] should reach the income threshold for graduation in the long-term. The assumption, again, is that the per capita growth rate from 2010 to 2016 would be representative of their long-term growth rate. Under that assumption, large heterogeneity among LDCs is predominant; for example, Bangladesh would need 10.2 years, while for other countries it may take more than 100 years to meet the income graduation threshold. The probability of these countries reaching the graduation threshold in at least two criteria by 2020 is thus low. Since there are no IMF forecasts for Afghanistan and Somalia, the number of years needed to meet the income graduation threshold could not be estimated.

It is encouraging that 11 LDCs have high probability of meeting the graduation criteria by the end of the current decade.

Thus, with the expected slower growth on average than during the 2000s, the goal of reaching the income graduation threshold is likely to be more difficult for the LDCs during the 2010s. In addition, if the outlook deteriorates further, the probability of meeting the graduation criteria would decline substantially.

The other two criteria for graduation are human assets and economic vulnerability. The former involves a composite human assets index based on indicators of (a) nutrition (percentage of the population undernourished); (b) health (child mortality rate); (c) school enrolment (gross secondary school enrolment rate); and (d) literacy (adult literacy rate). Economic vulnerability involves a composite economic vulnerability index based on indicators of (a) natural shocks (index of instability of agricultural production and share of population displaced by natural disasters); (b) trade shocks (index of instability of exports of goods and services); (c) exposure to shocks (share of agriculture, forestry and fisheries in GDP; merchandise export concentration index); (d) economic smallness (population in logarithm); and (e) economic remoteness (remoteness index).

30 LDCs have low probability of reaching the graduation criteria by 2020.

The human assets index in many ways resembles the Millennium Development Goals (MDGs). Based on the assessment (UNCTAD, 2010) of the progress made by the LDCs in meeting the MDGs, most of the LDCs would likely miss most of the Goals. It is possible to infer, then, that the progress towards meeting the graduation thresholds of the human assets index by most LDCs is not likely to gain momentum during the present decade. The economic vulnerability index contains some of the indicators that cannot be easily changed, or that cannot be changed at all — economic remoteness, for example. More importantly, the indicators that can be changed (the share of agriculture, forestry and fisheries in GDP, or the merchandise export concentration index for example) are either stagnant (the former) or deteriorating (the latter). The concentration index of LDCs, for example, increased from 0.23 in 1995 to 0.54 in 2008. Against that background, progress on both the human assets index and the economic vulnerability index is likely to be slow if the recent trends continue.

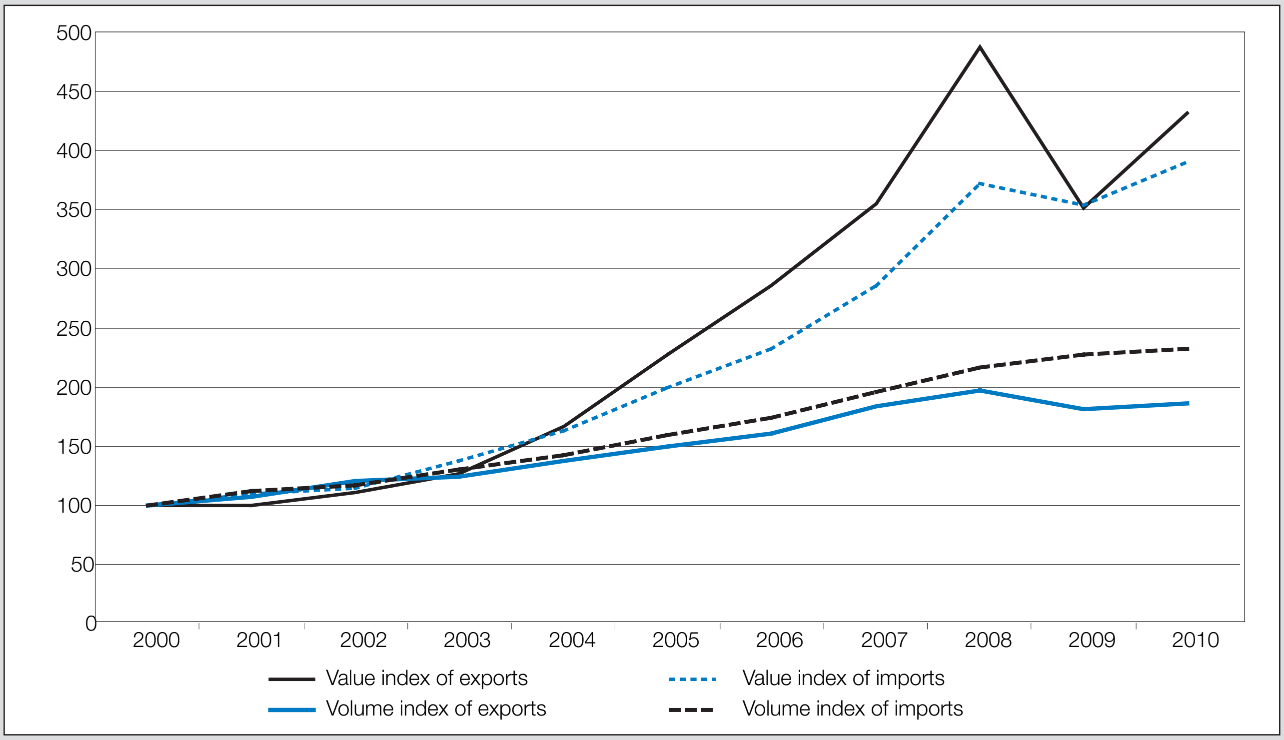
With the expected slower growth on average than during the 2000s, the goal of reaching the income graduation threshold is likely to be more difficult for the LDCs during the 2010s. In addition, progress on both the human assets index and the economic vulnerability index is likely to be slow if recent trends continue.

2. Trends in international trade

The economic boom of the 2000s in the LDCs was mostly price-driven as commodity prices increased substantially. As a result, the value of merchandise exports from the LDCs grew five-fold from 2000 to 2008 (chart 2). However, the volume exported registered an increase of only 97 per cent in the same period. This clearly indicates that the extraordinary increase in the value of exports was in large part due to the price effect. It is important to note that the LDCs have negligible, or even no influence at all on the international prices of commodities. Therefore, the export success cannot be attributed to the national policies of LDCs, but to international circumstances beyond their control.

A similar trend, although somewhat smaller in magnitude, can be seen on the import side. The value of imports of merchandise increased 268 per cent from

Chart 2. Merchandise trade indices of the LDCs, 2000–2010
(Index, 2000 = 100)



Source: UNCTAD secretariat calculations based on UNCTADstat database, July 2011.

2000 to 2008, while the volume of imports only recorded 94 per cent growth in that period. This means the merchandise imported by the LDCs also recorded relatively high price increases, partially offsetting the positive effect of the price increases for LDCs' exports.

International trade was the main channel of transmission of the global crisis to the LDCs.

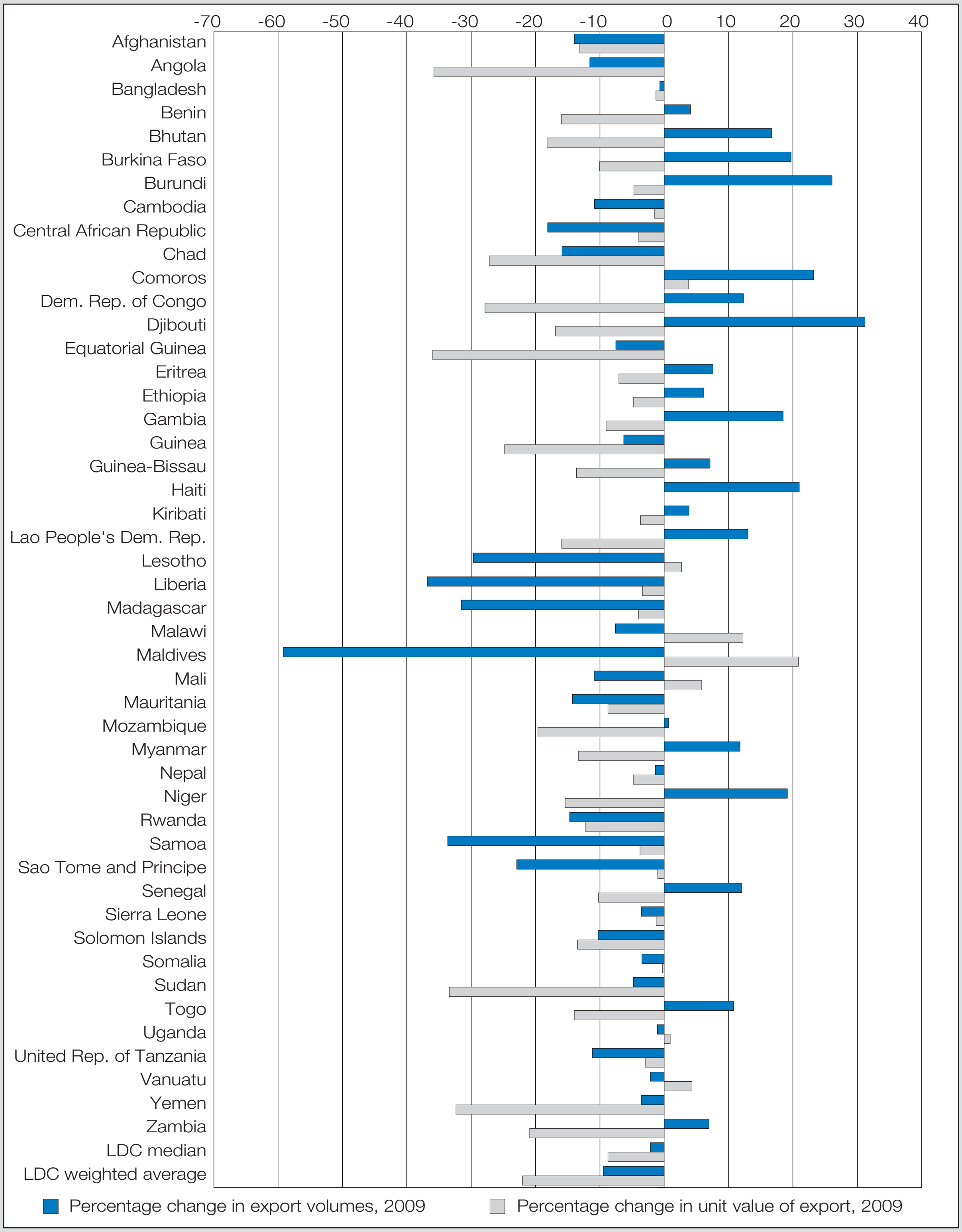
While international trade can serve as a powerful engine of growth, it can also increase the economic vulnerability of national economies. The data in chart 2 show that the merchandise trade indices of the LDCs suffered a very strong reversal in 2009. The index measuring the value of exports fell from 488 in 2008 to 352 in 2009, producing a strong adverse impact on the growth of the LDC economies. Indeed, international trade was the main channel of transmission of the global crisis to the LDCs.

The most distinguishing feature of the aftermath of the global recession with regard to LDC trade is that the exports of goods in 2010 were still below the 2008 level.

The most distinguishing feature of the aftermath of the global recession with regard to LDC trade is that the exports of goods in 2010 were still below the 2008 level. The value of merchandise exports of LDCs as a group declined almost 28 per cent in 2009, driven by the slump in the exports of African LDCs (-33.6 per cent). That slump was mostly due to the price effect caused by the plummeting prices of primary commodities. In contrast, the impact on export volumes was smaller and very heterogeneous across individual countries (chart 3).

The rebound of the value of exports for all LDCs in 2010 was significant — 22.6 per cent — but not enough to recover to the pre-crisis level. By country groups the trends suggest a performance similar to the trends in economic growth. While merchandise exports of the African LDCs fell much more sharply than those of the Asian LDCs in 2009, the subsequent recovery was also much more subdued in the former. In spite of a 20.2 per cent increase in 2010, the merchandise exports of the African LDCs were still much lower than in 2008. In contrast, the decline of merchandise exports in Asian LDCs amounted to only 6.9 per cent in 2009, and their growth in 2010 was impressive at 29 per cent.

Chart 3. Export shock: Volume and price effects, 2009



Source: UNCTAD secretariat calculations based on UNCTADstat database, April 2011.

These differences in performance, both during and after the global recession, point to a substantial dissimilarity among the two groups of LDCs, as in the case of economic growth. The more diversified export basket of the Asian LDCs helped them weather the crisis much better.

The value of merchandise imports, in turn, was much less affected in 2009 than that of exports. With a reduction of only 5.2 per cent, that was testimony to the import dependence of the LDC economies. The growth of the value of imports resumed in 2010 (10.3 per cent), surpassing the 2008 level. Merchandise imports were especially strong in Asian and island LDCs in 2010 (growing 21.0 per cent and 22.3 per cent, respectively), while in African LDCs they were still below the 2008 level.

While merchandise exports of the African LDCs fell much more sharply than those of the Asian LDCs in 2009, the subsequent recovery was also much more subdued in the former. The more diversified export basket of the Asian LDCs helped them weather the crisis much better.

As a result, the trade balance in merchandise went from a surplus during 2006—2008, to a deficit in 2009 and 2010. In 2009, the LDCs had a negative merchandise trade balance of $27.6 billion. More than half of that was due to the Asian LDCs. While African LDCs recorded a deficit in 2009, their merchandise trade balance returned to a surplus in 2010. The island LDCs continued to register deficits in their merchandise balance throughout the period.

The LDCs' trade in services suffered less than their trade in goods, mainly because there were no price swings such as those affecting commodities. The reductions in 2009 were in the single digits, and both exports and imports in 2010 surpassed the 2008 peak. The rebound in both exports and imports of services in that year recorded double-digit increases, except for island LDCs. The balance of the trade in services in all LDC groups continues to be negative and increasingly so.

Table 4. Exports and imports of merchandise and services in LDCs, by country groups, 2006–2010
(Millions of dollars)

	2006	2007	2008	2009	2010	Change in 2009 (%)	Change in 2010 (%)
Merchandise exports							
LDCs total	103,486	128,499	176,715	127,416	156,253	-27.9	22.6
African LDCs and Haiti	73,717	95,801	138,288	91,845	110,404	-33.6	20.2
Asian LDCs	29,276	32,120	37,711	35,092	45,269	-6.9	29.0
Island LDCs	492	578	715	479	580	-33.0	21.1
Merchandise imports							
LDCs total	101,702	125,400	163,500	155,016	170,961	-5.2	10.3
African LDCs and Haiti	63,707	79,682	106,880	101,647	106,371	-4.9	4.6
Asian LDCs	35,997	43,361	53,653	50,969	61,654	-5.0	21.0
Island LDCs	1,999	2,356	2,967	2,401	2,936	-19.1	22.3
Merchandise trade balance							
LDCs total	1,784	3,099	13,215	-27,600	-14,707	-308.9	46.7
African LDCs and Haiti	10,011	16,119	31,408	-9,802	4,033	-131.2	141.2
Asian LDCs	-6,721	-11,242	-15,942	-15,876	-16,385	0.4	-3.2
Island LDCs	-1,506	-1,778	-2,251	-1,922	-2,356	14.6	-22.6
Services exports							
LDCs total	13,929	17,019	21,233	20,320	23,462	-4.3	15.5
African LDCs and Haiti	8,697	10,679	13,330	12,515	14,655	-6.1	17.1
Asian LDCs	4,250	5,174	6,622	6,501	7,348	-1.8	13.0
Island LDCs	982	1,166	1,281	1,304	1,459	1.8	11.9
Services imports							
LDCs total	33,791	44,746	60,678	55,585	63,567	-8.4	14.4
African LDCs and Haiti	26,202	36,057	50,047	45,402	51,509	-9.3	13.5
Asian LDCs	6,825	7,721	9,335	8,909	10,706	-4.6	20.2
Island LDCs	764	968	1,296	1,274	1,352	-1.7	6.1
Services trade balance (net export of services)							
LDCs total	-19,862	-27,727	-39,445	-35,265	-40,105	10.6	-13.7
African LDCs and Haiti	-17,504	-25,378	-36,717	-32,888	-36,854	10.4	-12.1
Asian LDCs	-2,575	-2,547	-2,713	-2,408	-3,359	11.3	-39.5
Island LDCs	218	198	-15	30	108	303.9	254.3

Source: UNCTAD secretariat calculations, based on UNCTADstat database.

An additional characteristic of the world economy in the last two years in the area of international trade has been a substantial increase in fuel and food prices. The recovery of international commodity prices that had already started in the second half of 2009 has been surprisingly strong. Petroleum prices, for example, increased from the trough of around $35 in March 2009 to a peak of $114 in March 2011. This obviously helps the LDCs that are net exporters of petroleum. Indeed, this price effect brings extraordinary benefits to the six petroleum-exporting LDCs. However, this is not good news for the rest of the LDCs. The LDC economies that are heavily dependent on imports of food and fuel had already experienced a crisis in 2007 and 2008, caused by a sharp increase in international prices.

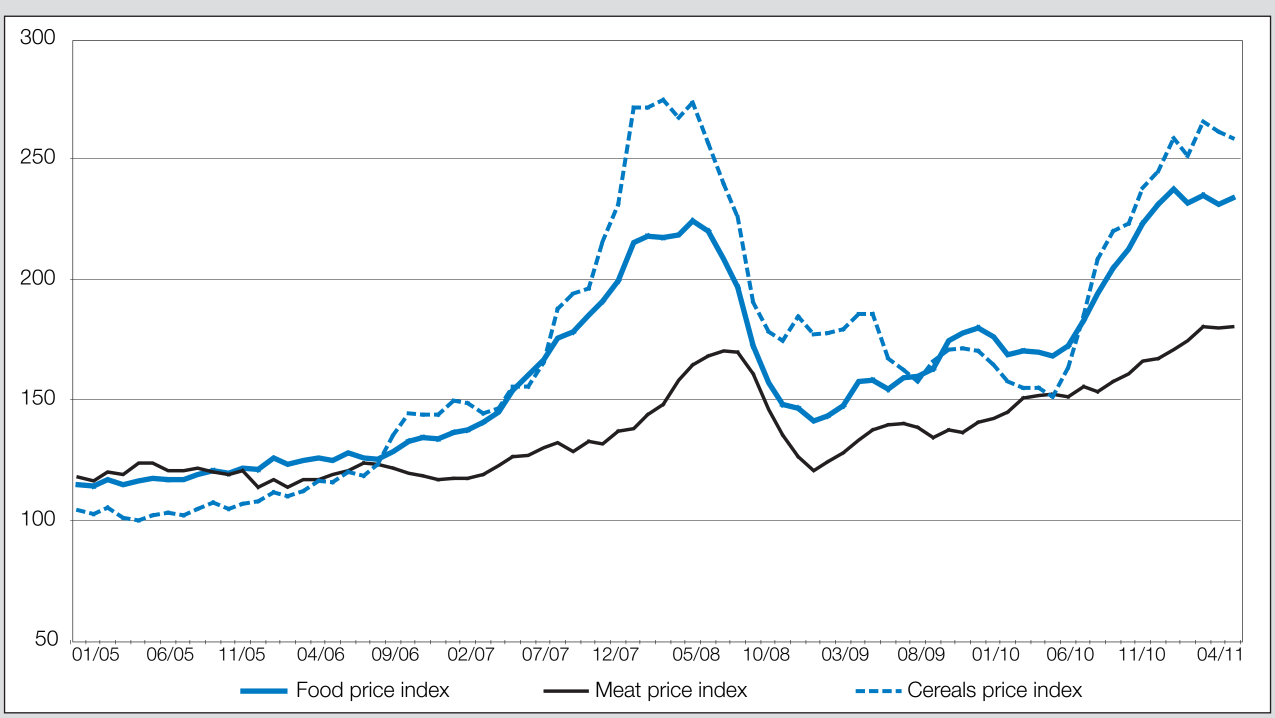
The value of merchandise imports in 2009 decreased much less than that of exports. As a result, the trade balance in merchandise went from a surplus during 2006—2008, to a deficit in 2009 and 2010.

The food security outlook began to deteriorate again in the second semester of 2010, with steep increases in food prices (chart 4). Ortiz, Chai and Cummins (2011) estimated that domestic food prices in 58 developing countries were, on average, 55 per cent higher in November 2010 than in May 2007. Given that poor households have been adversely affected by high food prices for several years, they have exhausted coping strategies; therefore, even a small spike in prices could cause great distress. According to estimates of the Food and Agriculture Organization of the United Nations (FAO) (2011), the number of hungry and undernourished people in the world reached the unprecedented level of over one billion in 2009. Given the further increases of food prices in 2010 and 2011, this is likely to get even higher.

The food security outlook began to deteriorate again in the second semester of 2010, with steep increases in food prices.

When one compares the price indices of selected primary commodities of importance to LDCs, the most striking factor is the overall rise in prices. For all food, the increase from 2000 to the first quarter of 2011 is around 180 per cent (table 5). Prices of agricultural raw materials increased by an even larger percentage. For minerals, ores and metals, however, the increase in the same period reached more than 270 per cent. The price of iron ore has augmented more than ten-fold in that period, while copper, gold and crude petroleum have recorded close to five-fold price increases.

Chart 4. Food, meat and cereal price indices, January 2005–June 2011
(Index, 2002–2004 = 100)



Source: UNCTAD secretariat calculations based on FAO *Food Price Index*, July 2011.

Table 5. Price indices of selected primary commodities of importance to LDCs, various years
(Index 2000 = 100)

	2005	2008	2009	2010	2011 Q1	Standard deviation, 2005–2011Q1	Percentage change, 2005–2001Q1
All food	**128**	**236**	**216**	**232**	**284**	**55**	**121.2**
Wheat	133	288	197	204	292	59	119.6
Rice	141	344	289	256	257	78	82.3
Sugar	121	156	222	260	348	82	187.7
Fish meal	172	274	298	409	421	85	144.6
Coffee, Arabicas	132	162	167	226	322	69	143.6
Coffee, Robustas	120	254	179	187	262	50	117.6
Cocoa beans	173	291	325	353	377	83	117.4
Tea	87	109	127	125	141	21	61.6
Agricultural raw materials	**129**	**198**	**163**	**219**	**315**	**63**	**143.4**
Tobacco	93	120	142	109	147	20	57.5
Cotton	92	121	106	175	350	93	282.3
Non-coniferous woods	117	154	154	161	159	16	35.3
Minerals, ores and metals	**173**	**333**[a]	**269**[a]	**414**[a]	**512**[a]	**109**	**195.8**
Iron ore	226	494	643	1,178	1,436	478	535.8
Aluminium	123	166	107	140	161	25	31.7
Copper	203	384	283	416	532	104	162.3
Gold	159	312	349	440	496	121	211.2
Memo Items:							
Crude petroleum	189	344	219	280	353	63	162.4
Unit Value Index of manufactured goods exported by developed countries	119	139	132	134	142	8	18.9

Source: UNCTADstat, *Commodity Price Bulletin;* IMF, *International Financial Statistics.*
a Estimates.

When one compares the price indices of selected primary commodities of importance to LDCs, the most striking factor is the overall rise in prices.

Apart from the increases in primary commodity prices, the issue of volatility also looms large. A comparison of the first quarter of 2011 with the average of 2010 indicates vast price increases for many commodities in a relatively short period. The most notable increase was that of crude petroleum prices, in part because of the political instability in the main producing region in the world. Another example is the price of cotton, whose index increased from an average of 175 in 2010 to 350 in the first quarter of 2011. In contrast, there was a steep drop in June and July, reducing the price 38 per cent in just over a month, and 53 per cent from its peak in early March 2011. The last two columns of table 5 suggest that the high volatility of primary commodities has become a generalized phenomenon in the world economy.

Given the high commodity dependence of the LDCs, both as net exporters and net importers, the volatility of their prices has detrimental consequences for these economies.

Given the high commodity dependence of the LDCs, both as net exporters and net importers (mainly fuel and food), the recent volatility of their prices clearly has detrimental consequences for these economies. The LDCs are vulnerable to fluctuations in commodity prices, irrespective of whether they are net exporters or net importers.

The net overall impact of high commodity prices on the LDCs is difficult to gauge, but it is ambiguous at best. UNCTAD (2011a) studied the impact of changes in fuel prices in 33 LDCs, comparing the average of 2000—2002 with the average of 2007—2009. The fuel imports-to-GDP ratio of fuel-importing LDCs has increased in 76 per cent of the countries, while there has been a decrease in only 6 per cent of countries; the rest experienced no significant impact. Similarly, a study of 15 net-food importing LDCs and their food imports-to-GDP ratio in the same period shows that the situation deteriorated (food imports-to-GDP ratio increased) for 11 of them (73 per cent), while the indicator improved for 2 of them (13 per cent); the remaining 2 recorded no significant change.

The ongoing analysis suggests that economic growth in many LDCs during the 2000s, as well as during the crisis and the partial recovery that followed, had been driven in large measure by swings in commodity prices. The expectation that the boom before the crisis of 2008–2009 would be sustainable was unrealistic. Similarly, the expectation now that the current recovery based on increases in commodity prices could be sustainable is equally unrealistic. The possibility of the fuel and food crisis repeating itself in the near future is a real threat to the LDC economies. Even if there is no full-blown fuel and food crisis, the high level of commodity prices works as a counteracting force on recovery and economic growth in many LDCs.

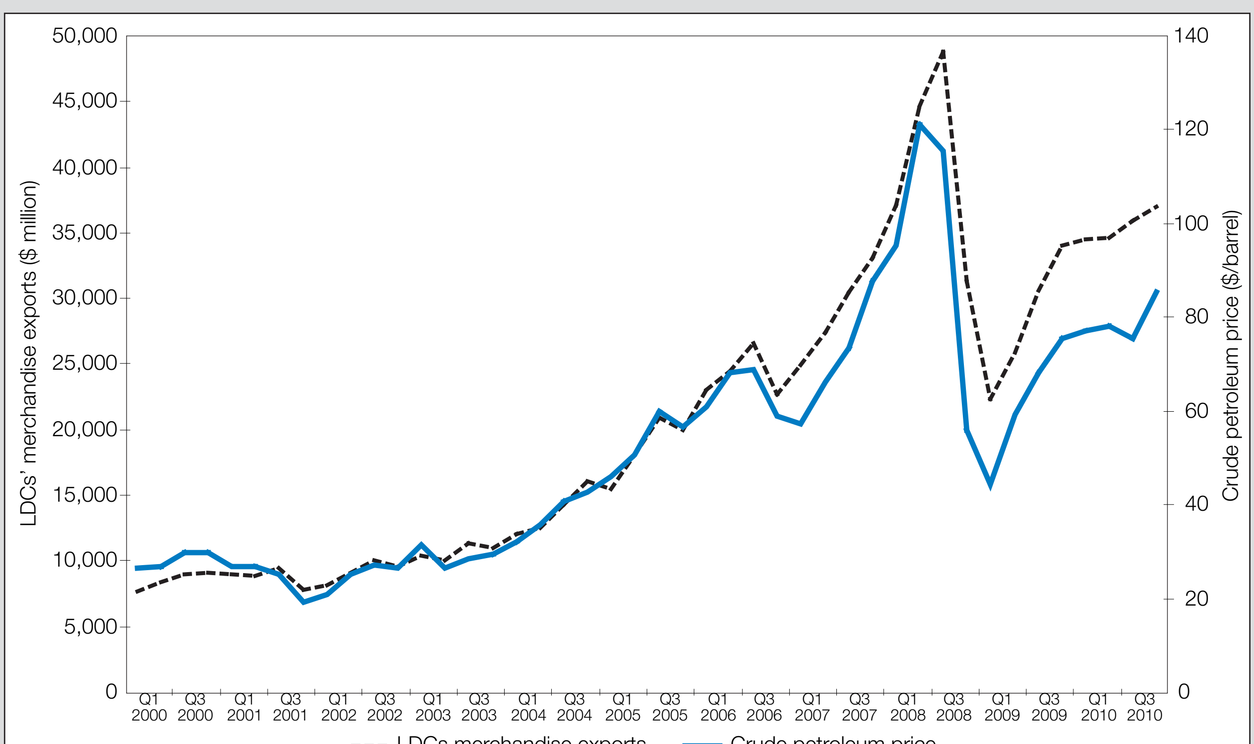
Economic growth in many LDCs during the 2000s has been driven in large measure by swings in commodity prices.

Moreover, the boom-bust development cycles as a persistent feature of the LDCs may have intensified, owing to the increased specialization in exports of commodities in the last decade. Indeed, the data suggest that the exports of LDCs are highly correlated with trends in international crude petroleum prices (chart 5). This implies that LDC exports are in large measure influenced by what happens to petroleum prices.

The boom-bust development cycles as a persistent feature of the LDCs may have intensified, owing to the increased specialization in exports of commodities in the last decade.

Given the characteristics of the LDC economies, future movements of international commodity prices are a crucial issue. While it is impossible to predict these movements with any precision, some authors (Cuddington and Jerret, 2008; Kaplinsky and Farooki, 2010) consider that there is a high likelihood of an emergence of a supercycle of high international commodity prices. The reasoning behind that prediction is that the global demand for commodities would be sustained at high levels for years, given the rapid economic growth in large developing countries such as China and India. As their infrastructure would have to be substantially upgraded, and as their production is and will, for some time, be highly resource-intensive, these and other developing countries would need enormous amounts of natural resources. Some LDCs, most notably

Chart 5. LDCs' merchandise exports to the rest of the world and crude petroleum prices, 2000–2010



Source: UNCTAD secretariat calculations based on UNCTADstat database and IMF, *Direction of Trade* database, July 2011.

the oil-exporting and mineral-exporting LDCs, are already supplying these large, dynamic economies with natural resources, and that could continue for many years.

A significant reason behind the high growth rate during the 2000s in the LDCs is the increase in external financial flows to LDCs.

3. Trends in external finance and debt

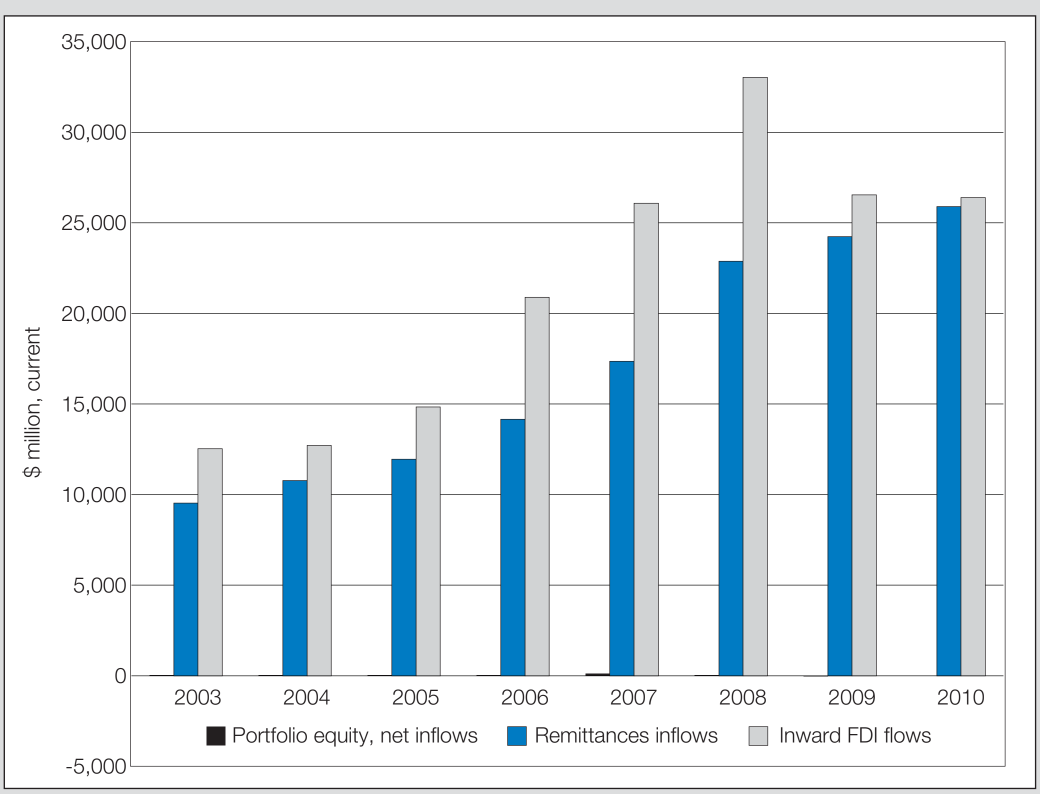
A further significant reason behind the high growth rate during the 2000s in the LDCs is the increase in external financial flows to these countries. In contrast with the previous decades when the LDCs had difficulty attracting private capital flows, the 2000s were characterized by an ever-rising inflow of external financing (chart 6). While the sum of FDI inflows and workers' remittances barely reached $10 billion at the beginning of the decade, these flows to the LDCs were more than five times greater in 2008.

While the sum of FDI inflows and workers' remittances barely reached $10 billion at the beginning of the decade, these flows to the LDCs were more that five times greater in 2008.

However, the global recession reversed some of these previous trends. Inflows of FDI to LDCs declined in 2009 and 2010. In 2010, FDI — in the amount of $26.39 billion — was around $6 billion less than in 2008, when it accounted for $32.35 billion. In other words, FDI inflows in 2010 were one fifth smaller than in 2008. It is not clear if and when these flows will regain their pre-crisis level. In contrast, workers' remittances continued to grow even during the crisis, albeit more slowly, and thus helped cushion the adverse social impact of the crisis on LDCs. Another interesting feature is that remittances in 2010 almost equalled the FDI inflows to LDCs. Given the differential growth rates, remittances may surpass FDI to the LDCs in the near future.

Although data for 2009 on profit remittances from FDI flows are not yet available, it is likely that these outflows were substantial. For all LDCs, these outflows surpassed $10 billion in 2005 and continued to increase. The last data

Chart 6. Private financial flows to LDCs, 2003–2010
(Millions of dollars, current)



Source: UNCTAD secretariat calculations based on *UNCTADstat* database; World Bank, *World Development Indicators*, online, July 2011; and World Bank, 2010.

available are for 2008, when they reached $22.2 billion. They thus represent a considerable outflow of resources from the LDCs. Given that the FDI stocks in LDCs have risen sharply — from $37.4 billion in 2000 to $151.7 billion in 2010 — these outflows are likely to grow rapidly in the future. If retained profits are reinvested in host countries, however, their development opportunities would be greatly enhanced.

FDI inflows in 2010 were one fifth smaller than in 2008. In contrast, workers' remittances continued to grow even during the crisis.

Another important characteristic of FDI inflows is its uneven distribution among LDCs given that only three countries (Angola, Equatorial Guinea and Sudan) accounted for 49 per cent of all FDI inflows in 2010. The single largest recipient was Angola, with around 33 per cent of the total for all LDCs. In addition, the three largest recipients are all petroleum-rich LDCs. This illustrates a more general point: the bulk of FDI that the LDCs attracted during the decade was in the extractive industries. That leaves the LDCs further entrenched in their specialization in commodities, and the impact on development of productive capacities of the LDCs is, at best, limited. As a result, they are becoming more and more commodity-dependent and subject to boom-bust cycles emanating from the volatility of international commodity prices.

It is important to highlight that the growth of FDI is mostly a feature of African LDCs, as they accounted for more than four fifths of all inflows in 2010. Given that African LDCs are rich in natural resources, it appears that FDI seeks to locate in the LDCs mainly to exploit natural resources. As these are finite and will eventually be exhausted, it is imperative that the LDCs find ways to diversify away from these types of economic activity.

The bulk of FDI that the LDCs attracted during the decade was in the extractive industries. That leaves them further entrenched in specialization in commodities, and the impact on development of their productive capacities is, at best, limited.

In contrast to the FDI flows, the amount of workers' remittances rose steadily, even during the global recession. From 2000 to 2008, the average annual growth rate was 17.1 per cent (table 6). This stunning growth has been spurred by the increasing migration of the working-age population from the LDCs to other countries in search of better opportunities. During and after the crisis, the growth rate of family remittances slowed down considerably, but nevertheless continued to be positive, reaching 5.7 per cent in 2009 and 6.8 per cent in 2010.

The continued underperformance of developed economies is likely to weigh down remittance growth in the near term. Moreover, the oil-producing countries in Western Asia and Northern Africa are also an important source of remittances for the LDCs. Given the political turmoil in these regions, the outlook for remittance growth is uncertain. In contrast, remittance flows from developing Asian economies would probably take up some of the slack because of their continuous dynamism. Overall, however, it is likely that in the short-term, remittance growth in LDCs will not regain pre-crisis levels.

The continued underperformance of developed economies is likely to weigh down remittance growth in the near term.

Similar to FDI inflows, the defining feature of remittances is its uneven distribution across LDCs. The five biggest recipients in 2009 — Bangladesh, Haiti, Nepal, Sudan and Yemen — accounted for 79.4 per cent of total remittances sent to the LDCs. Since that kind of financial flow mostly benefits consumption in recipient countries, its impact on the development of productive capacities in LDCs is even weaker than that of FDI. Nevertheless, these remittances have helped lift some households out of poverty and at the same time have helped raise the level of demand in LDCs.

The surge of private capital flows to LDCs from 2000 to 2008 was accompanied by a large increase in official capital flows. The data regarding net official development assistance (ODA) disbursement, together with net debt relief, show that their sum increased from almost $13 billion in 2000 to $40 billion in 2009 (chart 7). Net debt relief, through debt-relief measures such as the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt

Table 6. Remittances inflows to LDCs, various years
(Selected years)

	Remittances inflows (Millions of dollars, current)				Share of total LDCs (%)	Average annual growth rate (%)	Growth rate (%)
	2000	2005	2009	2010[a]	2009	2000–2008	2009–2010[a]
Bangladesh	1,967.5	4,314.5	10,523.1	11,050.2	43.4	20.2	5.0
Benin	87.1	172.7	242.5	235.5	1.0	21.1	-2.9
Burkina Faso	67.3	50.0	49.1	42.7	0.2	-2.0	-13.1
Burundi	..	0.1	3.5	3.4	0.0	169.5	-1.4
Cambodia	120.5	199.7	337.8	363.8	1.4	15.8	7.7
Comoros	12.0	12.0	11.3	11.0	0.0	0.0	-2.7
Djibouti	12.3	25.8	28.3	28.2	0.1	13.4	-0.3
Ethiopia	53.2	173.5	352.8	386.9	1.5	43.0	9.7
Gambia	14.0	57.4	60.2	61.1	0.2	33.0	1.5
Guinea	1.2	78.0	68.3	65.6	0.3	61.4	-3.8
Guinea-Bissau	8.0	27.7	28.3	27.1	0.1	17.2	-4.4
Haiti	578.0	986.2	1,375.5	1,499.0	5.7	11.6	9.0
Kiribati	7.0	7.0	8.2	8.8	0.0	1.7	7.9
Lao People's Dem. Rep.	0.7	1.0	0.9	1.0	0.0	4.7	8.0
Lesotho	252.2	326.6	450.1	525.3	1.9	10.3	16.7
Liberia	..	31.9	54.2	57.5	0.2	6.8	6.0
Madagascar	11.3	11.0	10.3	10.2	0.0	-3.9	-1.3
Malawi	0.7	1.0	0.9	0.9	0.0	4.1	2.8
Maldives	2.2	2.3	3.1	3.4	0.0	6.3	8.2
Mali	73.2	177.2	404.7	385.2	1.7	22.5	-4.8
Mauritania	2.0	2.0	1.9	1.8	0.0	0.0	-3.0
Mozambique	36.8	56.6	111.1	116.8	0.5	13.9	5.1
Myanmar	103.6	130.8	137.3	154.2	0.6	3.9	12.3
Nepal	111.5	1,211.8	2,985.6	3,512.9	12.3	44.7	17.7
Niger	14.4	66.4	75.5	70.0	0.3	27.3	-7.3
Rwanda	6.6	20.9	92.6	90.9	0.4	34.7	-1.9
Samoa	45.0	109.9	124.4	142.2	0.5	18.1	14.3
Sao Tome and Principe	0.5	1.5	2.0	1.9	0.0	23.2	-2.6
Senegal	233.5	788.8	1,190.8	1,163.6	4.9	24.9	-2.3
Sierra Leone	7.1	2.4	46.7	48.4	0.2	14.1	3.6
Solomon Islands	4.3	7.2	2.4	2.7	0.0	27.8	12.9
Sudan	640.8	1,016.1	2,992.7	3,177.9	12.3	16.4	6.2
Togo	34.2	192.5	306.8	301.7	1.3	29.0	-1.7
Uganda	238.1	321.8	694.0	772.6	2.9	9.1	11.3
United Rep. of Tanzania	8.0	19.4	16.3	17.5	0.1	7.7	7.0
Vanuatu	34.7	5.1	6.5	7.0	0.0	-18.8	8.8
Yemen	1,288.0	1,282.6	1,378.0	1,471.4	5.7	0.7	6.8
Zambia	..	52.9	67.6	71.1	0.3	11.6	5.1
LDC total	**6,080.8**	**11,944.1**	**24,245.4**	**25,891.3**	**100.0**	**17.1**	**6.8**

Source: World Bank, 2010.
a Estimated.

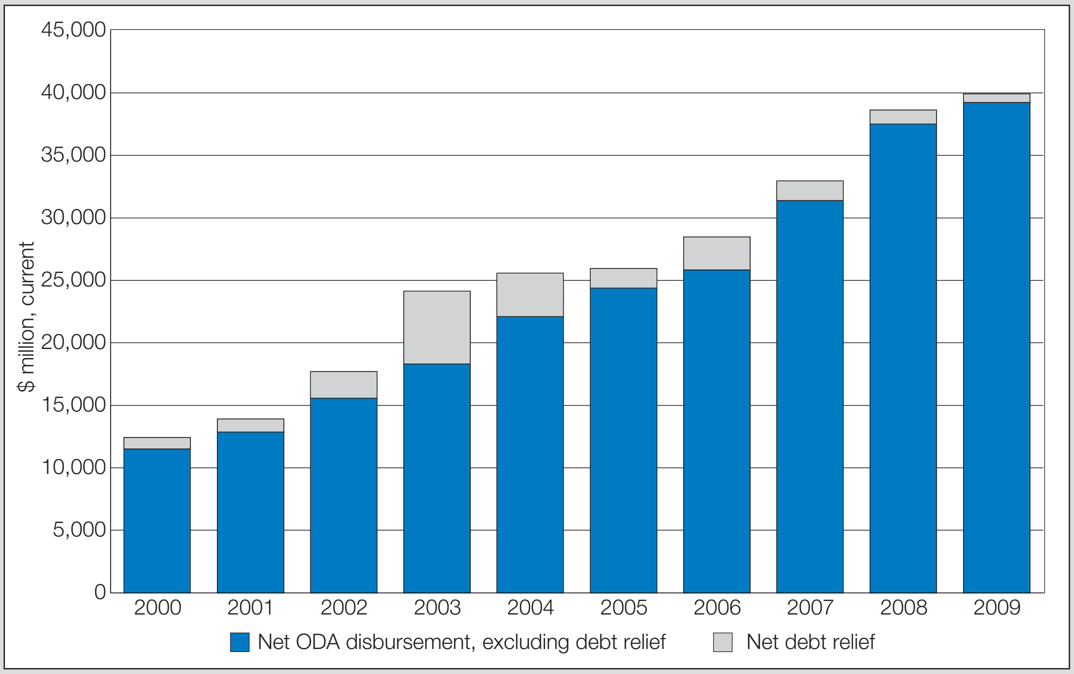
Relief Initiative (MDRI), played an important role in some, but not all cases (only 26 LDCs have benefited from HIPC status).

The surge of private capital flows to LDCs during the 2000s was accompanied by a large increase in official capital flows, from almost $13 billion in 2000 to $40 billion in 2009.

Net ODA disbursement has continued to increase, even during the crisis in 2008 and 2009. While in 2005 net ODA amounted to $25.9 billion, in 2008 it stood at $38.6 billion and reached a record level of $40.1 billion in 2009. Thus, net ODA for all LDCs represented 8.3 per cent of their GDP in 2009. The increase is also important in per capita terms. Net ODA disbursements reached $48.1 per capita in 2009, compared with $34.1 in 2005. Therefore, ODA in the second half of the 2000s has reversed the long-term downward trend that had begun in 1990 when it stood at $41 per capita.

It is also worth emphasizing that ODA played a countercyclical role during the food and fuel crisis in 2008 and during the financial crisis in 2009 — the triple crisis — when private financial inflows decreased substantially. Consequently, it

Chart 7. Official capital flows to LDCs, 2000–2009
(Millions of dollars, current)



Source: UNCTAD secretariat calculations based on *OECD-DAC Statistics,* online, July 2011.

represented yet another offsetting factor that explains the LDCs' resilience to the global crisis.

Net ODA disbursement has continued to increase and played a countercyclical role during the food and fuel crisis in 2008 and the financial crisis in 2009 when private financial inflows decreased substantially.

The geographical distribution of net ODA disbursements shows that the African LDCs continue to be the leading recipients of aid — receiving 72 per cent of the total in 2009. In terms of aid dependence indicators, there is a very high level of heterogeneity among different groups of countries, with the island LDCs showing by far the most elevated figures (16.1 per cent of GDP in 2009). Although in absolute terms the amount of aid has gone up for island LDCs, as a share of GDP, it was five percentage points lower than in 2005. With regard to the African LDCs, that indicator reached the equivalent of 10.5 per cent of GDP, while that of Asian LDCs only attained 5.9 per cent. Note also that the latter is greatly influenced by aid to Afghanistan. Not including aid to that country, the rest of the Asian LDCs received aid that is the equivalent of only 2.5 per cent of GDP in 2009. In terms of aid per capita, the island LDCs received $229, the African LDCs, $60.9, and the Asian LDCs, $33.1 the same year.

A long-standing feature of net ODA is its high concentration in a small number of countries. Six major recipients accounted for almost half of the total aid received by the LDCs in 2009.

Another long-standing feature of net ODA is its high concentration in a small number of countries. Six major recipients accounted for almost half of the total aid received by the LDCs in 2009. For these countries, the aid represented the equivalent of 14 per cent of GDP in 2009. In contrast, the aid for the rest of the LDCs represented the equivalent of only 5.9 per cent of GDP, less than half of what it is for the six major aid recipients. The same asymmetry is repeated in the data for net ODA disbursements per capita, where the six major recipients received $68.7, while the rest of the LDCs received $37.3 in 2009.

Since the data for net ODA disbursements in 2010 were still not available at the time of writing, it is difficult to evaluate the most recent trends in aid. However, it is possible to infer indirectly the future trends in the level of aid from traditional aid donors. Owing to continuous fiscal problems in traditional donor countries and the adoption of large fiscal consolidation programmes, it is unlikely that aid to the LDCs in the near future will attain the level reached in 2008 and 2009.

Although the increase of private-sector and official capital flows during the 2000s has been beneficial for economic growth, it has also increased the dependence of LDCs on external financing. When some of the flows retrenched in 2009, the LDCs experienced slowdown of their economies. In a world economy characterized by higher volatility and uncertainty (see next section), the heightened dependence on external financing could become increasingly problematic for the growth prospect of these economies. Thus, one of the challenges faced by the LDCs is to decrease their dependence on external financing, which can only be achieved by improving their domestic resource mobilization.

Owing to continuous fiscal problems in traditional donor countries and the adoption of large fiscal consolidation programmes, it is unlikely that aid to the LDCs in the near future will attain the level reached in 2008 and 2009.

Another dimension of the heightened dependence on external financing is an increase in the debt burden. Since the international financial institutions increased their lending to LDCs during the triple crisis, the level of indebtedness of the LDCs has also gone up. The increase in indebtedness of LDCs is indeed a worrying tendency. The total debt stock as a percentage of GNI had been declining steadily until the triple crisis partly because of the high economic growth recorded during the boom period. This resulted in a larger denominator, reducing the indicator from the average of 60.2 per cent of GNI in 2004—2006 to 33.1 per cent in 2008. Debt relief initiatives such as HIPC and MDRI also helped lower that indicator in eligible LDCs during the 2000s.

In 2009, however, the total debt stock as a percentage of GNI increased to 34.8 from 33.1 in 2008. It was an outcome of higher growth in the debt stock, mainly from international financial institutions and a significant slowdown in economic growth in 2009. A similar trend was recorded in other developing countries during the boom period, but the reversal in 2009 was smaller than that of the LDCs, mainly because they did not have to rely on financing by international financial institutions as much as the LDCs.

Country data for the LDCs indicate that there were four countries with a total debt stock higher than their GNI in 2009, and 11 countries had that indicator ranging between 50 per cent and 100 per cent of GNI.

Country data for the LDCs indicate that there were four countries with a total debt stock higher than their GNI in 2009. In addition, 11 countries had that indicator ranging between 50 per cent and 100 per cent of GNI. These countries should be vigilant and monitor their debt indicators closely to avoid debt accumulating to unsustainable levels. As the total debt stock of the LDCs expands, other indicators of debt burden, such as debt stock and debt service as a percentage of exports, will also increase. The sharp increase in fuel and food prices will likely put new strains on the finances of many net fuel- and food-importing LDCs and worsen their balance of payments position. Therefore, the debt situation of a number of LDCs is likely to deteriorate further.

UNCTAD (2010) pointed out that there were 10 LDCs in a situation of debt distress and 10 were at high risk of debt distress in 2010. A combination of lower growth rates and higher interest rates in the future could worsen the debt sustainability in many other LDCs. This finding is similar to that of Leo (2009), who examined the issue of lending by international financial institutions and the potential risk of renewed debt accumulation by countries that have only recently completed HIPC or MDRI and concluded that debt distress is on the rise and that new debt relief might be necessary in the future.

The external conditions are currently such that lower growth rates and diminished export dynamism of LDCs should be expected.

The analysis in this section suggests that high rates of economic growth during the boom period of the 2000s in LDCs are unlikely to be repeated in the present decade. The external conditions are currently such that lower growth rates and diminished export dynamism of LDCs should be expected. They are also characterized by more volatility, especially in commodity prices, and most worryingly for many LDCs, high fuel and food prices. The trends also portend somewhat weaker private external capital inflows and possibly less aid. As the LDC economies have become more open and more specialized in the production and export of commodities in the previous period, they have also become more vulnerable to sudden reversals of fortune when external conditions change for the worse. The recovery from the triple crisis is partial at best in the LDCs, and the current world situation and the mid-term outlook are not promising either.

C. The current world economic situation, the outlook for the coming decade and implications for LDCs

The recovery from the triple crisis is partial at best in the LDCs, and the current world situation and the mid-term outlook are not promising either.

1. LDC prospects in the changing geography of the world economy

Since the onset of the new millennium, the global economy has witnessed the emergence of strong and sustainable growth poles in the South, and the intensification of South—South economic linkages through trade, capital, technology and labour flows (UNCTAD, 2011d). Such a rise of the South, as it is sometimes referred to, has resulted in shifts of balance in the world economy. These economic and geostrategic changes in the world economy during the 2000s were characterized by OECD (2010) as “shifting wealth”. The main argument is that the centre of gravity of the world economy is shifting to the East, namely to Asia. Given the substantial difference in the rate of economic growth recorded after the 2008—2009 crisis, China and other dynamic economies like India, Brazil, South Africa and the Russian Federation, would continue to narrow the gap with advanced economies even faster than in the previous decade. The recent news that China has become the world’s second largest economy is symbolic of the depth and significance of these shifts.[4]

Since the onset of the new millennium, the global economy has witnessed the emergence of strong and sustainable growth poles in the South, and the intensification of South—South economic linkages through trade, capital, technology and labour flows.

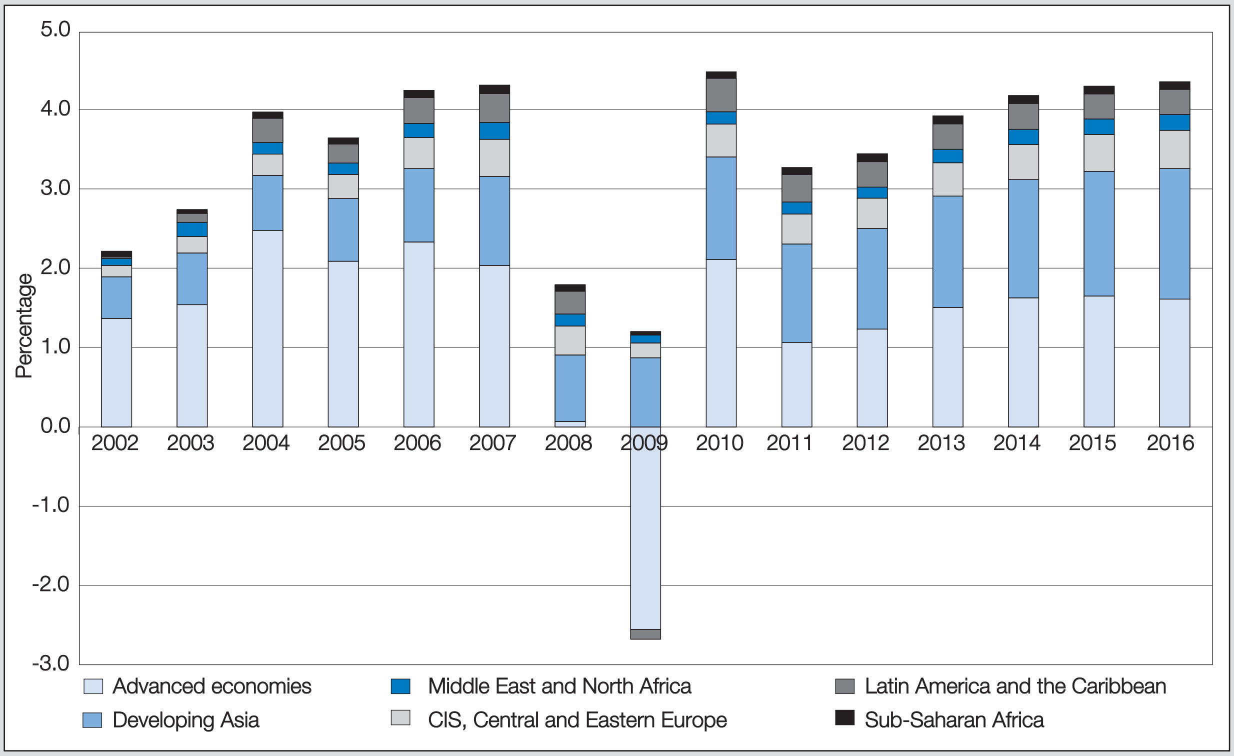
These changes, however, are not confined to the above-mentioned economies. For example, the GDP of the seven largest developing economies, adjusted for purchasing power parities, grew from 10.5 per cent of the GDP of OECD countries in 1980 to 21 per cent in 2010. Although the common perception is that the surge of Southern growth poles is largely an Asian phenomenon, Africa, Latin America and Western Asia also managed to expand their share of global output in the last 10 years. Similarly, a growing number of developing countries have been catching up with advanced economies, thanks to their faster GDP growth rates (OECD, 2010).

This tendency has become even stronger in the aftermath of the global recession because developed and transition economies suffered deeper contractions of GDP during the 2008—2009 period, and their recovery is still uneven and extremely fragile, unlike that of a number of developing countries. The latest available forecasts at the time of writing (IMF, 2011) suggest that the South, particularly the Asian economies, is likely to increase its importance in the future (chart 8).[5] There is every indication that the South’s importance in the world economy will continue increasing in the foreseeable future.

This tendency has become even stronger recently because developed economies suffered deeper contractions of GDP during the 2008—2009 period, and their recovery is still uneven and extremely fragile, unlike that of a number of developing countries.

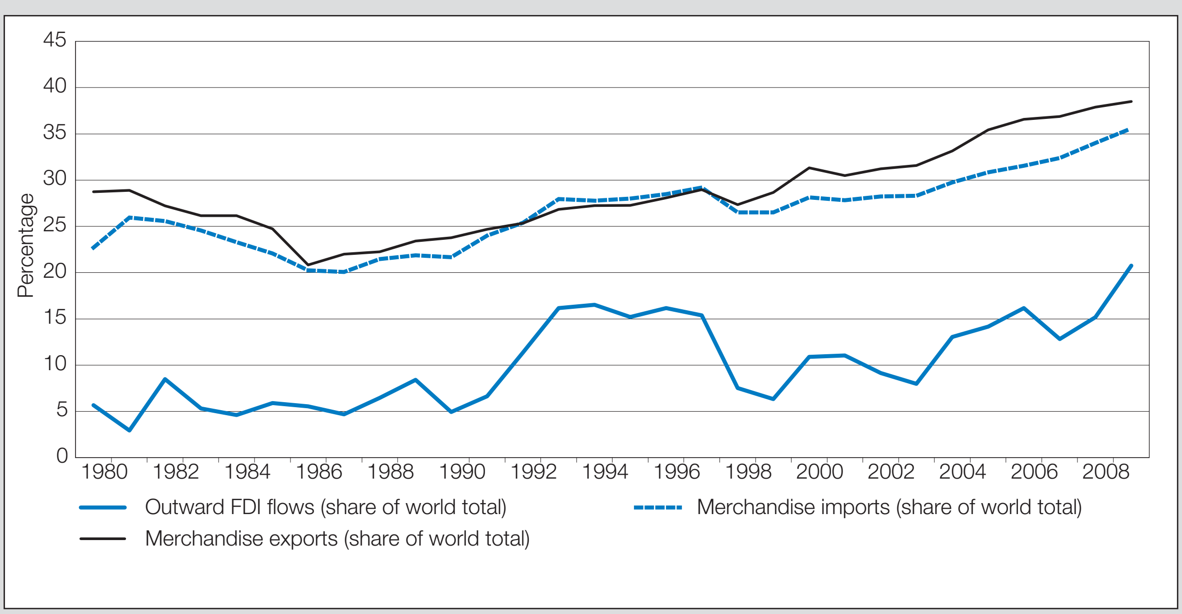
The shifting balance in the global economy has been mirrored in the growing importance of the South in world trade and investment flows (UNCTAD, 2011f; OECD, 2010). In the last two decades, other developing economies, not including LDCs, have succeeded in increasing their shares of global merchandise imports and exports, as well as strengthening their role as a source of outward FDI (chart 9). South—South trade grew, on average, 12 per cent per year from 1996 to 2009, that is, 50 per cent faster than North—South trade. In 2010, the share of developing and transition economies in the world’s total FDI has for the first time reached that of developed economies (UNCTAD, 2011f). The intensification of

Chart 8. Contribution to world GDP growth by region, 2002–2016
(Percentage)



Source: UNCTAD secretariat calculations based on IMF, *World Economic Outlook,* September 2011.
Note: Data for 2011–2016 are forecasted.

Chart 9. The "rise of the South": Developing countries, excluding LDCs, 1980–2009



Source: UNCTAD secretariat calculations based on UNCTADstat database.

South—South trade and investment flows is thus a fairly broad-based trend that has rendered the world economy considerably more interdependent.

These processes are already exerting far-reaching effects on the world economy in terms of the economic size of national economies, economic growth and global demand patterns, and incomes and demographic trends. If the current trends continue, these effects will be even stronger in the future. Most importantly, they will likely result in significant breakdowns of the dominant position of the United States of America. Long-entrenched features of the economic, political and even ideological landscape will likely be further disrupted and reconfigured in the process. This is also an opportunity for the LDCs to reassess their national development strategies, rethink their global alliances and reposition themselves in the evolving international division of labour.

In 2010, the share of developing and transition economies in the world's total FDI has for the first time reached that of developed economies.

Given that the world economy is now much more complex, more integrated and more interdependent than ever before, a more developed and encompassing global economic governance regime is required in order to ensure its smooth functioning. However, the current governance regime has been formed under the assumption of the efficient-market hypothesis. As such, it lacks the appropriate institutions and mechanisms to regulate international financial flows and manage global macroeconomic imbalances.

This is also an opportunity for the LDCs to reassess their national development strategies, rethink their global alliances and reposition themselves in the evolving international division of labour.

And yet, the new world order that is slowly, but inexorably emerging, will require much more global macroeconomic coordination, that goes beyond the recent efforts by the Group of Twenty, to avoid a repetition of the Great Depression that occurred between the two world wars. Alternatives to the present world order, as well as the new institutions that would have to accompany it, will remain less than fully defined and will take time to develop and become consolidated.

2. The crisis continues to affect the world economy

During the financial crisis of 2008—2009 and the resulting global recession, fiscal and monetary policies and instruments, including unorthodox ones such as quantitative easing, were widely used in many countries to support economic activity and to reduce or eliminate disruptions affecting the financial and real sectors. A repetition of a widespread dislocation of economic activity similar to the one that occurred during the Great Depression of the 1930s was successfully averted. However, one of the legacies of these policies is a partial substitution of private-sector indebtedness by public-sector indebtedness. In effect, public sectors have taken on the bad debts, most notably of banks, but also of other sectors. While this has relieved the pressure of the excessive indebtedness from the private sector, the burden has merely been shifted to the public sector.

While the global recession in a technical sense is over, the crisis itself is continuing in a different form as a sovereign debt crisis.

The socialization of private losses, coupled with the effects of automatic fiscal stabilizers — higher expenditures and lower tax receipts during the crisis — has resulted in a swelling of public-sector debts in the developed economies. Public deficits close to 10 percentage points of GDP in the United States and the United Kingdom in 2010, for example, will result in rapid increases of the ratio of public debt to GDP. UN-DESA (2011) estimates that the average public debt ratio for developed countries will surpass 100 per cent of GDP in 2011. Therefore, while the global recession in a technical sense is over, the crisis itself is continuing in a different form as a sovereign debt crisis.

The short-term economic outlook of the advanced economies is hobbled by problems in all four components of aggregate demand.

Turning to the advanced economies at large, the short-term economic outlook is hobbled by problems in all four components of aggregate demand. The de-leveraging process of the private sector (reduction of debt levels) in these countries triggered by the financial crisis is still under way. The post-recession period in most advanced economies is characterized by weak wage growth, persistently high unemployment and continuous weakness of the real estate sector. Consumption, the most important element of aggregate demand, will thus remain sluggish for several years, as consumers cannot pay off their debts and increase consumption at the same time. Investment in developed economies will likely underperform in the medium-term, since there is still some unutilized capacity available and the final demand is weak.

Consumption will remain sluggish for several years, as consumers cannot pay off their debts and increase consumption at the same time. Investment will likely underperform since there is still some unutilized capacity available and the final demand is weak.

In 2009 and 2010, government spending provided much-needed support for economic activity in developed and developing countries alike. However, as these measures resulted in a substantial deterioration of fiscal accounts in the former, their fiscal policy has now changed towards a more conservative stance. Most plans to reduce fiscal deficits rely heavily on cuts in fiscal expenditure. Thus, the economic austerity of the public sector in the developed countries is going to further subtract from the aggregate demand for a prolonged period (UNCTAD, 2011e). The fourth component of aggregate demand is net export (exports minus imports). The weakness of other components of the aggregate demand in developed economies suggests that there would be increased pressure to use exports as a means to make economic activity more dynamic. However, it is a fallacy of composition to think that all developed economies could substantially increase their exports at the same time, as there is currently no effective demand for them. Summing up the four components of aggregate demand, it is clear that developed economies will not provide the needed level of aggregate demand for the world economy to grow faster.

The economic austerity of the public sector in the developed countries is going to further subtract from the aggregate demand for a prolonged period.

The sluggish, erratic and jobless recovery in the advanced economies will continue to have adverse effects on the LDCs. Moreover, since it is likely that the economic activity of the developed countries would remain below the potential growth rate for some time, the demand for imports from the LDCs will be sluggish. As a result, the potential for export-led growth in the LDCs will be diminished. It is important to emphasize that the LDCs have a trade surplus with developed countries and a trade deficit with developing countries (see chapter 2). The two-track world economy will thus tend to deteriorate the trade balance of the LDCs, since the countries with which LDCs have trade surplus are likely to underperform.

In addition, the sovereign debt crisis will most probably hinder investment in productive capacities and put a cap on the future growth of the world economy — and of the LDCs in particular — by biasing investment decisions away from long-term, productive capacity-enhancing projects towards short-term, quick-profit ones. Given the dependence of the LDCs on external sources of financing, this could particularly hurt their prospects for the decade. Data concerning global FDI flows, for example, show that in 2010 flows amounted to only $1.24 trillion, nearly 37 per cent below the pre-crisis peak (UNCTAD, 2011f).

The weakness of other components of the aggregate demand in developed economies suggests that there would be increased pressure to use exports as a means to make economic activity more dynamic.

Another adverse channel may be ODA for LDCs. Traditional donors are already beginning to reduce fiscal expenditure, which means they might not be able to continue to provide ODA at previous levels. It is likely that ODA will be reduced as the pressure to contain fiscal expenditure in developed countries intensifies further. The LDCs should, therefore, seek alternative sources of financing, including, but not limited to, official finance from other developing countries, and strengthen the domestic mobilization of resources.

In the medium term — three to five years — a rebalancing of the world economy will be needed. The pre-crisis world economy can be portrayed in a simplified manner as one in which the United States functioned as the consumer of last resort for the world. Africa and Latin America produced and exported commodities, Asia manufactured final consumption goods and the European Union and the United States produced capital goods. That arrangement resulted in increasing levels of private indebtedness in the United States, and to a lesser extent in the European Union, and is now seriously undermined.

A rebalancing of the world economy could provide a way out of the current malaise. However, it would require substantial changes in both the surplus and deficit economies. In surplus economies, it will require a substantial increase in wages (Germany, Japan and China) and in social redistribution schemes (China). These changes will take time, as it is possible to carry them out only gradually. Moreover, even if China, for example, succeeds in introducing the necessary changes fairly quickly, the impact of this additional demand on overall global demand would be relatively small, since today the Chinese economy is equivalent to only one third of the size of the United States economy. In deficit countries, rebalancing would require structural reforms to increase their competitiveness, accompanied by expenditure-switching policies and a reduction in overall indebtedness. Again, it is unlikely that these changes can be implemented rapidly. Thus, the rebalancing of the world economy is likely to be a protracted process that would have to rely on politically difficult structural reforms.

The sluggish, erratic and jobless recovery in the advanced economies will undoubtedly have adverse effects on the LDCs.

Some studies indicate that the impact of the rebalancing on the LDCs could be negative. Mayer (2011) estimated the impact of rebalancing on trade and employment in the LDCs, concluding that the world exports would decline or grow less than before, with the largest impact on exports of industrial goods. Another global result would be a sizeable adverse impact on employment worldwide. Both effects might especially affect LDCs specializing in labour-intensive manufactures, while commodity-exporting LDCs would not be affected as much. In addition, the trade balance of most LDCs would most likely deteriorate.

The rebalancing of some of the large developing economies, in particular China, from exports towards domestic consumption may have a negative effect on the exports of developing countries into these regions. For example, a recent study (Akyuz, 2010) estimated that the import intensity of Chinese exports is in the range of 40—50 per cent. In contrast, the import intensity of the investment is only 15—20 per cent, while that of consumption is less than 10 per cent. This means that a rebalancing of the Chinese economy may decrease Chinese imports by a substantial amount. This, in turn, may have adverse effects on the exports of developing countries, including the LDCs, who have been increasingly reorienting their trade to China and more broadly to the South (see chapter 2 for more details).

The rebalancing of the world economy is likely to be a protracted process that would have to rely on politically difficult structural reforms

The rebalancing of the world economy could also have positive effects on the LDCs. If a universal social safety net is established and wages are increased in China, one of the results would be a more costly labour input, which will make Chinese production more expensive. That, in turn, could be beneficial for LDCs, mostly characterized by very low labour costs. Conceivably, parts of the manufacturing industries from China would then seek to relocate to some LDCs, given the increase in labour costs at home.

The ongoing analysis suggests that the world economy will be fragile and unstable, as well as hobbled by a two-speed recovery in the coming years. It is also likely that the rebalancing of the global economy will only be partial in the next several years. Various sources also suggest that international trade will remain depressed for some time (IMF, 2011; UN-DESA, 2011). Thus, the outlook for the world economy is not positive and is surrounded by great uncertainty. Needless to say, the primary responsibility to drive recovery, revitalize growth and rebalance the world economy in a more inclusive and sustainable direction, lies with the advanced economies.

Some studies indicate that the impact of the rebalancing of the world economy on the LDCs could be negative.

This more complex and challenging economic environment will put strains on policymakers in the LDCs, as many of the effects will be negative for their economies. With a more subdued demand for their LDC goods and services in developed countries, LDCs would have to seek opportunities elsewhere.

Large and dynamic developing countries, such as China, India, Brazil and South Africa, could be a priority in that reorientation. Likewise, regional partners, both within and beyond formal integration groupings, could prove to be additional outlets for LDC exports.

With a more subdued external demand for their goods and services in developed countries, LDCs would have to seek opportunities elsewhere. Large and dynamic developing countries as well as regional partners could prove to be additional outlets for LDC exports.

3. Far-reaching changes in other developing countries

The political changes that started in early 2011 in Western Asia and North Africa could have important consequences for the world economy. These countries possess close to 50 per cent of the world's oil reserves and are thus crucially important for today's oil-based world economy. It is too early to say what longer-term consequences the changes in Western Asia and North Africa could have on the world economy, but in the short-term, a 20 per cent increase in oil prices during the first half of 2011 has already added to inflationary pressures in many countries.

Beyond that, several effects of these events on the LDCs can already be envisioned. One of the most important causes of the changes in these regions has been the lack of opportunities for young people. In particular, the high youth unemployment rate has become a structural characteristic of these economies (Economic and Social Commission for Western Asia, 2011; International Labour Organization (ILO), 2011a). As a result, it is very likely that they would try to tackle the unemployment by diversifying towards more labour-intensive activities. That will put pressure on those LDCs basing their development strategy on labour-intensive activities. In addition, as mentioned earlier, these countries are hosts to many migrants from LDCs; therefore, workers' remittances are likely to be affected as these economies slow down because of the political turmoil.

The message for the LDCs is very clear: aspiring to achieve sustained economic growth alone is not sufficient. That growth should ultimately generate productive employment, social investment and inclusive development.

Economic inequality was also a powerful motivation for the upheaval and changes in these regions. As poorer citizens struggled to make ends meet, the images of the opulence of the elites, coupled with the doubts about the way these riches have been accumulated, had a powerful mobilizing effect on citizens. The message for the LDCs is very clear: aspiring to achieve sustained economic growth alone is not sufficient. That growth should ultimately generate productive employment, social investment and inclusive development. It should also be accompanied by political representation of all segments of society, especially of those that have been politically marginalized so far.

D. The Istanbul Programme of Action: The importance of productive capacities and structural transformation for LDCs

LDC-IV was held in Istanbul, Turkey, from 9—13 May 2011. The Conference adopted the Istanbul Programme of Action (IPoA) as its principal document.

1. Selected highlights of the Istanbul Programme of Action

LDC-IV was held in Istanbul, Turkey, from 9—13 May 2011. The Conference adopted the Istanbul Programme of Action (IPoA) as its principal document. It represents the international community's main document in relation to the LDCs for the 2011—2020 period. In effect, it is a mutually agreed compact between LDCs and their development partners.

The IPoA provides an overall direction for the international community's strategy on LDCs. It outlines specific measures to be adopted by the LDCs themselves and their development partners, and joint actions to be taken by both. The Programme of Action contains a total of 47 goals and targets and recommends 252 actions to be implemented by the LDCs and their development partners. It is a comprehensive document that should inform and guide both LDCs and the international community on LDC-specific issues in the next 10 years.

The IPoA reviews the implementation progress of its predecessor — the Brussels Programme of Action (BPoA) — and stresses that certain goals have not been fully achieved. One of the central goals of the BPoA was to achieve growth rates of 7 per cent per annum or more. Although LDC economies as a group grew by 6.9 per cent between 2001 and 2010, there was broad heterogeneity in the achievements of individual countries. Most importantly, only 15 LDCs achieved the targeted growth rate. Ten of these are African LDCs, four are Asian LDCs and one is an island LDC. Notably, all oil-exporting LDCs except Yemen reached the targeted rate. On the other end of the spectrum are eight countries with real GDP growth rates that are lower than their population growth rates. In other words, these eight countries had a negative per capita growth rate during the decade.

It is a comprehensive document that should inform and guide both LDCs and the international community on LDC-specific issues in the next 10 years.

Another important goal of the BPoA was an investment rate equal to 25 per cent of GDP. Given that investment increased from 19.5 per cent of GDP in 2001 to 23.2 per cent in 2008, the goal for the LDC group as a whole was not met. Instead, only a handful of countries — again, mostly oil exporters — met the target. Gross fixed capital formation, which excludes inventory accumulation, was even slower during the decade. Moreover, in 19 LDCs the gross fixed capital formation declined during the decade of implementation of the BPoA. Poverty reduction, discussed later in this section in more detail, was another BPoA target with only limited achievements.

The ODA targets of development partners were generally not met. While the aggregate ratio of ODA to GNI for Development Assistance Committee (DAC) members increased from 0.05 per cent in 2000 to 0.09 per cent in 2008, this is way below the target range of 0.15—0.20 per cent of GNI. Moreover, an analysis of international support measures for the LDCs indicates that they have a symbolic, rather than real, developmental impact on LDCs (UNCTAD, 2010).

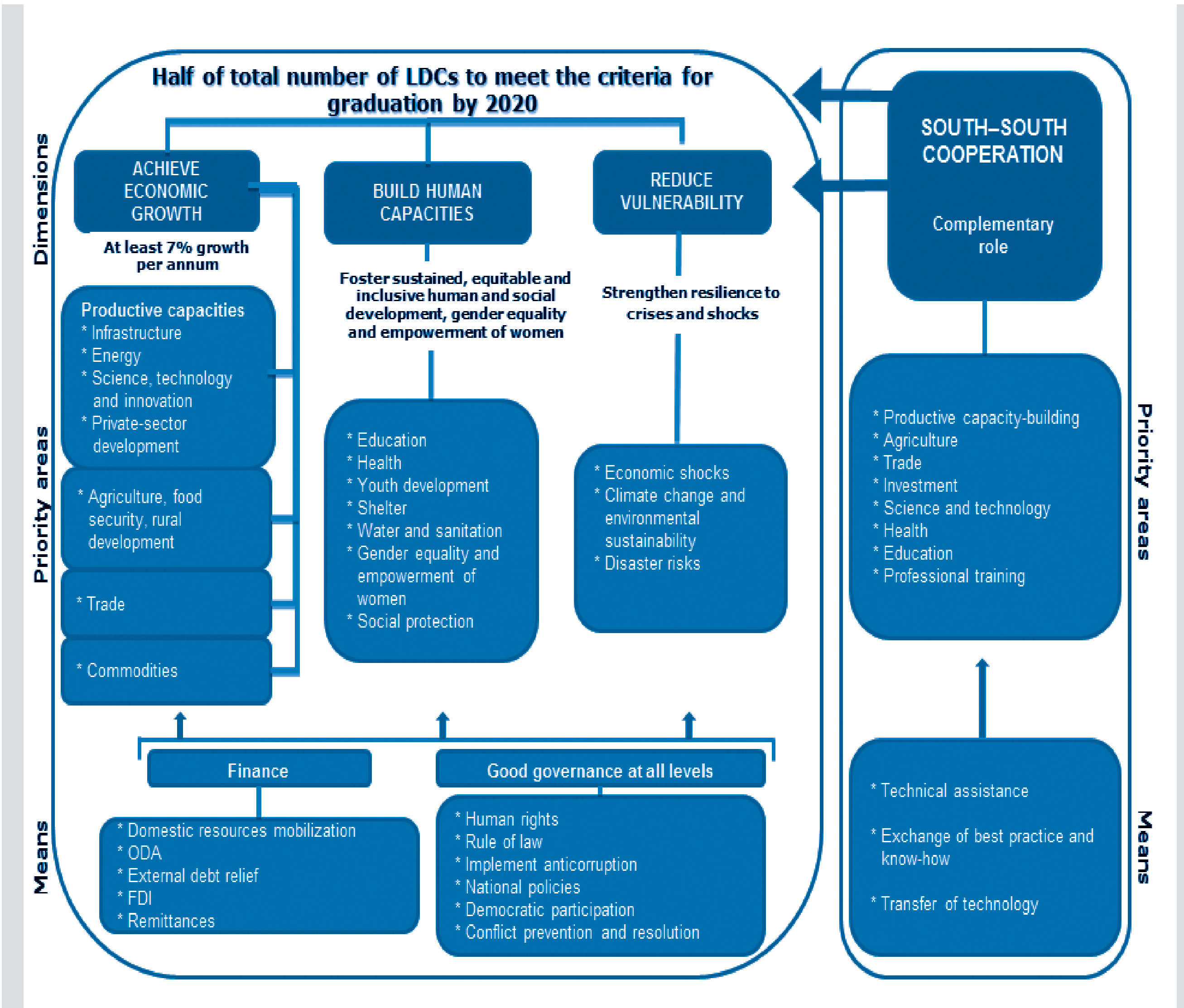
The overarching goal of the IPoA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the LDC category. More specifically, national policies and international support measures should focus on enabling half of LDCs to meet the criteria for graduation by 2020 (United Nations Conference on the Least Developed Countries, 2011, paras. 27–28). Despite this surprisingly ambitious goal, the IPoA contains far fewer quantitative targets than the BPoA, and fewer means to achieve it. In addition, the commitments of the development partners contained in the IPoA are less numerous, and of a more general nature, and they emphasize technical assistance and capacity-building support rather than policy commitments. The common interpretation of the IPoA, however, is that it builds on the commitments and targets of its predecessor, especially those that have not been fulfilled.

The overarching goal of the IPoA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the LDC category. More specifically, national policies and international support measures should focus on enabling half of LDCs to meet the criteria for graduation by 2020.

The logic behind the IPoA could be summarized schematically as in chart 10. The target of enabling half of the LDCs to meet the criteria for graduation by 2020 has three dimensions: achieving a graduation threshold level of income per capita by growing at least 7 per cent per annum; building human capacity by fostering sustained equitable and inclusive human and social development, gender equality and the empowerment of women; and reducing vulnerability by strengthening resilience to crises and shocks.

The IPoA focuses on eight priority areas of action and establishes goals and targets, as well as tangible deliverables and commitments. The eight priority areas are as follows: (a) productive capacity; (b) agriculture, food security and rural

Chart 10. Schematic presentation of the Istanbul Programme of Action



Source: UNCTAD secretariat, based on the IPoA.

development; (c) trade; (d) commodities; (e) human and social development; (f) multiple crises and other emerging challenges; (g) mobilizing financial resources for development and capacity-building; and (h) good governance at all levels. The last two could be considered as means that would enable the LDCs to achieve the overall goals of the Programme of Action.

The IPoA also contains some new elements. Most notably, there is a whole section devoted to the complementary role of South—South cooperation in its implementation.

The IPoA also contains some new elements. Most notably, there is a whole section devoted to the complementary role of South—South cooperation in its implementation. Chart 10 thus depicts South—South cooperation in a separate column to emphasize that it differs in many ways from the action of the traditional development partners, and that it should play an important role in the implementation of the Programme of Action. This section also points out that South—South cooperation should not be seen as ODA, but as a partnership among equals based on solidarity, and that it includes initiatives in the social, economic, environmental, technical and political realms. Moreover, it should not be regarded as a substitute for, but rather a complement to North—South cooperation (para. 134). Hence, South—South cooperation has been highlighted in the IPoA.

Another new element is the active engagement of civil society, private-sector and legislative bodies in the preparation, discussion and implementation of the

IPoA. This is of great importance in mainstreaming the LDC-specific issues in the broader political and economic agenda in both developed and developing countries. It could also help tackle the global governance deficit stemming from the overrepresentation of developed countries and the underrepresentation of LDCs — or the lack of representation — in many formal and informal global governance institutions, organizations and bodies.

In addition, the IPoA has much more seriously taken up the issue of science, technology and innovation (STI) for LDCs, which UNCTAD has promoted vigorously (see UNCTAD 2007 and 2010). The key decision is to establish a technology bank and an STI supporting mechanism in order to improve scientific research, technological development and innovation in LDCs (para. 52 (1)). The Government of Turkey announced that it would host an International Science, Technology and Innovation Centre devoted to LDCs.

The IPoA has much more seriously taken up the issue of science, technology and innovation (STI) for LDCs, which UNCTAD has promoted vigorously. The key decision is to establish a technology bank and an STI supporting mechanism in order to improve scientific research, technological development and innovation in LDCs.

The IPoA also recommended that development partners should consider the provisioning of concessional start-up financing for LDC firms that invest in new technologies (para. 52 (3c)). In other words, the IPoA contains the Spark Initiative that is promoted and championed by UNCTAD (UNCTAD, 2010).

In addition, the IPoA recommends strengthening international commercial collaboration, most notably through FDI, in order to go beyond the dominant resource extraction and commodity production and export. The aid for investment concept was proposed in the form of home-country measures to boost incentives for investment in non-traditional areas in the LDCs, especially in those sectors that are likely to build up a diversified production base, to encourage linkages with domestic production activities and create jobs.

There are many positive elements in the IPoA. However, there is a contrast between the very ambitious overall target of enabling half of the LDCs to meet the criteria for graduation by 2020 and the lack of new financial commitments that would help achieve that target. Only three countries — Botswana, Cape Verde and Maldives — have graduated from the LDC category in the last three decades. Given the poor graduation record, attaining such an ambitious goal would require a radical shift in development partnership,[6] which unfortunately is not contained in the IPoA.

There are many positive elements in the IPoA. However, there is a contrast between the very ambitious overall target of enabling half of the LDCs to meet the criteria for graduation by 2020 and the lack of new financial commitments that would help achieve that target.

Further, the IPoA contains fewer recommendations for actions of development partners and generally shifted the burden of responsibility for action to LDCs themselves. Whereas the BPoA called on LDCs to implement 156 actions, and development partners to implement 181, the IPoA lists 126 actions by the former and only 110 by the latter. It also includes 16 joint actions.

The IPoA includes neither a fuller discussion of the existing international supporting mechanisms for LDCs, nor proposes new ones, except for the STI area discussed earlier. Moreover, very little consideration was given to the global economic regimes that affect the economic performance of LDCs and the need for their reform. For example, the section on commodities, although included as one of the priority areas for LDCs, recommends no joint actions by development partners and LDCs, meaning there are no actions to address these issues at the global level.

Even more surprisingly, the early harvest of the Doha round on trade issues directly affecting the LDCs, which was first proposed by the Sixth Least Developed Countries Trade Ministers' Meeting in Dar es Salaam in 2009, was not adopted in Turkey. In other words, the goal of integrating LDCs more fully, effectively and beneficially into the international trading system has not been matched by specific actions. Other areas considered to be important by the LDCs, but that have not received sufficient attention in the IPoA, are climate change and green growth.

Finally, there is no rethinking of the development model for LDCs in the IPoA. This lack of questioning of the underlying model of development of LDCs, based on the Poverty Reduction Strategy Paper (PRSP) blueprint, means that it subscribes to the business-as-usual approach in many respects. This stands in sharp contrast with the fundamental change contained in the IPoA, namely, its major emphasis on the concept of productive capacities and structural transformation.

There is no rethinking of the development model for LDCs in the IPoA.

2. The importance of productive capacities and structural transformation for LDCs in the Istanbul Programme of Action

The IPoA notes that the performance of LDCs improved substantially in terms of economic growth and international trade during the 2000s. However, that has not translated into a sustained catching-up process of the LDCs with the rest of the world, as can be illustrated by several examples.

First and foremost, it is worth noting that while LDCs represent a significant and increasing share of world population — 12 per cent in 2009 — their contribution to global output remains below 0.9 per cent, considerably lower than in the mid-1970s (see chart 11, panels A and B). In other words, one eighth of the world's population produces less than one hundredth of the world's total GDP. Similarly, LDCs benefited only modestly from the expansion of world trade in the 2000s: their share of world merchandise exports hovered around 0.6 per cent between the 1980s and the early 2000s, and then climbed to 1 per cent more recently (panel C). The bulk of the recent improvement, however, is accounted for by fuels; excluding that product line, LDCs accounted for only 0.53 per cent of world exports in 2009. The weight of LDCs as exporters of services is even more reduced in the world economy and has been shrinking for the past 30 years. In 2009, they barely accounted for 0.6 per cent of the world total.

LDCs represent a significant and increasing share of world population (one eighth of the world's population), but produce less than one hundredth of the world's total GDP.

The position of LDCs looks marginally better with regard to FDI flows: in 2009 their economies received around 2.5 per cent of total FDI inflows worldwide (panel D). This does indeed represent a small improvement, compared with the last couple of decades, but should be considered against the global context of surging FDI flows to developing countries, and growing demand for primary commodities.

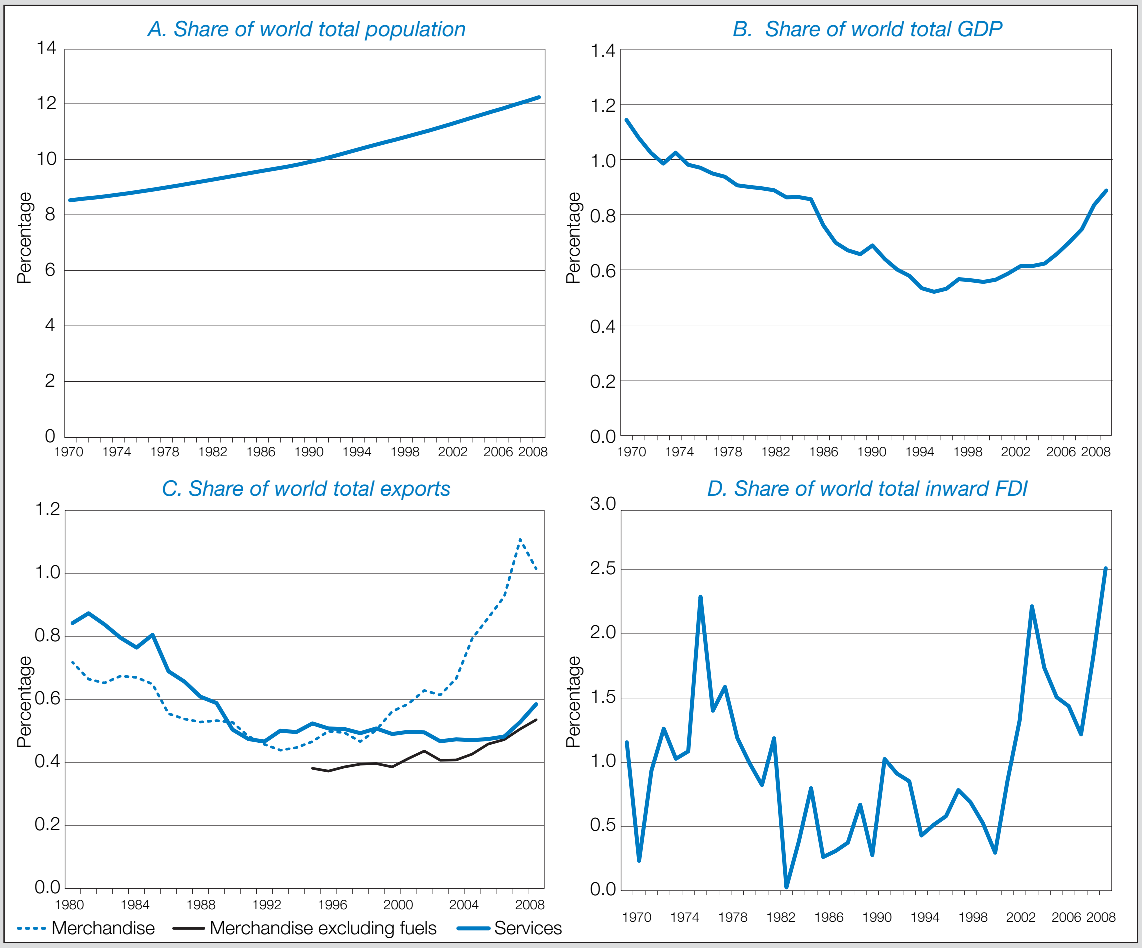
Real GDP per capita in LDCs has been decreasing relative to other country groups (developed economies and developing economies, excluding the LDCs) from the early 1970s until the mid-1990s (chart 12). In that period, the LDCs went from over 2 per cent of the real GDP per capita of developed economies to only 1 per cent. As regards the real GDP per capita of other developing countries, the LDCs fell from almost 40 per cent in 1970 to less than 20 per cent in the mid-1990s.

A large body of evidence shows that LDCs continue to play a very marginal role in the world economy

The increased dynamism of LDC economies during the 2000s has reverted somewhat the decline relative to the real GDP of developed economies; they thus stood at 1.5 per cent in 2009. In contrast, there has been no improvement of the real GDP per capita of LDCs relative to other developing countries. Even with the growth performance they recorded during the 2000s, LDCs were not able to begin closing the gap with other developing economies. To embark on a sustained catching-up path, the LDCs would have to substantially improve their performance.

A large body of evidence shows that LDCs continue to play a very marginal role in the world economy, and that their growing integration in the global market was accompanied by very limited advances (if any) in their relative position,

Chart 11. LDCs in the world economy, 1970–2009



Source: UNCTAD secretariat calculations based on UNCTADstat database.

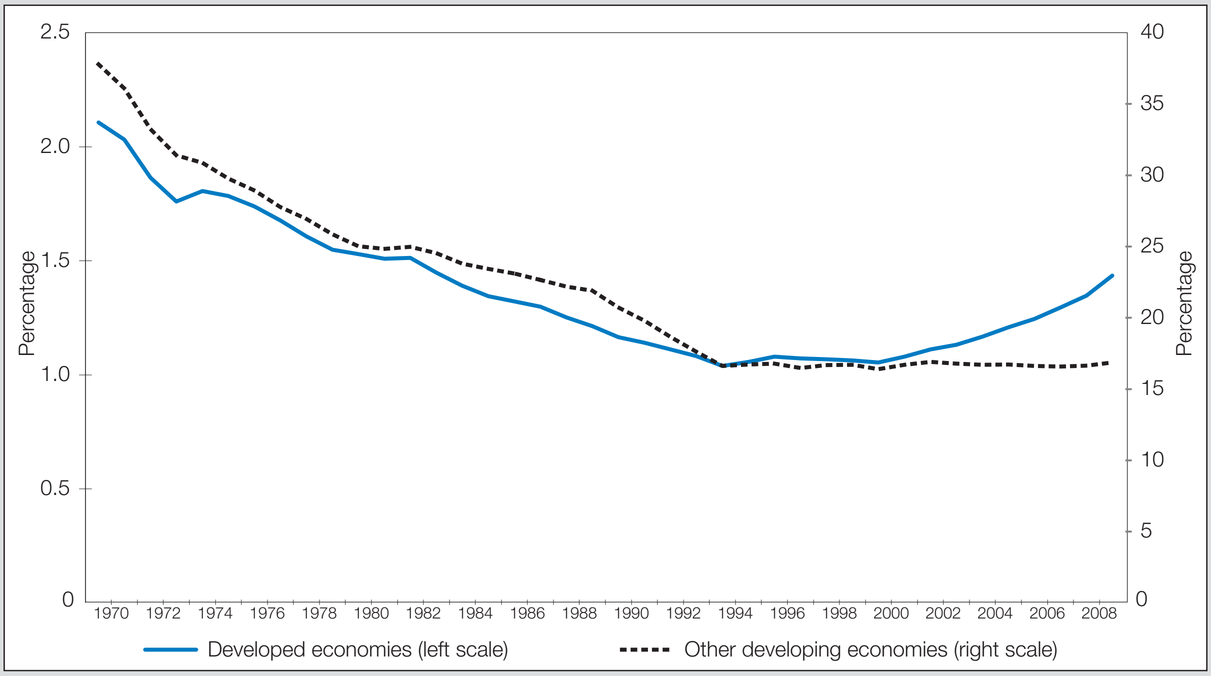
compared with the rest of the world (for a similar evaluation, see United Nations Conference on the Least Developed Countries (2011), sections I, II and III). From a long-term perspective, it appears that their marginalization is in many ways worse than in the early 1970s when the LDC category was created, despite some modest improvements during the last 10 years. More generally, the picture that emerges from the data is that the LDCs, in spite of substantial improvements in economic growth and international trade, have not been able to develop their productive capacities and beneficially integrate with the world economy.

The IPoA also recognizes that "the improved economic performance in some least developed countries had a limited impact on employment creation and poverty reduction" (para. 18). In other words, the growth was not inclusive. Instead, it was unbalanced and the gains were distributed unevenly. The issue of inclusive growth has gained policy prominence recently. Given that comprehensive data on inequality in the LDCs is lacking, poverty could be used as a proxy to analyse where the LDCs stand in terms of inclusive growth.

The IPoA also recognizes that "the improved economic performance in some least developed countries had a limited impact on employment creation and poverty reduction".

UNCTAD's assessment of poverty reduction trends and MDG achievements (see the *Least Developed Country Report 2010*, chapter 1) indicates that progress is certainly being made in the LDCs, with an acceleration of achievement since 2000. Poverty reduction is, however, particularly weak, and most LDCs are off-track to meet most human development MDGs. Overall progress is very slow.

Chart 12. Real GDP per capita in LDCs relative to other country groups, 1970–2009



Source: UNCTAD secretariat calculations based on UNCTADstat database.

The main feature of poverty in LDCs remains its all-pervasive and persistent nature: 53 per cent of the population was living on less than $1.25 a day, and 78 per cent on less than $2 a day in 2007.

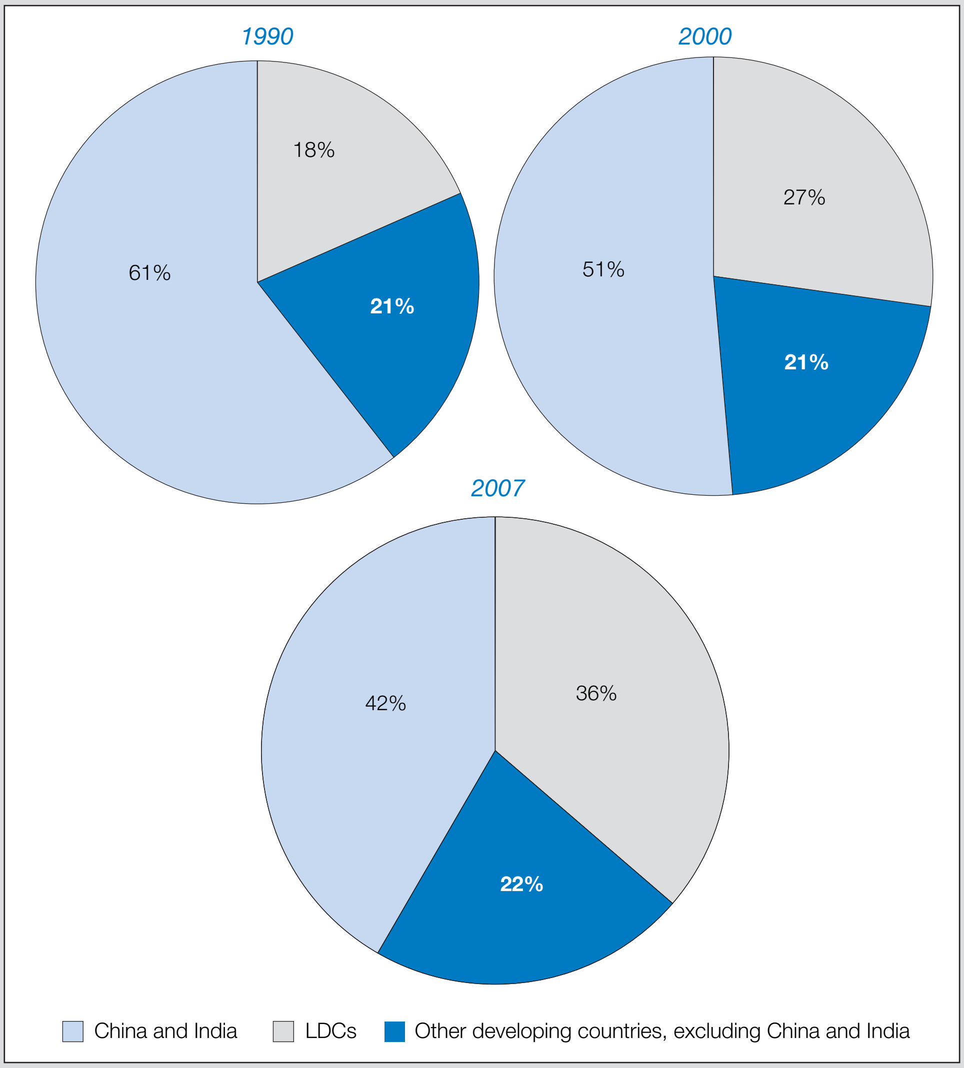
Even with the growth performance during the 2000s, LDCs were not able to begin closing the gap with other developing economies.

The main feature of poverty in LDCs remains its all-pervasive and persistent nature: 53 per cent of the population was living on less than $1.25-a-day, and 78 per cent on less than $2-a-day in 2007. This implies that 421 million people were living in extreme poverty in LDCs that year. The incidence of extreme poverty was significantly higher in African LDCs, at 59 per cent, than in Asian LDCs, at 41 per cent. For the $2-a-day poverty line, however, the difference was less marked: 80 per cent in African LDCs and 72 per cent in Asian LDCs.

Notwithstanding rapid economic growth during the 2000s, the pace of poverty reduction in the LDCs has been quite modest. Importantly, the LDCs remain off-target to reduce poverty by half between 1990 and 2015. Moreover, since the LDC population is very young and increasing rapidly, the number of people living in extreme poverty continued to rise even during the boom, despite the decline in headcount rates. Consequently, given the continuation of trends since 2000 and not factoring in possible impact of the crisis, the number of extreme poor living in LDCs by 2015 will be 439 million, while if the MDG target were achieved it would be only 255 million.

Another way of looking at these trends is to compare the share of people living in extreme poverty in developing countries (chart 13). China and India together were the main locus of extreme poverty, accounting for 42 per cent of the people living in extreme poverty in all developing countries in 2007. This, however, is a significant reduction from 61 per cent of the total in 1990. In contrast, 36 per cent of extremely poor people resided in the LDCs, and 22 per cent in other developing countries, excluding China and India, in 2007. Given current trends in poverty reduction, as well as population dynamics, it is clear that over time LDCs will become the major locus of extreme poverty in the world. In 1990, only 18 per cent of the extreme poor lived in LDCs, while in 2000 the share was 27 per cent.

Chart 13. Distribution of people living in extreme poverty across developing countries, 1990, 2000 and 2007
(Below $1.25/day)



Source: UNCTAD, 2011c.

Another area where the performance of the LDCs was poor is employment. The growth of employment during the 2000s reached 2.9 per cent (ILO, 2011b), which was much slower than the GDP growth. The growth of employment was thus insufficient to absorb the growing number of entrants in the labour market. The employment opportunities in LDCs are not created in sufficient quantity because of the type of specialization of production, mainly in commodities. The elasticity of output growth has been relatively low, especially in African LDCs, since the most dynamic sectors have been capital-intensive, enclave sectors (Economic and Social Commission for Africa, 2010). In addition to low employment elasticity, these sectors are characterized by very feeble linkages with the rest of the economy, resulting in very few spillovers.

The growth of employment during the 2000s reached 2.9 per cent, which was much slower than the GDP growth.

According to ILO data, the unemployment rate in LDCs had barely nudged down during the boom period, from 6.1 per cent in 2000 to 5.7 per cent in 2007. This had been reversed by the crisis of 2008—2009, so the estimate for 2010 is that the unemployment rate has reached 5.8 per cent (ILO, 2011b). In addition, the proportion of the working poor in total employment at 60 per cent in LDCs is the highest in the world. Similarly, the rate of the so-called “vulnerable employment”[7] as a share of total employment in LDCs is the highest in the world, 81 per cent.

The inability of LDC economies to create a sufficient number of formal jobs, coupled with a fast-growing labour force, has resulted in widespread informal employment. As is well known, informal economic activities, as well as subsistence agriculture, are characterized by low levels of productivity and earnings. That explains why the share of the working poor in total employment in LDCs is so high. However, these trends are likely to worsen in the future, as the total population of the LDCs is bound to increase to 1 billion by 2017 from 880 million in 2009. Therefore, a big challenge for LDCs is how to create sufficient productive employment for the fast-growing economically active population.

The inability of LDC economies to create a sufficient number of formal jobs, coupled with a fast-growing labour force, has resulted in widespread informal employment.

The failure to create a sufficient number of jobs in many LDCs, even when economic growth was high, is related to another feature of these economies during the 2000s, namely, the lack of structural transformation. As stated in paragraph 18 of the IPoA, "in many least developed countries structural transformation was very limited, and their vulnerability to external shocks has not been reduced".

However, that was not always the case in the LDCs. Structural transformation was fairly rapid from the beginning of the 1970s to mid-1980s, when the proportion of agriculture in GDP for LDCs declined on average from 85 per cent to 41 per cent in just 17 years. This was clearly not a result of an absolute decline of agricultural production, but of its slower rate of growth in comparison with industry and services. In other words, the process of transformation of the productive structure was swift.

In contrast, that process has been much slower since the mid-1980s. The share of agriculture in GDP decreased from 41 per cent in 1987 to 27.2 per cent in 2008. Inverse tendencies could be seen with the share of industry and services in GDP. Industry accounted for only 5.4 per cent of GDP in 1970, but recorded rapid growth in the next decade and a half to reach 18.6 per cent in 1987. From then on, however, the change has been much slower. The share of industry in 2000 was 25.1 per cent of GDP and 30.8 per cent in 2008. Services increased from 9.4 per cent in 1970 to 40.4 per cent in 1987 and to 42 per cent in 2008.

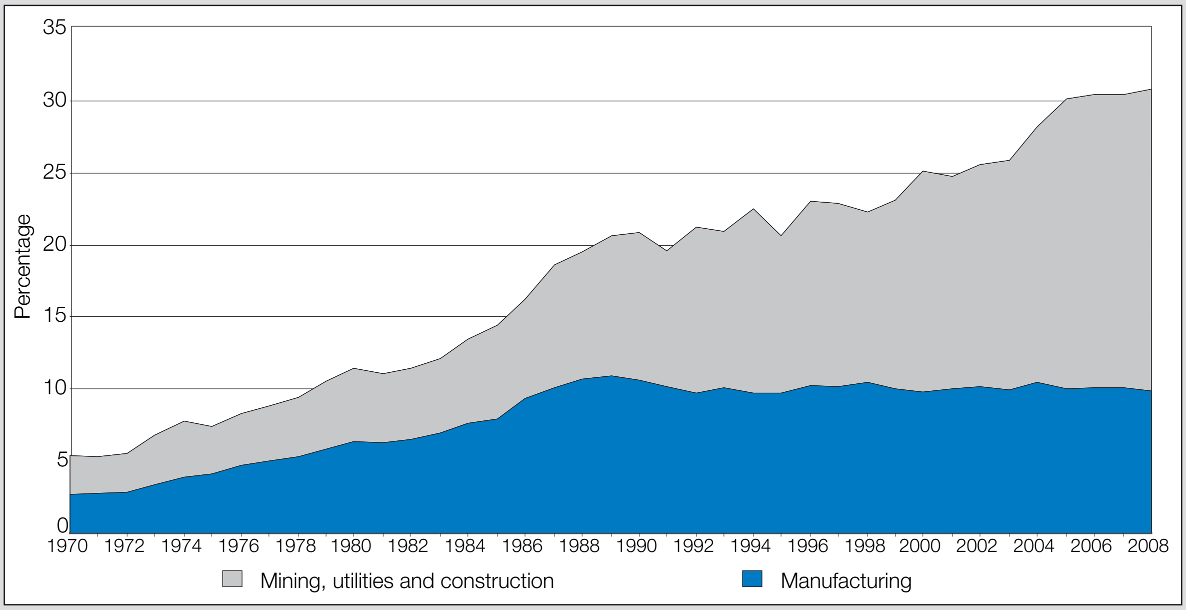
A more detailed analysis, however, shows that structural transformation in LDCs today is even more elusive than suggested previously. The category of industry includes mining and quarrying, manufacturing, electricity, gas and water supply, and construction. The increase in the share of industry in the 2000s — five percentage points of GDP — has mainly resulted from the boom of commodity prices and the concomitant rapid expansion of mining and quarrying. The changes in manufacturing, in contrast, have been minimal.[8] While in the first period (1970 to 1987) its share increased from 2.7 per cent of GDP to 10.1 per cent, in the next 20 years, it fluctuated around 10 per cent and even declined to 9.8 per cent in 2008 (chart 14).

The failure to create a sufficient number of jobs in many LDCs, even when economic growth was high, is related to the lack of structural transformation.

When changes in GDP composition during the 2000s are examined, there was a 4 percentage point decline in the share of agriculture, almost a 6 percentage point increase in industry, and a small decline (less than two percentage points) in services for all LDCs. The African LDCs recorded the largest increase in industry during the decade (7.5 percentage points), brought about mainly by an increase in mining and utilities. There was also a small decrease in the share of services and a more pronounced decline in the share of agriculture. This suggests that during the last decade, the African LDCs specialized even more in the production of commodities, while the share of other activities either remained constant (for example, manufacturing at 7.7 per cent of GDP), or declined.

In contrast, the Asian LDCs recorded less pronounced and more balanced changes. The share of agriculture fell 4 percentage points, industry increased

Chart 14. Industrial activities as a percentage of GDP in LDCs, 1970–2008



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

almost 3 percentage points and services rose 1.5 percentage points. The share of manufacturing, already much higher than that of the African LDCs at the beginning of the decade, increased further to 14 percentage points. Commensurate with that type of specialization, services that accompany manufacturing also increased their share of GDP. Finally, the composition of GDP of the island LDCs barely changed during the decade.

The IPoA recognizes that in terms of productive capacities, progress during the previous decade was poor. Therefore, one of its major goals, deemed to be necessary to achieve the halving of the number of LDCs in the next 10 years, is to achieve growth rates of 7 per cent per annum:

The increase in the share of industry in the 2000s has mainly resulted from the boom of commodity prices and the concomitant rapid expansion of mining and quarrying. The changes in manufacturing, in contrast, have been minimal.

"Achieve sustained, equitable and inclusive economic growth in least developed countries, to at least the level of 7 per cent per annum, by strengthening their productive capacity in all sectors through structural transformation and overcoming their marginalization through their effective integration into the global economy, including through regional integration" (United Nations Conference on the Least Developed Countries (2011), para. 28 (a)).

Indeed, the first priority area of the IPoA is centered on the concept of productive capacities. The importance of the transformation of productive capacities for countries' development has received growing attention through various UNCTAD Least Developed Country Reports since 2006. These Reports argue that national and international policies should focus on developing productive capacities — and the related expansion of productive employment — to achieve sustained development and poverty reduction in the LDCs.

UNCTAD's definition of productive capacities states that they are essentially a matter of what a country is able to produce efficiently and competitively. Productive capacities are comprised of productive resources, entrepreneurial capabilities and production linkages, which together determine a country's capacity to produce goods and services and enable it to grow and develop. Productive capacities develop when a country's abilities to efficiently and competitively produce an increasing range of higher value-added goods and services increase. This process occurs by expanding investment — in physical, human, social and environmental capital — and by engaging in technological acquisition and innovation. The process is demonstrated in the diversification of national economies, structural transformation and a more beneficial integration into the global economy; these very changes facilitate the potential for further investment and innovation in a virtuous circle (UNCTAD 2006 and 2011b).

UNCTAD's definition of productive capacities states that they are essentially a matter of what a country is able to produce efficiently and competitively.

A possible approach to assessing a country's productive capacity is to measure export diversification and the range of its export product mix. This can be done by employing the method used in the analysis of productive capacities of the least developed countries in the Asia-Pacific region by the Economic and Social Commission for Asia and the Pacific (ESCAP) (2011), and which is a revised version of the method of reflections proposed by Hidalgo and Hausmann (2009). However, it is more like a measurement of the export complexity and supply capacity of the country, and should thus be considered only as a proxy for the measurement of productive capacities in the sense of the UNCTAD definition.

Productive capacities develop when a country's abilities to efficiently and competitively produce an increasing range of higher value-added goods and services increase. This process occurs by expanding investment — in physical, human, social and environmental capital — and by engaging in technological acquisition and innovation.

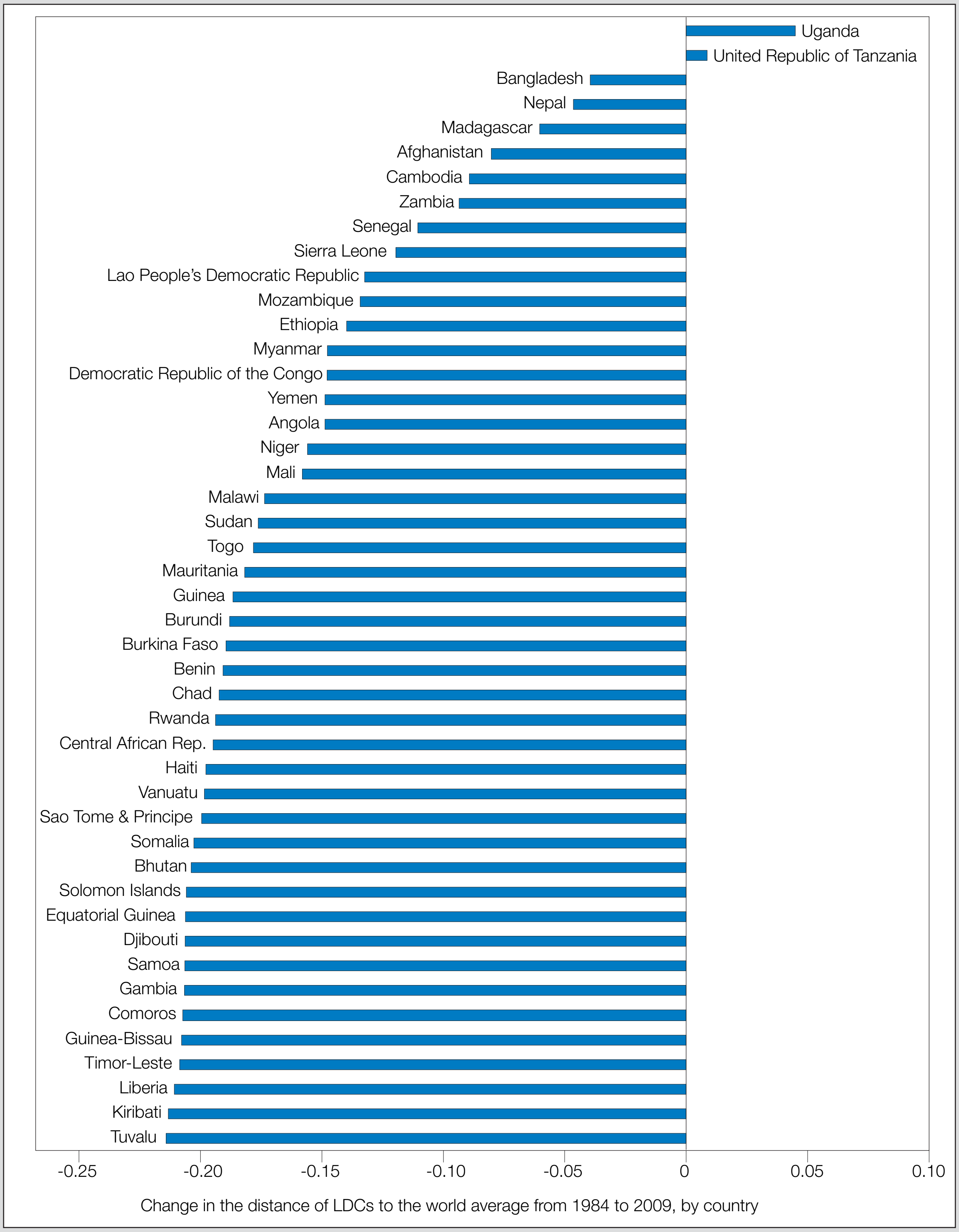
The approach to measuring productive capacity developed by ESCAP (2011) was used in the background paper prepared for this Report by Freire (2011) to include all LDCs. It presents the productive capacity index of the LDCs in comparison with the world's average measured by the standard deviation of the distribution of productive capacities. It takes a long-term view — 25 years — since productive capacities do not change rapidly in a short period of time. A striking feature of the LDCs in the last quarter of a century is that they have not been able to develop productive capacities at the same pace as the rest of the world. Only two countries, Uganda and the United Republic of Tanzania, have managed to develop their productive capacities somewhat faster than the world average (chart 15). This finding is another example of the marginal role of the LDCs in the world economy.

Another way to measure the relative position of the LDCs is to compare their productive capacity with some benchmarks in one year. A useful benchmark is the United States, since it is the country with the most developed productive capacities. Based on that index, chart 16 presents the productive capacities in the LDCs in 2009. It shows that the productive capacity in these countries is in general very low, representing a few percentage points of the productive capacity of the United States. The LDCs with the highest levels of productive capacity are Uganda (5.26), the United Republic of Tanzania (4.91) and Bangladesh (4.42). The countries with the lowest are Tuvalu (0.14), Kiribati (0.17) and Guinea-Bissau (0.27).

The great emphasis of the IPoA on the development of productive capacities in LDCs is more than warranted. The main question, however, is how the IPoA will be implemented in the next 10 years.

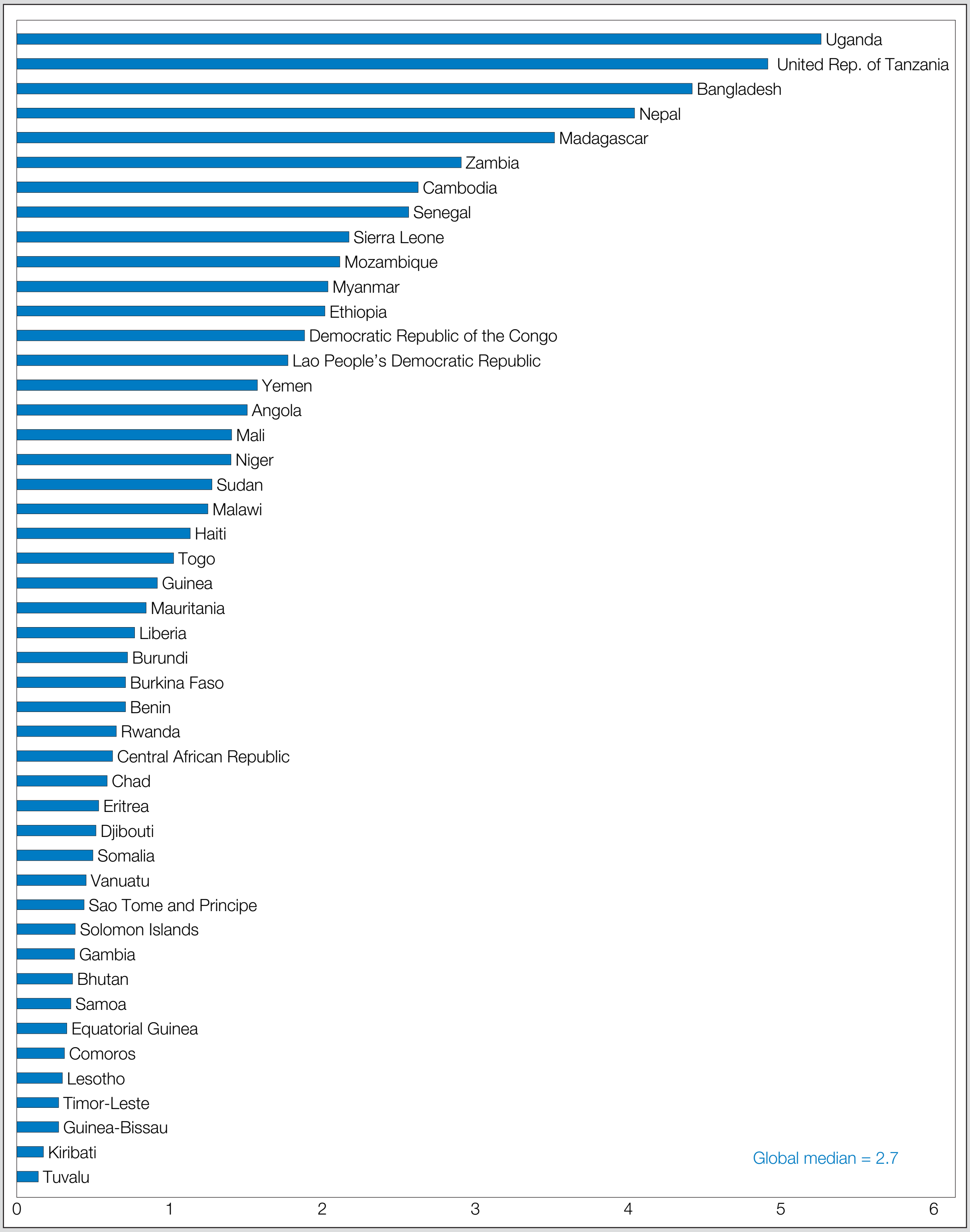
Both the analysis in this section and the evaluation contained in the IPoA suggest that the productive structure of the LDCs has remained almost static, even during the high economic growth of the 2000s. The LDCs still participate in the global division of labour with what they already have in abundance: commodities and low-skilled workers. The export-led growth of the last two decades has resulted in their even stronger specialization according to their static comparative advantages. Consequently, their productive capacities remain underdeveloped, exports are concentrated in a narrow range of products and structural vulnerabilities are very high. Therefore, the great emphasis of the IPoA on the development of productive capacities in LDCs is more than warranted. The main question, however, is how the IPoA will be implemented in the next 10 years, and whether it will be implemented with more vigour and commitment than during the last decade.

Chart 15. Change in ESCAP index of productive capacity in LDCs, 1984–2009



Source: Freire, 2011.
Note: The ESCAP index is constructed by taking export complexity and supply capacity as proxy for productive capacity. See page 36 of this *Report*.

Chart 16. ESCAP index of productive capacities in LDCs, 2009
(United States = 100)



Source: Freire, 2011.
Note: The ESCAP index is constructed by taking export complexity and supply capacity as proxy for productive capacity. See page 36 of this Report.

E. Conclusions

The overarching goal of the IPoA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the LDC category. More specifically, national policies and international support measures should focus on enabling half of the LDCs to meet the criteria for graduation by 2020 (United Nations Conference on the Least Developed Countries, 2011, paras. 27–28). Will the LDCs be able to achieve that goal, given the present conditions of the world economy and the outlook for the next several years? Will they continue to play a marginal role in the world economy? Is the business-as-usual approach to policymaking sufficient to place them on the path of more dynamic and inclusive development? The experience of the previous decade indicates that high economic growth is not sufficient to attain broad development goals. The analysis in this chapter, as well as the evaluation contained in the IPoA, suggests that the productive structure of the LDCs has remained almost static, even during the high economic growth of the 2000s. The LDCs must promote structural transformation and build their productive capacities to start catching up with the rest of the world and to substantially reduce poverty.

The LDCs must promote structural transformation and build their productive capacities to start catching up with the rest of the world and to substantially reduce poverty.

The analysis in this chapter also suggests that the recovery from the triple crisis in the LDCs is partial at best, and the current world situation and the outlook in the mid-term are not promising either. The world economy is likely to bring less propitious external conditions for the LDCs during the 2010s than during the boom period of the last decade. The present decade is likely to bring a great deal of instability and change. The risk of a protracted underperformance in developed countries looms large; the outlook for the world economy and for the LDCs is thus surrounded by great uncertainty. The slower and more volatile growth in developed economies would adversely affect the growth prospects of the LDCs. If a rebalancing of the world economy takes place, the net result will likely be negative for the LDCs. Therefore, the outlook for growth in those countries, as illustrated by the estimates of the IMF through 2016, is less buoyant than during the boom period.

What kind of development strategy should the LDCs implement to achieve the IPoA goals?

Nevertheless, there are indications that the international prices of commodities could remain high during the present decade. This would be a direct consequence of the so-called rise of the South. The question, then, is the following: Will the LDCs miss another opportunity to translate temporary, commodity-based prosperity into sustainable, inclusive economic development? Will they be able to take advantage of opportunities opened up by the external context, that is, to make the most of the Southern-fuelled commodity boom? Will they have the wisdom to benefit from it in a more advantageous way than in the 2000s? Finally, what kind of development strategy should the LDCs implement to achieve the IPoA goals?

Would the enhanced South–South cooperation make it easier for the LDCs to catch-up with the rest of the world?

Another dimension of that same question, explored in more detail in the following chapters, is the issue of South—South cooperation. Would the enhanced South–South cooperation make it easier for the LDCs to catch-up with the rest of the world? How could Southern engines of growth help the LDCs create dynamic competitive advantages? Is the nature of relations between the LDCs and other developing countries fundamentally different from North—South relations? Is there something that could be called the “Southern dividend”? If so, what would be the best way for the LDCs to benefit from it? To use modern jargon, could South—South cooperation be a “game changer” for the LDCs? In the light of these queries, the next chapter analyses more closely the recent trends in economic relations between the LDCs and other developing economies.

Notes

1 Equatorial Guinea, Angola, Samoa, Tuvalu, Vanuatu, Bhutan, Timor-Leste, Kiribati, Djibouti, Sudan and Sao Tome and Principe.
2 Senegal, Zambia, Mauritania, Lesotho, Lao People's Democratic Republic, Solomon Islands and Cambodia.
3 See table 3.
4 Simple projections from the 2002—2008 boom should be considered with caution. Moreover, a degree of caution is also needed when assessing the shifts in the balance of the world economy, as even the fastest-growing emerging economies will likely remain poorer than advanced countries on a per capita basis for considerable time.
5 The forecasts reported in the chart should be considered with caution, given the strong headwinds the world economy has faced in 2011. Forecasts in the medium -term are hence surrounded by substantial uncertainty and may turn out to be biased upwards if circumstances worsen. Nonetheless, these risks are not expected to reverse the long-term shift in economic weight towards Southern growth poles.
6 UNCTAD 2010 argued for such a radical change in development partnership in the form of a new international development architecture, or NIDA, for LDCs.
7 Vulnerable employment is defined by the ILO as the sum of self-employed workers and contributing family members; a high rate of vulnerable employment is indicative of the informal nature of employment, the uncertainty of income and the limited choices available to the individual.
8 Paragraph 19 of the IPoA states, "… the share of manufacturing, which has been the driving force of economic development in many middle-income countries, has increased only slowly".

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CHAPTER 2

THE RISE OF THE SOUTH: DEVELOPMENT IMPLICATIONS FOR THE LDCS

A. Introduction

It is argued in chapter 1 that the ongoing reconfiguration of the world economy and its consequences are of great significance for all countries. Any developmental strategy designed to redress the persistent marginalization of the least developed countries (LDCs) therefore has to take into account the broader context of a shifting balance of economic and political power in the world. This recognition is all the more necessary at the present juncture, as some key developed partners face severe debt strains, while the recovery from the crisis is still weak and continues to be extremely uneven and fraught with downside risks.

While developed economies remain very important partners for the LDCs, South–South relations already play an important role in the LDCs' integration into the world economy, and are likely to intensify further in the future.

Against this background, the primary aim of the present chapter is to shed new light on the deepening of the LDCs' economic ties with Southern countries, which has been intensifying since at least a decade. The two Asian giants, China and India, clearly lead this trend, having become respectively the first and fourth largest market for LDC exports since 2009 – with the European Union and the United States in second and third place respectively. Nonetheless, a broader set of developing countries are involved in this multifaceted process of growing South–South economic links. Drawing on available evidence, the chapter shows that while developed economies remain very important partners for the LDCs, South–South relations already play an important role in the LDCs' integration into the world economy, and are likely to intensify further in the future.

In the context of growing economic ties within the South, the key issue for the LDCs is the extent to which this dynamism can serve as a springboard for developing their productive capacities and fostering structural transformation, intended not only as the quantitative expansion of production, but also as its qualitative upgrading towards higher value-added and more knowledge-intensive activities. In this respect, the chapter points to a wide set of related opportunities and challenges. The poorest countries clearly benefit from the boost in international demand for exports and from greater availability of cheap manufactured imports. However, some of them also face heightened competition in labour-intensive manufacturing sectors or risk that their commodity dependence will be locked in by the emerging international division of labour. In this respect, for instance, it is sobering to note that fuels accounted on average for roughly 60 per cent of the LDCs' exports to developing countries during the 2000s. However, it is indisputable that the rise of the South is providing LDCs with greater access to capital and development finance, and increasing opportunities for technological transfer and localized learning.

In the context of growing economic ties within the South, the key issue for the LDCs is the extent to which this dynamism can serve as a springboard for developing their productive capacities and fostering structural transformation.

How stronger economic ties with the South will affect the LDCs' development prospects will ultimately depend on the net result of many overlapping forces, encompassing not only trade and investment, but also remittances, technology and official flows. Overall, the emerging trends lend themselves to some cautious optimism. The analysis of this chapter implies that policy should play a crucial role in further leveraging these multidimensional relations to promote the LDCs' long-term development objectives. Avoiding a passive attitude, the governments of LDCs need to make use of the greater policy space opened to them by the emergence of new partnerships, forging a clear engagement strategy to harness the benefits of the ongoing recalibration of the world economy. This, in turn, will require the setting up of a developmental State, as well as the reinforcement of particular types of mutually beneficial South–South cooperation, as spelled out in the rest of the report.

This chapter is structured as follows: Section B outlines a broad analytical framework to account for the multipronged impacts of the rise of Southern engines of growth on LDC economies. Section C casts new light on the emerging patterns of economic relations between LDCs and the South, focusing on trade, foreign direct investment (FDI) remittances and official flows. Special emphasis is placed on the broad array of partnerships that characterize South–South economic integration and cooperation with different partners, as well as on the elements of complementarity compared with the traditional relationships LDCs have with developed countries. The chapter concludes with some considerations on the need for LDC governments to forge a clear strategy aimed at maximizing the benefits of emerging South–South partnerships, in the context of their long-term development objectives.

B. Analytical frameworks for the changing geography of the world economy

The nature of the LDCs' integration in the world economy has been changing rapidly over the last decade, in part owing to the emergence of some dynamic developing countries in a context marked by increasing globalization.

The nature of the LDCs' integration in the world economy has been changing rapidly over the last decade, in part owing to the wide-ranging effects triggered by the emergence of some dynamic developing countries in a context marked by increasing globalization. Broadly speaking, the period spanning 1975–2000 was characterized by the liberalization of worldwide trade and capital flows, coupled with the growing fragmentation and internationalization of production processes.[1] These trends have translated into a sharp expansion of international trade, particularly for what pertains to intermediate goods, and parts and components (Jones et al., 2005). In this context, the LDCs, like most developing countries, were confined to the role of raw materials suppliers to developed and newly industrialized economies (NIEs), [2] which then processed these inputs into final goods destined to their own domestic markets and, to a lesser extent, to be exported to developing countries themselves (Ng and Yeats, 1999).

The continuation of the above trends, along with the eagerness of transnational firms to exploit wage differentials and pursue vertical and horizontal integration, has led to the fully fledged establishment of global production networks.[3] Against this background, the 2000s witnessed a gradual shift in the very geography of the world economy, following the successful insertion of some dynamic developing countries into regional and subregional supply chains. Through the upgrading of their production structure and the resulting spur to economic growth, these countries have emerged as key players in the world economic arena. Particularly in the Asian region, the rise of these Southern growth poles has been accompanied by their emergence as manufacturing powerhouses, whose products were then mainly exported to developed economies, or, to a lesser extent, to other developing countries.

This results in a twin process that entails both tighter integration of the LDCs with other developing economies and deeper integration into the global market.

From the LDCs' point of view, the surfacing of the above pattern of global production resulted into a sharp intensification of South–South trade and investment flows, as fast-growing developing countries looked for additional raw materials, intermediates, new export markets, or simply more profitable investment opportunities. This, in turn, results in a twin process that entails both tighter integration of the LDCs with other developing economies and deeper integration into the global market. Before analysing the different aspects through which this process manifests itself, it is useful to review a few analytical frameworks that have been proposed in order to frame South–South economic relations. The latter have long been regarded in the light of the commonalities across developing countries in terms of structural characteristics, historical legacies, development challenges, experiences and policy frameworks. Indeed, these shared aspects provide a rationale to conceive South–South cooperation as a partnership based on the principle of equality, as done, for instance, in

China's well-known eight principles for economic aid and technical assistance to other countries (1964).

Along with these common features, recent evidence has shown that developing countries have become increasingly differentiated and heterogeneous throughout the ongoing reconfiguration in the world economy. While some Southern countries have embarked on catch-up growth and are converging towards income levels of high-income countries, others seem to have hit glass ceilings and seem to be locked at the middle-income status; yet others, including numerous LDCs, are struggling with continuous poverty and underdevelopment.[4] The resulting asymmetries — with respect to economic size, income level, structural conditions and technological sophistication — inevitably shape the terms of market-driven economic relations within the South, and thus need to be appropriately taken into account in any meaningful analytical framework (UNCTAD, 2010a).

An insightful analytical framework that could be applied to South–South economic relations originates from the so-called flying geese paradigm.

Flying geese – An insightful analytical framework that could be applied to South–South economic relations originates from the so-called flying geese paradigm. Originally developed by Kaname Akamatsu in the 1930s to explain Japan's catch-up vis-à-vis with western advanced economies, the flying geese paradigm has later become the most influential explanation of the consecutive waves of industrialization in East Asia through regional integration (Arrighi, 1996; Kojima, 2000; Ozawa, 1993; 2003).[5] At its core, the flying geese paradigm explains the successes of NIEs by relating the life cycle of particular sectors over their course of development, with the relocation of industries from more advanced to less advanced countries in the region, in response to shifts in competitiveness (UNCTAD, 1996; Kasahara, 2004; Chang, 2011; Fujita et al., 2011). Once they manage to emulate the leader and establish themselves as exporters of a new product, the followers are gradually encouraged by competitive pressures to repeat the same pattern of relocation to their neighbours, giving rise to what Arrighi called the snowball effect (Arrighi, 1996). Simultaneously, more advanced economies do not only climb up the ladder of product sophistication, but also function as export markets for the followers by allowing reverse import and thereby fostering greater regional integration (Chang, 2011).

The flying geese paradigm explains the successes of NIEs by relating the life cycle of particular sectors over their course of development, with the relocation of industries from more advanced to less advanced countries in the region.

In this region-wide process of industrialization and structural change, trade and FDI act as key vehicles for transferring new goods, capital, and technologies from more advanced players to less developed and relatively more labour-abundant ones. In turn, the search for competitive advantages on the part of leading firms results in a constantly evolving regional division of labour, within a group of economies all striving for the common goal of industrialization. Clearly, though, the flying geese paradigm implies that this "dynamic process of shifting comparative advantage" (UNCTAD, 1996: 75) results in a well-defined industrial and locational hierarchy within the region. Consequently, different countries may enjoy disproportionate benefits from the ensuing division of labour.

In the region-wide process of industrialization and structural change, trade and FDI act as key vehicles for transferring new goods, capital, and technologies from more advanced players to less developed and relatively more labour-abundant ones.

The flying geese paradigm is undoubtedly a meaningful framework to capture the historical pattern of East Asian industrialization, taking off in Japan, then spreading to the first generation of NIEs (Republic of Korea, Hong Kong (China), Singapore and Taiwan Province of China) and finally reaching the second generation of NIEs (Indonesia, Malaysia, Philippines and Thailand). Despite its relevance to explain these consecutive waves of industrialization and regional integration, the current applicability of the flying geese paradigm as a universal pattern of development is debatable for three reasons (Chang, 2011).

(a) The process of emulation rests on the relatively smooth transfer of technology between advanced and less developed economies, or between advanced and backward firms. The presence of strong complementarities between technologies and skills could, however, create frictions and make this transfer increasingly difficult, particularly in the case of LDCs, where specialized workers are often in scarce supply.

(b) The functioning of the flying geese paradigm hinges on the existence of profitable export markets for successful emulators, that is, on the existence of reverse imports as more advance countries climb up the product sophistication ladder and phase out the domestic production of low-end products. The extent to which today's emerging economies are importing consumer goods from other Southern partners, thereby providing alternatives to the traditional export markets, is however rather limited (Bernard and Ravenhill, 1995; Kasahara, 2004; Akyuz, 2010). In other words, the scope for reverse import is partial, especially insofar as many developing countries appear to be caught into a sort of middle-income trap that may hamper further sophistication of their export structure (Kozul-Wright et al., 2011).[6]

(c) The wave of policy reforms enacted at the height of the Washington Consensus has deeply modified the international context in which the first generation of geese enjoyed their successes. These change actually resulted in a more hierarchical division of labour and thus in more unevenly distributed gains from regional integration, as dominant players attempted to take advantage of uneven development across regional partners to strengthen their market position.

The flying geese paradigm continues to draw attention to the considerable scope for South–South cooperation in industrial development and to the potentially enabling role played by strategic forms of regional integration.

In spite of all these reservations, the flying geese paradigm continues to draw attention to the considerable scope for South–South cooperation in industrial development and to the potentially enabling role played by strategic forms of regional integration (UNCTAD, 1996; Bartels and Vinanchiarachi, 2009; Lin, 2011). Moreover, a proper interpretation of the East Asian experience points to the crucial role of policy interventions in fostering the process of increasing product sophistication, facilitating technological transfer and redressing the series of market failures that typically hamper the investment and innovation process.

Another very distinct conceptual framework views South–South economic relations through the lense of the increasing differentiation among developing countries, and the replication within the South of the centre-periphery patterns.

New centre-periphery patterns – Another very distinct conceptual framework views South–South economic relations through the lense of the increasing differentiation among developing countries, and the replication within the South of the centre-periphery patterns. The continued dependance of the LDCs on primary commodity exports reinforces this concern. In line with this reasoning, Bartels and Vinanchiarachi (2009: 19) note that "asymmetries in the patterns of South–South and intra-South trade (…) are likely to persist in the absence of aggressive competitive policies that change industrial structures", and this is likely to pose challenges for "heavily disadvantaged and marginalized developing countries" (ibidem). Theoretically, this process of polarization may be triggered by the same array of economic forces that lead to spatial agglomeration, and could result in the formation of core-periphery patterns within the South (Fujita et al., 2001).

A third framework to conceptualize South–South economic relations stems from the recognition that, in the context of increasing global interdependence, large and dynamic developing countries have emerged as growth poles for the world economy at large.

In many cases, regional or interregional integration initiatives are led by the economic interests of dominating economic actors — for example, corporations — and do not take sufficiently into account the development needs and priorities of the less developed country members of the integration schemes, for example, the LDCs. This uneven position, coupled with LDCs' long-term divergence from other developing countries in terms of the gross domestic product (GDP) per capita and more broadly of productive capacity development (UNCTAD, 2010a), may possibly lock the LDCs at the lowest end of the regional or interregional division of labour, thereby reproducing a centre-periphery pattern (Chang, 2011).

Growth poles – A third framework to conceptualize South–South economic relations stems from the recognition that, in the context of increasing global interdependence, large and dynamic developing countries have emerged as growth poles for the world economy at large. This statement holds true also with respect to LDCs, since Southern growth poles provide them with vibrant export markets, cheap imports of intermediate and consumer goods and sources of capital, technology and other financial flows (as shown below). Based on this line of reasoning, for instance, Garroway et al. 2011 have shown that the impact of China's growth on low- and middle-income countries rose significantly during the 2000s, contrary to that of the economies of the Organization for Economic Development and Cooperation (OECD).

Southern growth poles provide the LDCs with vibrant export markets, cheap imports of intermediate and consumer goods and sources of capital, technology and other financial flows.

The above pattern is a reminder of Perroux's (1950) growth pole theory. The notion of growth pole refers to the concentration of highly innovative and technically advanced industries that stimulate economic development in linked businesses and industries. They are primary centres of economic growth, which often exert positive spillovers on the economies of geographical areas outside their immediate regions. According to this theory, the concentrations of economic forces will develop in areas that can provide the material and infrastructural resources necessary for the establishment, sustenance and growth of key industries. These resources contribute to the economic growth of this cluster of industries, allowing them to exert an economic thrust in related businesses through "fields of (economic) forces". This concept recognizes the forces of polarization, as growth forces result in the polarization between a dominant centre or core, and a subdominant periphery, regardless of geographic or political boundaries. Perroux conceived a growth pole to be a focus of economic development in an abstract economic space. Subsequently, this formulation was mainly applied in the area of regional economies, but in the present context of globalization, it can easily apply to the transnational spaces that characterize global production networks.

Implications – Each of the above analytical approaches captures, to a greater or lesser extent, some aspects of the multifaceted relationships between the LDCs and their Southern development partners. Yet, the specificities of each South–South relation, the channels through which the latter takes place and the array of potential partners are so rich that no single narrative could possibly account for all aspects, whether market-driven or policy-driven. The picture that emerges, therefore, is a complex one, and the prevailing interpretation – not to mention the developmental impact of increasing South–South economic ties – is an empirical question that cannot be settled a priori.

The net result of the growing economic relations between LDCs and Southern partners will depend on the interplay of multiple intertwined forces and be contingent on the policies adopted by both sides to harness the benefits of closer integration and cooperation.

In this context, the net result of the growing economic relations between LDCs and Southern partners will depend on the interplay of multiple intertwined forces and will also be contingent on the policies adopted by both sides to harness the benefits of closer integration and cooperation. For this reason, it is essential for the LDCs to forge a clear strategic approach towards Southern growth poles, examining the channels through which South–South economic relations can affect their development prospects and devising appropriate policy frameworks to maximize the related opportunities and minimize the associated risks. Additionally, it is important for the LDCs to coordinate their engagement strategies at the regional level, exploiting greater economies of scale and harnessing the complementarities inherent in the presence of a wide spectrum of potential partnerships. Against this background, the next section assesses the emerging patterns of South–South integration and cooperation of the LDCs, with the aim of shedding light on the associated opportunities and challenges.

C. The multifaceted economic relations between the LDCs and the South

The intensification of the LDCs' economic relations with other Southern partners is a multifaceted process encompassing simultaneously market-driven aspects – such as trade, investment, migration, remittances and technology transfer – as well as policy-driven ones, such as official flows or political representation in global forums. While these dimensions are conceptually different from one another, they are often intertwined. Moreover, one of the defining characteristics of South–South cooperation has been to coordinate measures at various levels, thereby promoting stronger interlinkages across trade, investment and aid flows (UN-OSAA, 2010). As a result, drawing a distinction among the channels through which the intensification of South–South economic relations takes place is somewhat challenging. With this preliminary caveat, the traditional distinction between trade, investment, remittances and development assistance will be followed throughout the rest of this section, mainly for the sake of conceptual clarity.

Owing to its high resource intensity, the continuing boom of Southern growth poles is likely to affect particularly the markets for hard and soft commodities.

1. LDC trade and the rise of the South

As argued above, the extraordinary growth of large developing economies during the last decade has boosted world demand, while simultaneously providing LDCs with a greater access to cheap imports of both intermediates and final goods. Judging from past experience, the likely continuation of these trends, global crisis notwithstanding, can be expected to exert wide-ranging consequences. Owing to its high resource intensity, the continuing boom of Southern growth poles is likely to affect particularly the markets for hard and soft commodities, especially if economic growth is associated with rapid urbanization and large-scale infrastructural investments. Net exporters of commodities may thus benefit from the resulting terms of trade shift (UNCTAD, 2010a; Kaplinsky and Farooki, 2010; AfDB et al., 2011).[7] However, this prospect could be a double-edged sword for many LDCs (see also chapter 1). As painfully revealed by the 2008 food and fuel price hikes, while the LDC group as a whole may stand to gain from the sustained demand for commodities, this is not true for many net importers, who conversely may face balance of payment difficulties and greater food insecurity.[8]

While the LDC group as a whole may stand to gain from the sustained demand for commodities, this is not true for many net importers.

The continued expansion of Southern markets may also result in distinct patterns of demand, which are focused on less sophisticated products than those sought by Northern consumers.[9] This provides new opportunities for LDCs to exploit larger economies of scale and pursue export diversification, harnessing for instance potential complementarities in the cotton-textile or leather-shoe value chains or in the processing of natural resources (Otsubo, 1998; Broadman, 2008; AfDB et al., 2011). Recent analyses also suggest that greater South–South integration may stimulate intra-industry trade; however this process is far from automatic. While it occurred in Asia, where the massive expansion of South–South trade was accompanied by some degree of insertion into global value chains, the same cannot be said for sub-Saharan Africa (box 2). In that region, as in most low-income countries, the momentum of South–South trade led to only limited increases in intra-industry trade. As a consequence, regardless of incipient signs of diversification, the potential gains from scale economies and intra-industry trade have so far not been realized.

The continued expansion of Southern markets may also result in distinct patterns of demand providing new opportunities for LDCs to exploit larger economies of scale and pursue export diversification.

However, the insertion of large developing economies in global value chains has already started to intensify worldwide competition in labour-intensive manufactures, and this effect will likely persist in the future (Kaplinsky and

Box 2. Intra-industry trade

Broadly speaking, the economic theory has identified two sets of factors explaining why countries trade with one another: the Ricardian rationale and the so-called Linder hypothesis. The former holds that differential endowments of production factors open the scope for mutually beneficial international trade, in line with the principle of comparative advantage. The latter, instead, gave origin to the so-called “new trade theory”, which emphasizes the importance of economies of scale and posits that significant gains can be obtained from the exchange of similar but differentiated products (Krugman, 1979, 1991).

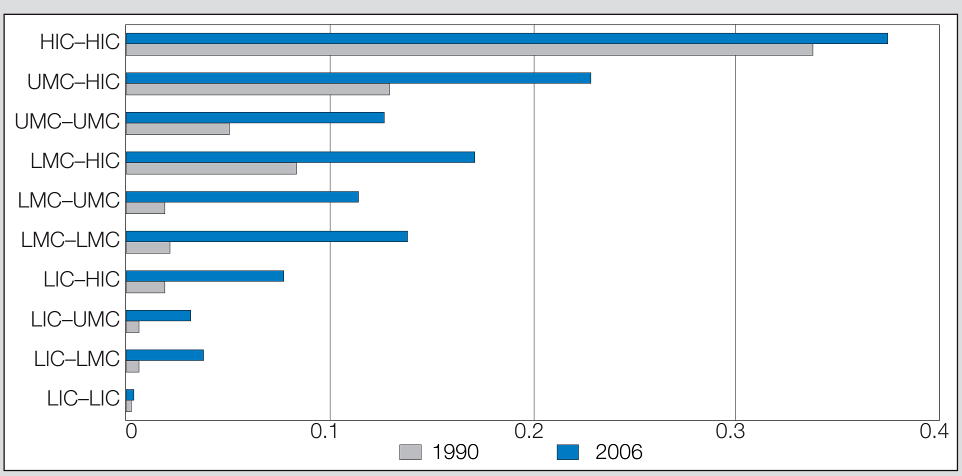
Although these two principles underlying international trade are not necessarily alternative to one another – for instance, the Ricardian rationale fits more closely to trade in primary products than in manufactures – it is clear that their implications are somewhat different. If intra-industry trade prevails, the adjustment to trade liberalization can be expected to be smoother than under the Ricardian rationale, since the composition of output is likely to remain broadly similar, and production factors are reallocated mostly between different product lines within the same sectors.

Even more importantly from the viewpoint of South–South integration, the Ricardian rationale implies that countries with similar production structures should have fewer reasons to trade with each other. Conversely, the “new trade theory” suggests that a greater integration – even among countries at similar stages of development – could entail significant gains from intra-industry trade and the associated learning by doing.

A close look at worldwide data suggests that intra-industry trade – as measured by the Grubel Lloyd index[a] – has consistently broadened its prominence in the last 20 years, particularly in view of the expansion of global value chains and outward processing trade. The steady increase in the share of intra-industry trade in total trade is, however, largely a high-income and middle-income phenomenon (Brülhart, 2008). Low-income economies started from extremely low levels of intra-industry trade and have been mainly bypassed by this upward trend, both for what pertains their intraregional trade and their trade with other groups of countries (box chart 3). Given the intrinsically low scope for intra-industry trade in primary products, this poor outcome is arguably explained by the predominance of primary commodities in their overall export composition (Brülhart, 2008).

At the regional level, the above statements hold true, in particular for sub-Saharan Africa, where intra-industry trade has historically been very limited. In spite of the proliferation of regional trade agreements, ongoing African integration schemes appear to have stimulated only modestly the structural convergence in the composition of imports and exports within the region. This suggests that globalization has left largely untapped the scope to harness the benefits of intra-industry trade in the LDCs. Doing so, however, will ultimately involve the implementation of integrated macroeconomic and sectoral policies that are capable of fostering diversification and channelling investments to higher productivity activities, especially in the manufacturing sector.

Box chart 3. Intra-industry trade across income groups: Grubel-Lloyd index, 1990 and 2006
(Standard International Trade Classification, 5-digit level)



Source: UNCTAD secretariat calculations based on Brulhart 2008.
Abbreviations: LIC–Low-income countries, LMC–Lower-middle-income countries, UMC–Upper-middle-income countries, HIC–High-income countries.

a The Grubel-Lloyd index is the most common measure of intra-industry trade and expresses the latter as a share of total bilateral trade in a particular industry i:

$$GLI_{cd,i} = \frac{\left(X_{cd,i} + M_{cd,i}\right) - \left|X_{cd,i} - M_{cd,i}\right|}{X_{cd,i} + M_{cd,i}} = 1 - \frac{\left|X_{cd,i} - M_{cd,i}\right|}{X_{cd,i} + M_{cd,i}},$$

where X cd, i and M cd, i represent country c’s exports and imports respectively, to and from country d. Besides being highly intuitive, the Grubel-Lloyd index is widely used, for it can be easily aggregated across industries, trade partners and countries.

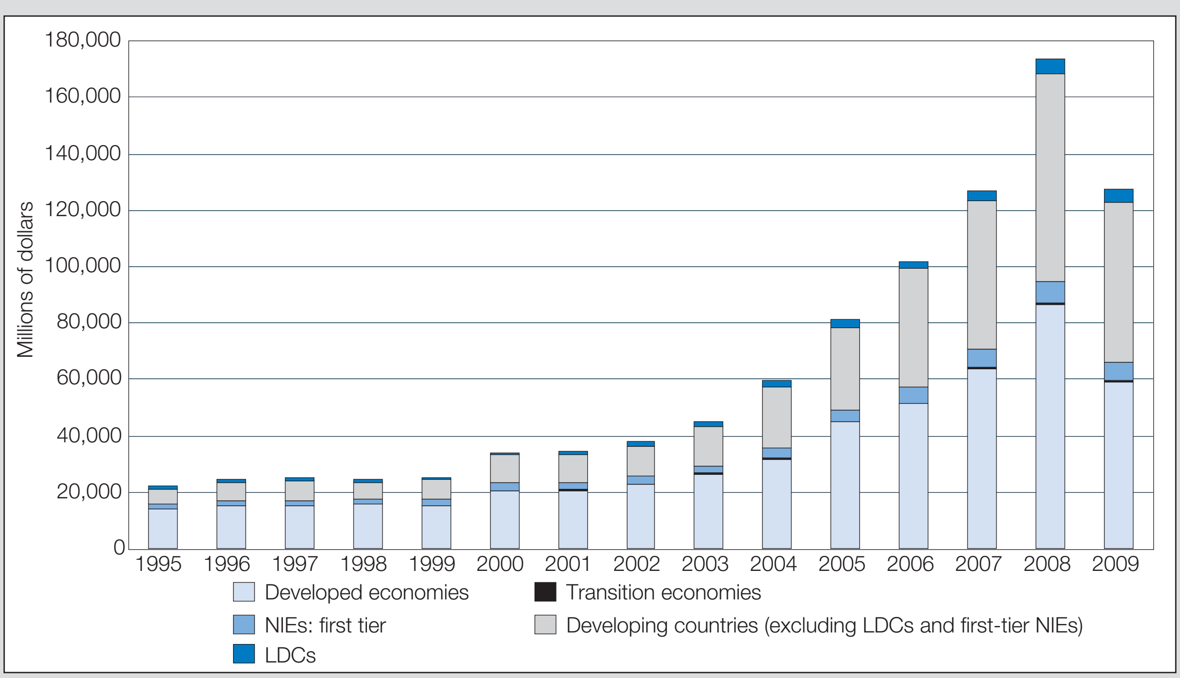
Farooki, 2010; Davies, 2010). Hence, there are concerns that the ongoing developments may reinforce the commodity dependence of the LDCs, locking-in a global division of labour in which they supply mainly raw materials or low-value-added, standardized products. Empirical research broadly confirms that firms in developing countries have suffered some displacement from the market after the entry of competitors from fast-growing developing countries, who can often tap vast pools of surplus labour (Amann et al., 2009; UN-OSAA, 2010; Giovannetti and Sanfilippo, 2009).[10] Unsurprisingly, the size of these adverse effects varies across the countries and sectors considered, being particularly harmful for the infrastructural and manufacturing sectors, notably textiles.

However, the insertion of large developing economies in global value chains has already started to intensify worldwide competition in labour-intensive manufactures.

In line with the above considerations, data on export revenues of LDCs by destination suggest that the rapid acceleration in their exports performance throughout the 2000s has been driven by a mounting prominence of Southern destination markets (chart 17). By 2009, LDC exports to Southern partners were worth $62 billion, and nearly $6.5 billion were exported to NIEs; this compares with $59 billion, and little more than $500 million exported to developed and transition economies, respectively. In other words, developing countries in 2009 absorbed more than half of the LDCs' merchandise exports, up from 40 per cent at the beginning of the decade. Correspondingly, the relative importance of developed economies has declined, even if export revenues for the LDC as a group have been growing at a rate close to 20 per cent per year also in these destination markets. In spite of its concentration in a few large developing economies, the dynamism of Southern markets contributed to nearly half of the growth in LDCs' total merchandise exports over the past decade (chart 18). Moreover, as argued in chapter 1, these destinations are set to play an even more crucial role in the near future, given the significant downside risks looming on the recovery in developed economies, as well as the need for a global rebalancing.

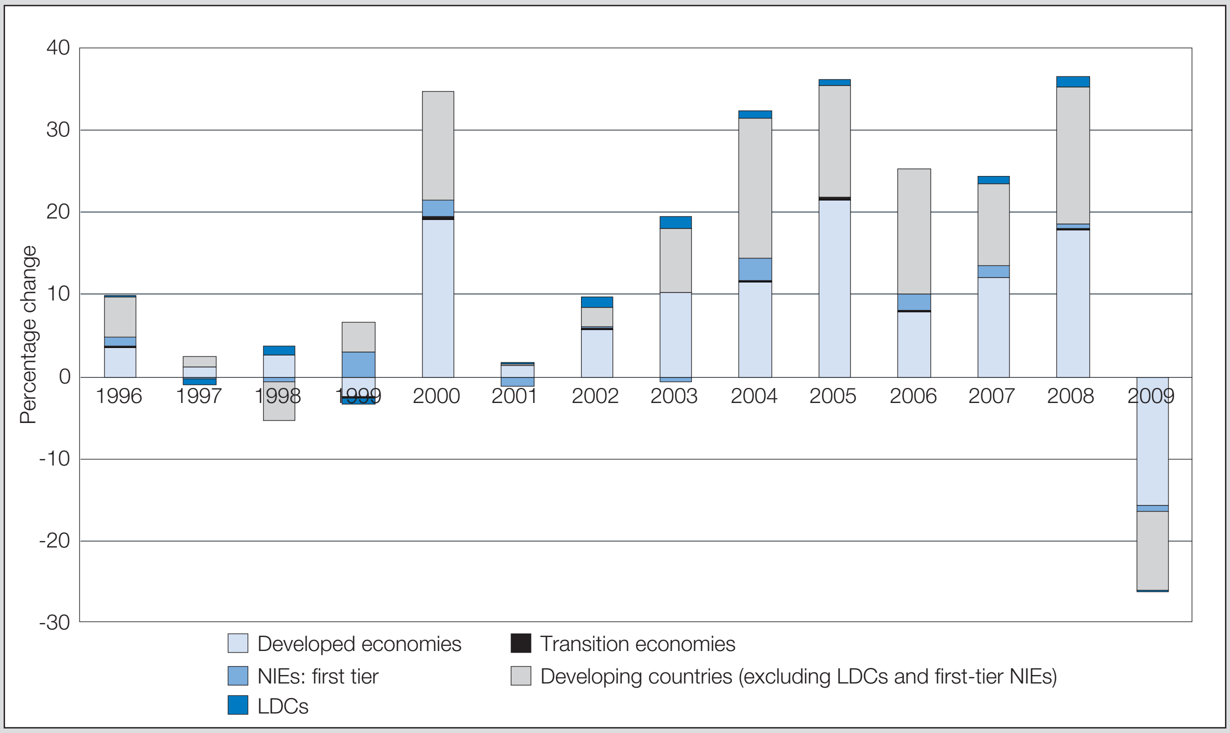
The rapid acceleration in LDC exports performance throughout the 2000s has been driven by a mounting prominence of Southern destination markets.

Chart 17. LDCs' merchandise exports to main country groups, 1995–2009
(Millions of dollars)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

Chart 18. Contribution to LDCs' merchandise export growth, by main country groups, 1996–2009
(Annual percentage change)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

The evolution of LDC exports has been paralleled by a simultaneous widening of their merchandise imports bill, which rose from $42 billion in 2000 to almost $144 billion in 2009, after peaking in 2008 at more than $169 billion (chart 19). The relative weight of rich economies has, however, been steadily eroding, as Southern partners expanded their market share by roughly 10 percentage points in less than 10 years, and nowadays account for over half of LDCs total merchandise imports (chart 20).

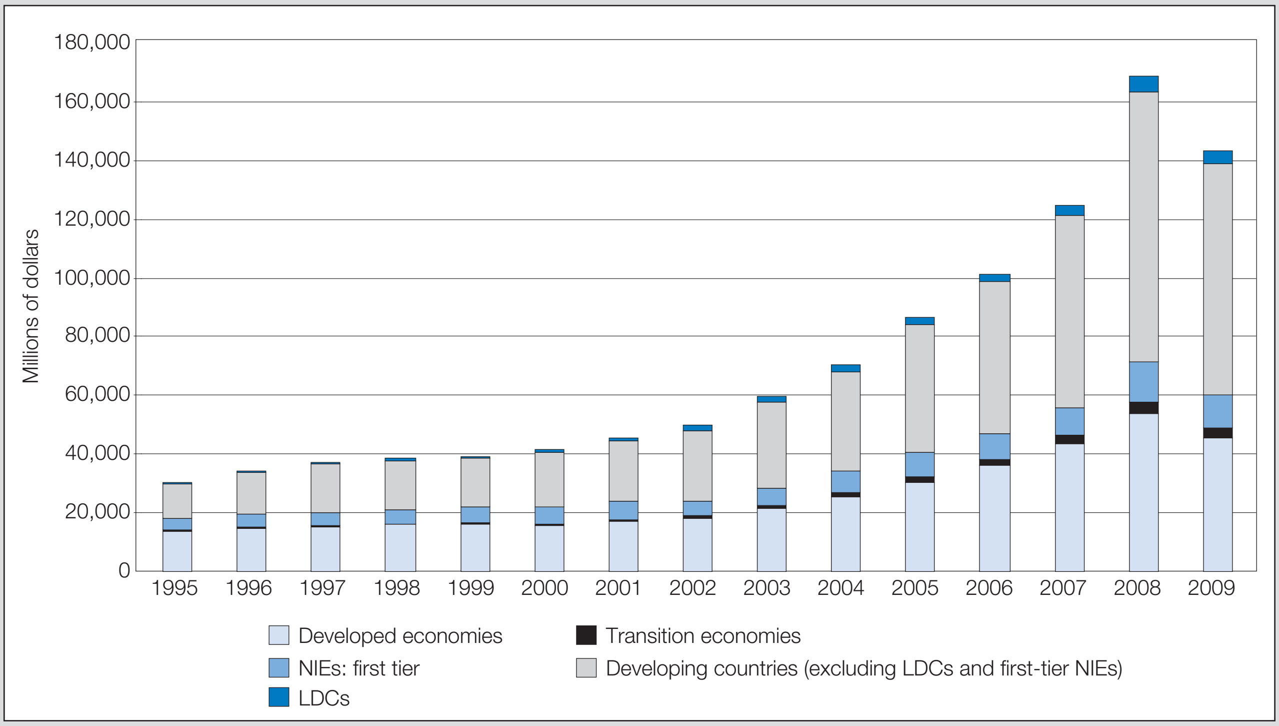
The dynamism of Southern markets contributed to nearly half of the growth in LDCs' total merchandise exports over the past decade.

The combined result of the shifts in merchandise exports and imports flows can be gauged by the evolution of merchandise trade balance.[11] During the last 25 years, the LDC group — and the overwhelming majority of individual LDCs other than oil exporters — has recorded a structural deficit in merchandise trade. The only exception to this trend has been the period 2006–2008, when the commodity boom boosted the export revenues of fuel and other commodity exporters to the extent that the LDC as a group posted a surplus vis-à-vis the rest of the world.

Disaggregating the trade balance by country groups reveals, however, a more complex pattern of interdependence between LDCs and other regions (chart 21). The fast growth of LDC exports to developed economies, coupled with the relative sluggishness of their imports originating from rich economies, translated into a steadily growing surplus with that group of countries since the early 2000s.[12] Conversely, the deficit the LDCs were recording in their trade with other Southern countries, excluding NIEs, more than doubled between 2000 and 2009, as their imports from other developing countries, excluding NIEs, rose much faster than their exports to the same markets.[13] A direct consequence of this trend is that South–South trade represents a growing leakage of aggregate demand, from the LDCs' point of view. In other words, the surge of global imbalances since the onset of the new millennium has been accompanied by a boost in LDCs' net exports to rich deficit economies and by a widening of their net imports from other Southern countries.[14]

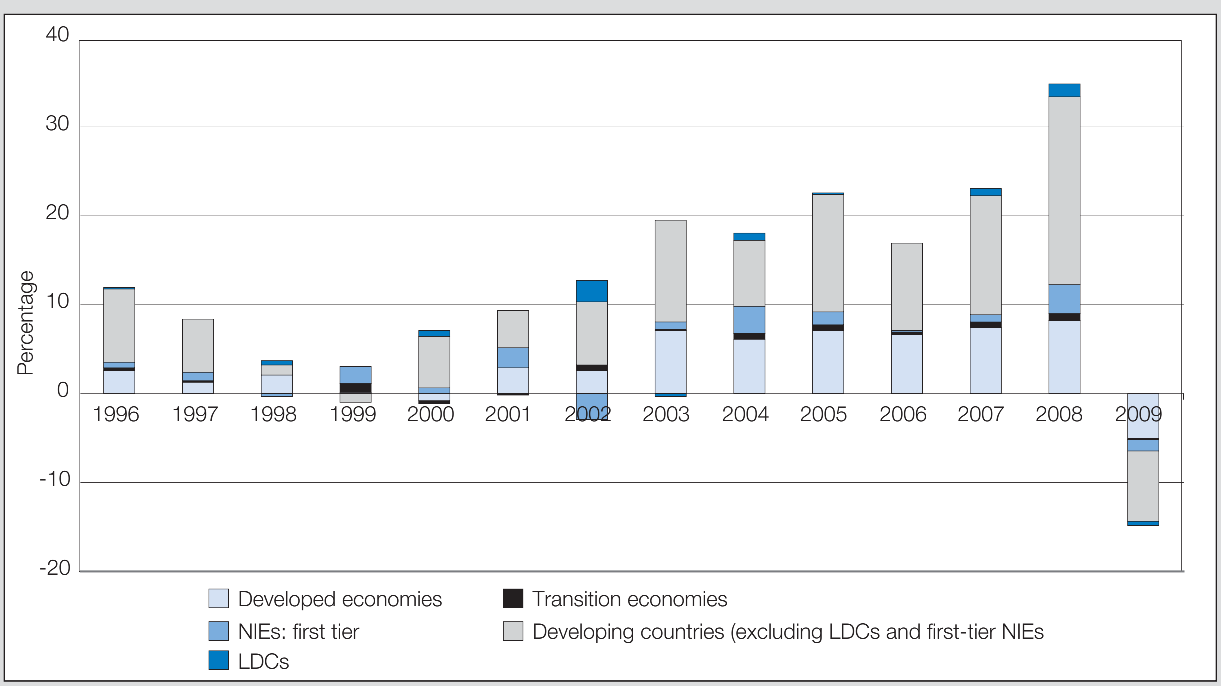
In 2009, approximately 60 per cent of LDCs merchandise imports were sourced from Southern countries.

Chart 19. LDCs' merchandise imports from main country groups, 1995–2009
(Millions of dollars)



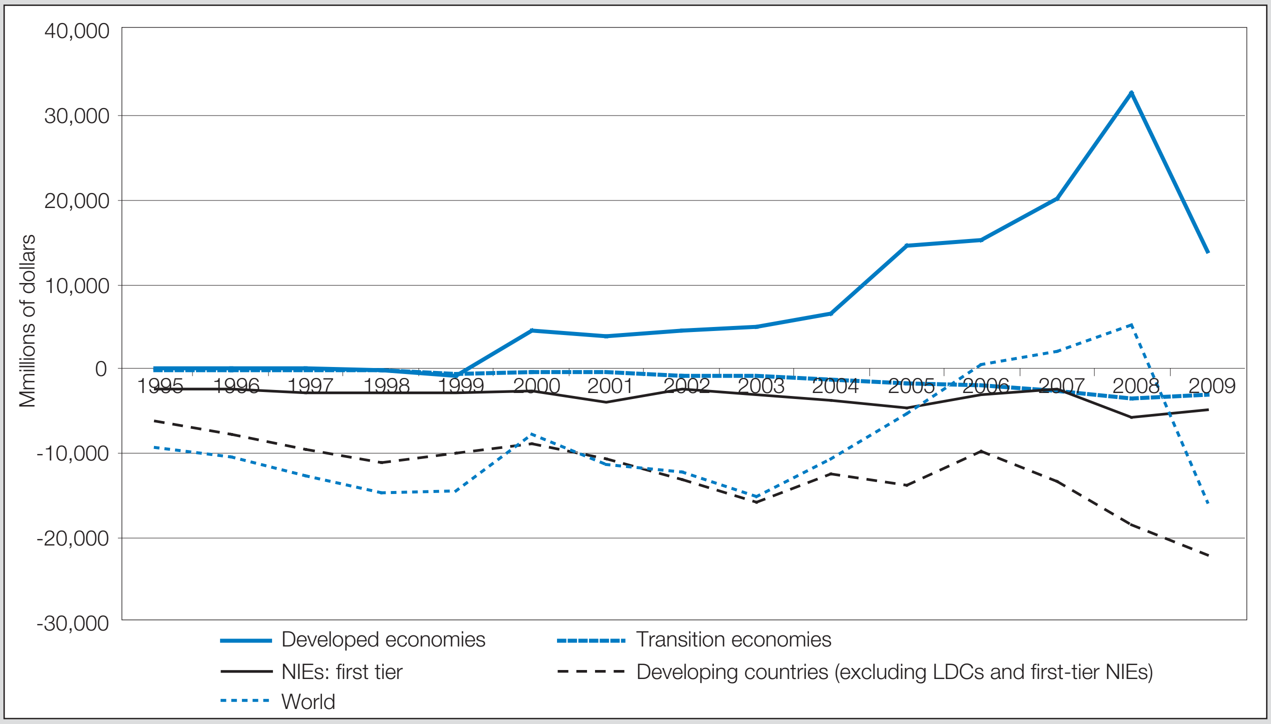
Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

Chart 20. Contribution to LDCs' merchandise imports growth, by main country groups, 1996–2009
(Annual percentage change)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

Chart 21. LDCs' merchandise trade balance with other groups of countries, 1995–2009
(Millions of dollars)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

2. Key features of the LDCs' trade with Southern partners

Given the growing importance of Southern markets for LDCs, three key questions arise. First, is the reorientation towards Southern partners common across individual LDCs, or is it driven by a few large economies? Second, is LDC trade with Southern partners geographically concentrated? Third, what is the composition of the LDCs' trade with developing country partners? The answer to these three questions is crucial to assess the relevance of South–South economic integration to the LDCs' economic trajectory, as well as its expected developmental impact. The latter, indeed, does not only depend on the overall values of exports and imports, but also — and perhaps even more fundamentally — on the qualitative aspects of trade relations between the LDCs and other developing countries. In this respect, the degree of geographic concentration (and the related asymmetries) influences the developmental impact of South–South trade by affecting the relative importance of each side for its counterpart, the attainable level of economies of scale and their respective negotiating strength. On the other hand, the structural composition of South–South trade flows has a direct bearing on the development prospects of the LDCs, since these emerging relations entail opportunities — and challenges — in terms of export diversification and expansion of their productive capacities.

The importance of Southern markets has been steadily on the rise, both as destinations for exports and as sources of imports.

(a) Reorientation of trade towards the South

The importance of Southern markets has been steadily on the rise, both as destinations for exports and as sources of imports, not only for the LDCs as a group, but also for the overwhelming majority of individual countries. In the median LDC, the share of merchandise exports absorbed by Southern markets climbed from approximately 34 per cent in 2000 to 54 per cent by 2009. Conversely, in 2000, the median LDC sourced 45 per cent of its imports in Southern markets, while the same percentage had attained 59 per cent in 2009.

However, there is a great variation in the relative weight of Southern markets across individual LDCs, owing primarily to their diverse geographic characteristics. As shown in Chart 22A, countries such as Somalia, Bhutan, Guinea-Bissau, Mali or Sudan export the overwhelming majority of their merchandise to other developing countries. At the other end of the spectrum, countries such as Bangladesh, Samoa, Cambodia and Chad still sell only 10 per cent of their exports to Southern markets. The picture is similar with respect to imports, with the additional caveat that Southern markets do not appear to be significant sources of imports for most island LDCs (chart 22B). Notwithstanding some heterogeneity, the two panels confirm that trade integration with Southern markets has progressed rapidly across the whole spectrum of LDCs.[15]

Notwithstanding some heterogeneity, trade integration with Southern markets has progressed rapidly across the whole spectrum of LDCs.

(b) Geographic concentration

Several authors have observed that South–South trade is characterized by a strong geographic concentration, with most major players located in Asia (UNCTAD, 2010b; UN-OSAA, 2010). This holds true, with necessary modifications, of LDCs' trade with Southern partners. Furthermore, such a concentration has remained virtually intact throughout the 2000s, in spite of the remarkable expansion of the LDCs' participation in South–South trade. While at the beginning of the new millennium, the 10 biggest export markets in the South, excluding NIEs, accounted for 83 per cent of LDC merchandise exports to other developing countries, in 2009 they represented 84 per cent.[16] Along the same line, in 2000, the 10 main Southern import partners — except for NIEs — supplied 74 per cent of LDC imports from other developing countries, while the corresponding value in 2009 was 77 per cent.[17] [18]

LDCs trade with Southern partners is characterized by a strong geographic concentration, with most major players located in Asia.

As emphasized in UNCTAD 2010a, such a geographic concentration is coupled with huge asymmetries between individual LDCs and their main Southern partners, in what refers to their economic size, as well as the dependency on each other's market. The importance of the main Southern partners as a destination of exports or source of imports for individual LDCs dwarfs the corresponding weight of the latter for developing country partners.

Another facet of geographic concentration pertains to the fact that LDCs' exports to Southern markets are largely driven by a few (mostly resource-rich) LDCs (UN-OSAA, 2010; UNCTAD, 2010a). Four of them, namely Angola, Sudan, Yemen and Myanmar, account for roughly two thirds of all LDC exports to Southern partners and their importance has been consistently on the rise in recent years (table 7). While the importance of these four countries with respect to Southern partners echoes their weight in LDCs' exports to the whole world, it also confirms the prominence of primary commodities in LDCs' trade with Southern partners.

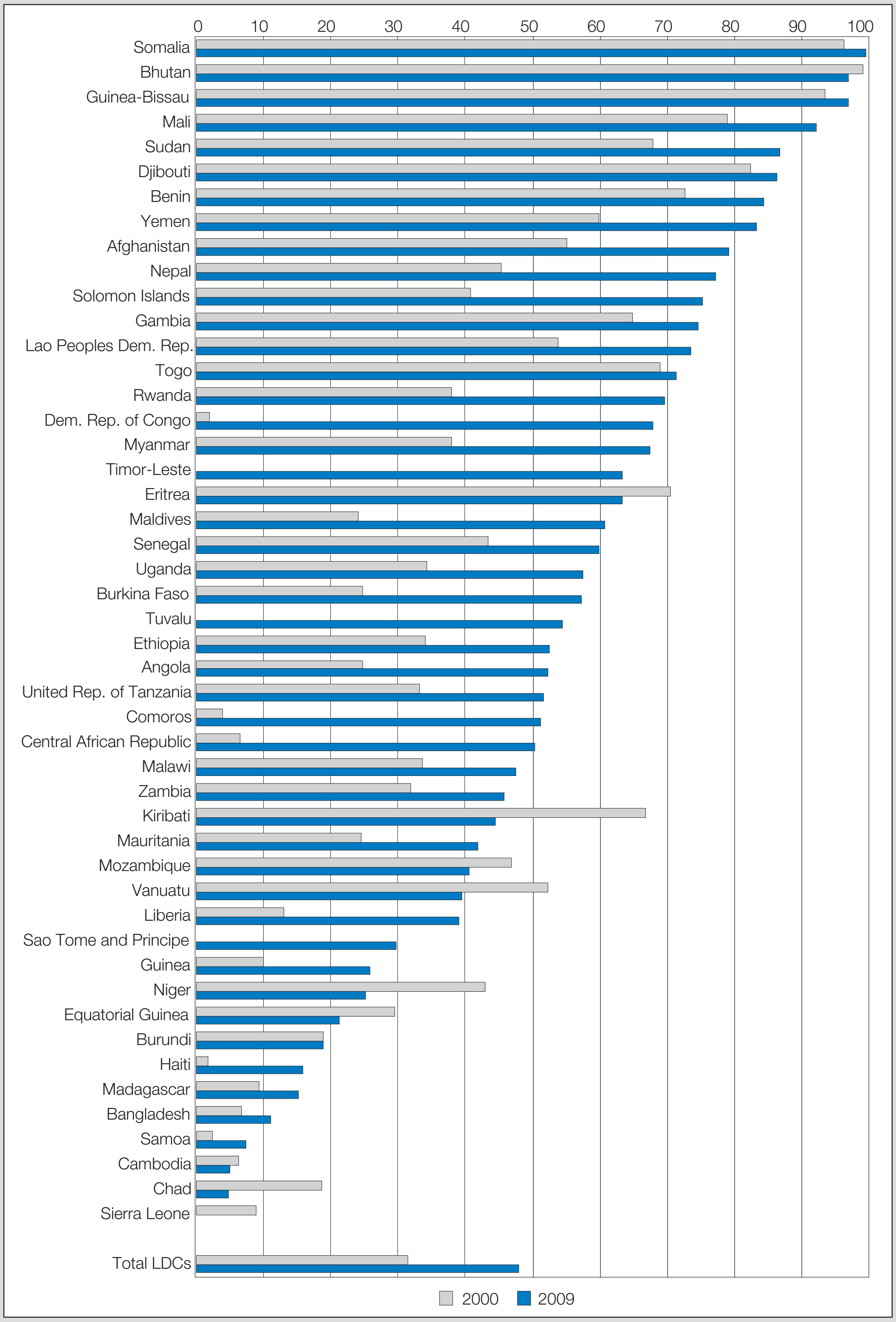
LDCs' exports to Southern markets are largely driven by a few (mostly resource-rich) LDCs. Angola, Sudan, Yemen and Myanmar, account for roughly two thirds of all LDC exports to Southern partners.

The above points are further corroborated by the analysis of the LDCs' trade with their main Southern trade partners. Referring to chart 23, the evolution of the LDCs' export performance to their main Southern markets underscores three key factors:

(a) The spectacular boom of the LDC's exports to their main Southern markets, largely pulled by buoyant demand in the two Asian giants;

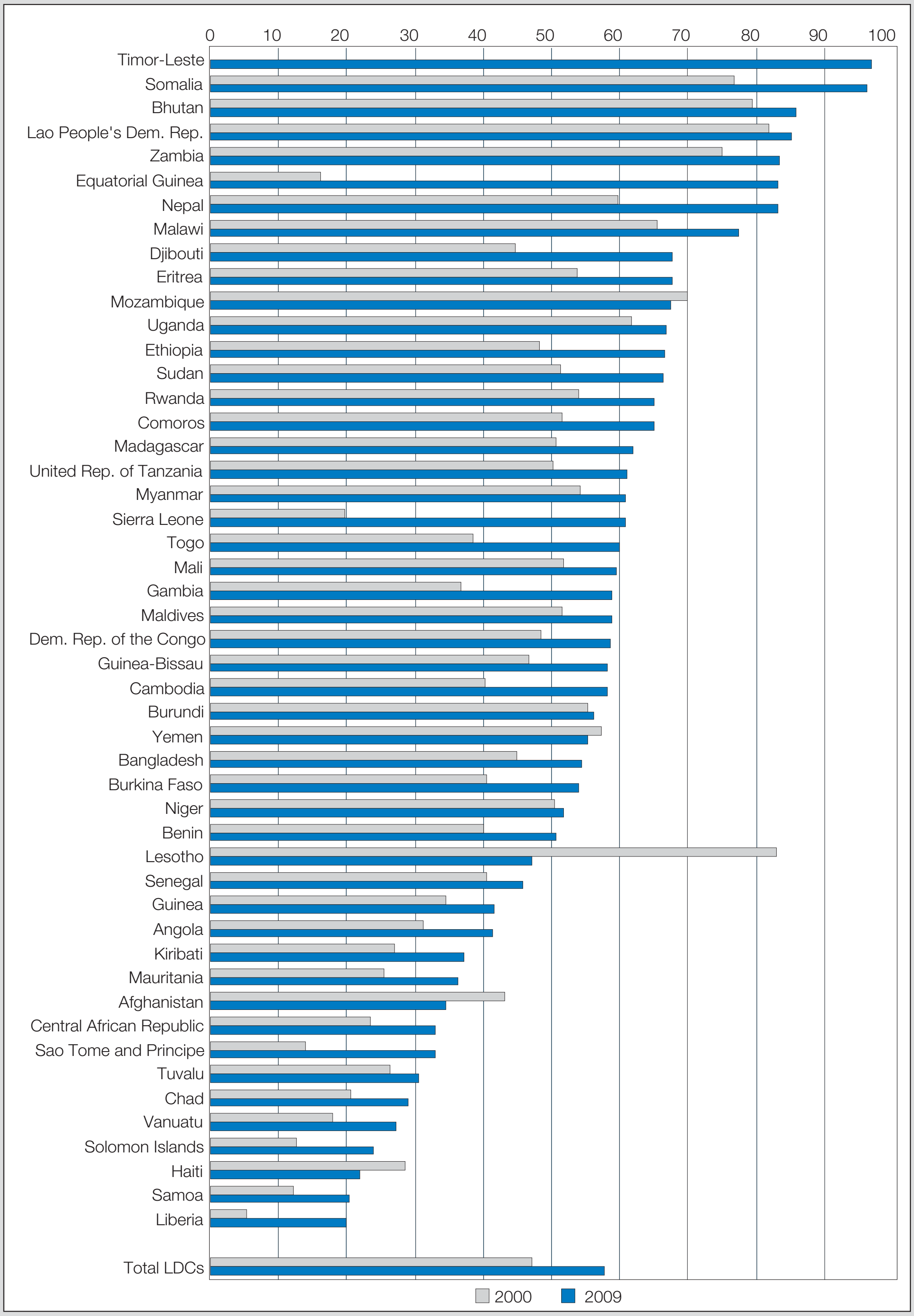
(b) The growing importance of fuels in most of the 10 Southern markets (with the obvious exceptions of Saudi Arabia, the United Arab Emirates and Nigeria), as evidenced by the rightward shift of most bubbles from panel A to panel B;

Chart 22A. Share of LDCs' merchandise exports destined to Southern partners, 2000 and 2009
(Percentage)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

Chart 22B. Share of LDCs' merchandise imports originating from Southern partners, 2000 and 2009
(Percentage)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

Table 7. Top 10 LDC exporters to Southern partners, various years

	Millions of dollars				Average annual growth rate (%)	Share of total LDCs merchandise exports (%)			
	2000	2005	2008	2009	2000–2009	2000	2005	2008	2009
Angola	1,953.7	9,373.7	34,510.2	21,385.9	51.6	18.0	28.9	43.8	34.7
Sudan	1,107.9	3,836.7	8,599.2	7,869.6	39.6	10.2	11.8	10.9	12.8
Yemen	2,445.5	4,086.9	6,214.8	5,215.8	13.5	22.5	12.6	7.9	8.5
Myanmar	626.7	2,776.0	5,063.2	4,903.7	26.5	5.8	8.6	6.4	8.0
Equatorial Guinea	16.7	487.1	2,426.8	2,170.6	75.8	0.2	1.5	3.1	3.5
Bangladesh	284.8	800.3	2,064.3	1,974.0	26.3	2.6	2.5	2.6	3.2
Dem. Rep. of the Congo	324.7	1,949.5	2,723.0	1,877.2	30.2	3.0	6.0	3.5	3.0
Zambia	371.4	895.1	1,870.4	1,766.8	25.2	3.4	2.8	2.4	2.9
Mali	373.2	667.7	1,789.9	1,667.5	22.7	3.4	2.1	2.3	2.7
United Republic of Tanzania	217.6	905.1	1,683.6	1,538.6	26.0	2.0	2.8	2.1	2.5
						Cumulated share of 10 main exporters			
LDC total	**10,853.6**	**32,423.1**	**78,768.7**	**61,556.2**	**27.5**	**71.1**	**79.5**	**85.0**	**81.8**

Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.
Note: Figures in this table exclude first tier NIEs; LDCs listed were the top 10 exporters to the South in 2009.

(c) The shrinking weight of manufactures in 9 of the 10 Southern markets — Nigeria being the exception — as shown by the downward shift of the corresponding bubbles.

For what attains the import side, instead, three symmetric considerations emerge from chart 24:

(a) The impressive increase of the LDCs' imports from their 10 main developing country partners;

(b) The limited role played by primary commodities, with the exception of LDC imports originating from Brazil and Malaysia;

(c) The overwhelming predominance of manufactures imports, particularly from China, India, South Africa and Thailand.

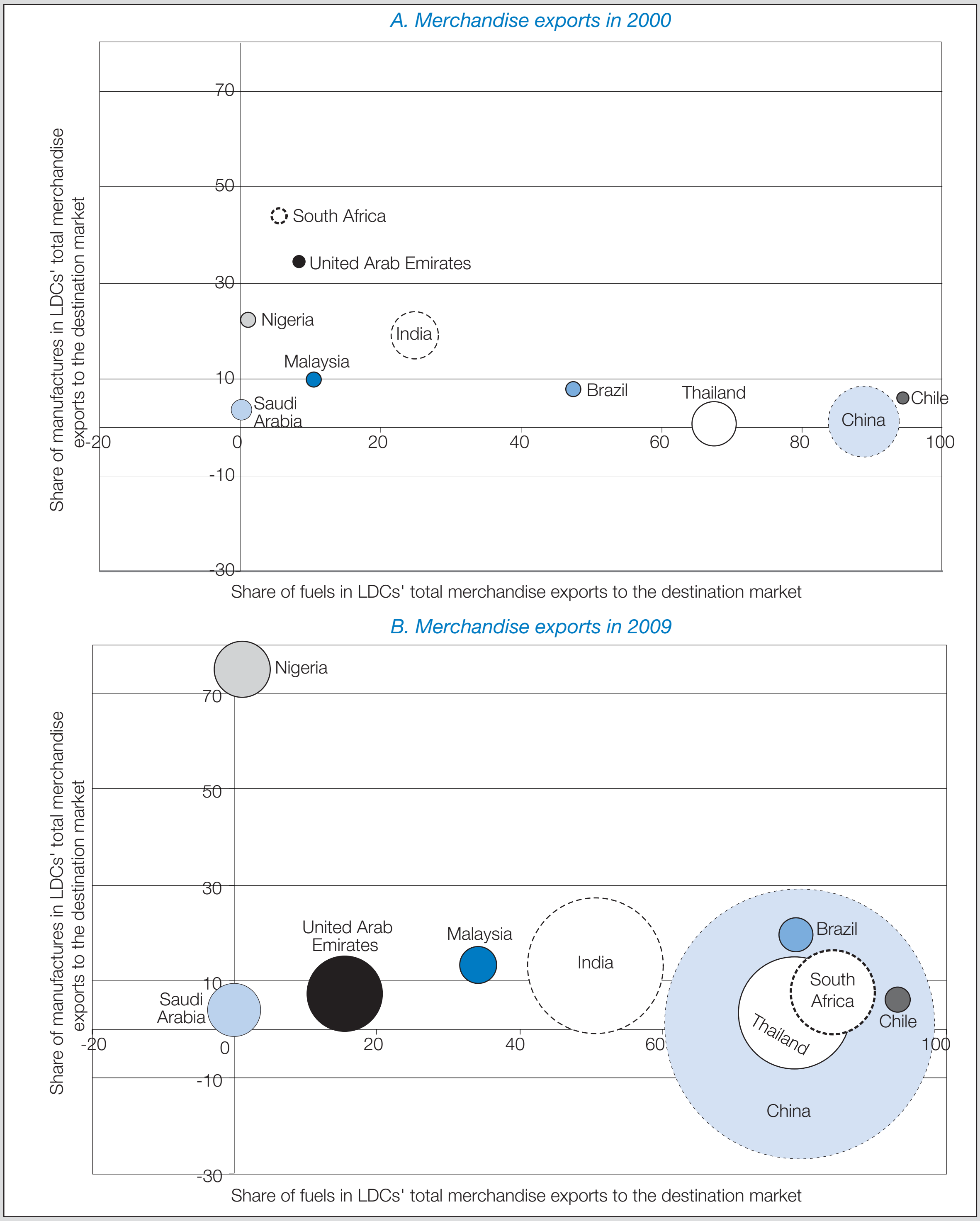
While the expansion of South–South trade clearly boosted LDC export revenues and translated into a greater geographic diversification, the benefits in terms of economic diversification have been more elusive.

(c) Composition

While the expansion of South–South trade clearly boosted LDC export revenues and translated into a greater geographic diversification, the benefits in terms of economic diversification have been more elusive. This bears crucial implications for the development of the LDCs' productive capacities, as structural transformation and industrial upgrading are necessary to create productive employment outside the agricultural and informal sector. The LDCs' commodity dependence remained extremely high throughout the past decade, with primary products accounting consistently for upwards of 70 per cent of total merchandise exports. A breakdown of the LDCs' export growth by product category, as well as by destination, shows that the surge of fuels exports — and to a lesser extent, mineral exports — played an important role in nearly all destination markets (chart 25).

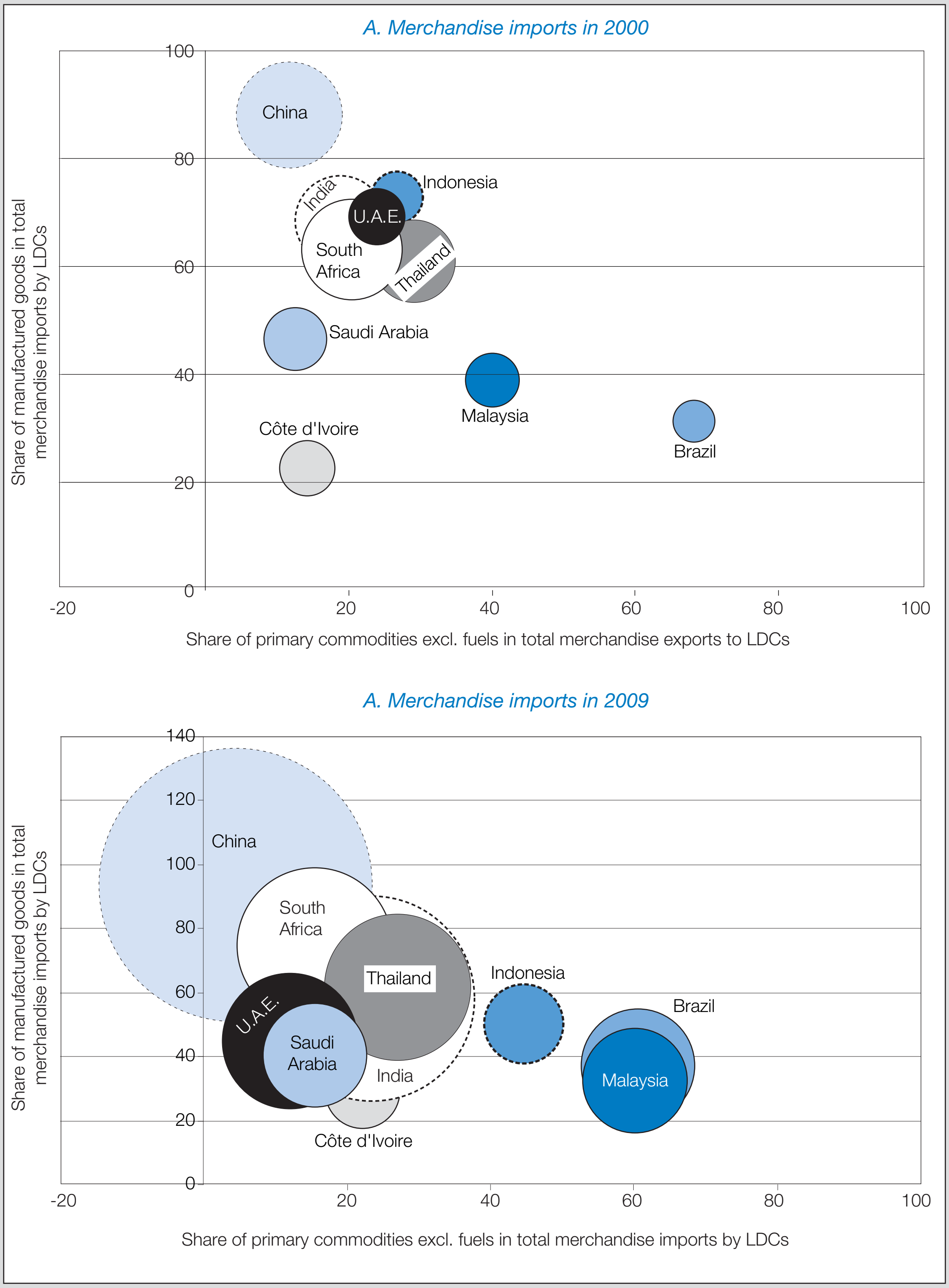
Notably, though, the prominence of the exports of hard commodities is especially evident towards Southern markets other than the LDCs, where fuels alone accounted for a 20 per cent annual increase in LDC export revenues. Conversely, manufactures were the crucial drivers in the expansion of intra-LDC and North–South exports, where their contribution to the increase of LDC exports was respectively of 7 per cent and 5 per cent. Food, in turn, contributed significantly to the expansion of merchandise exports destined to other LDCs or to transition economies, but played a subdued role in other destination markets.

Chart 23. Merchandise exports of LDCs to 10 main Southern partners, 2000 and 2009



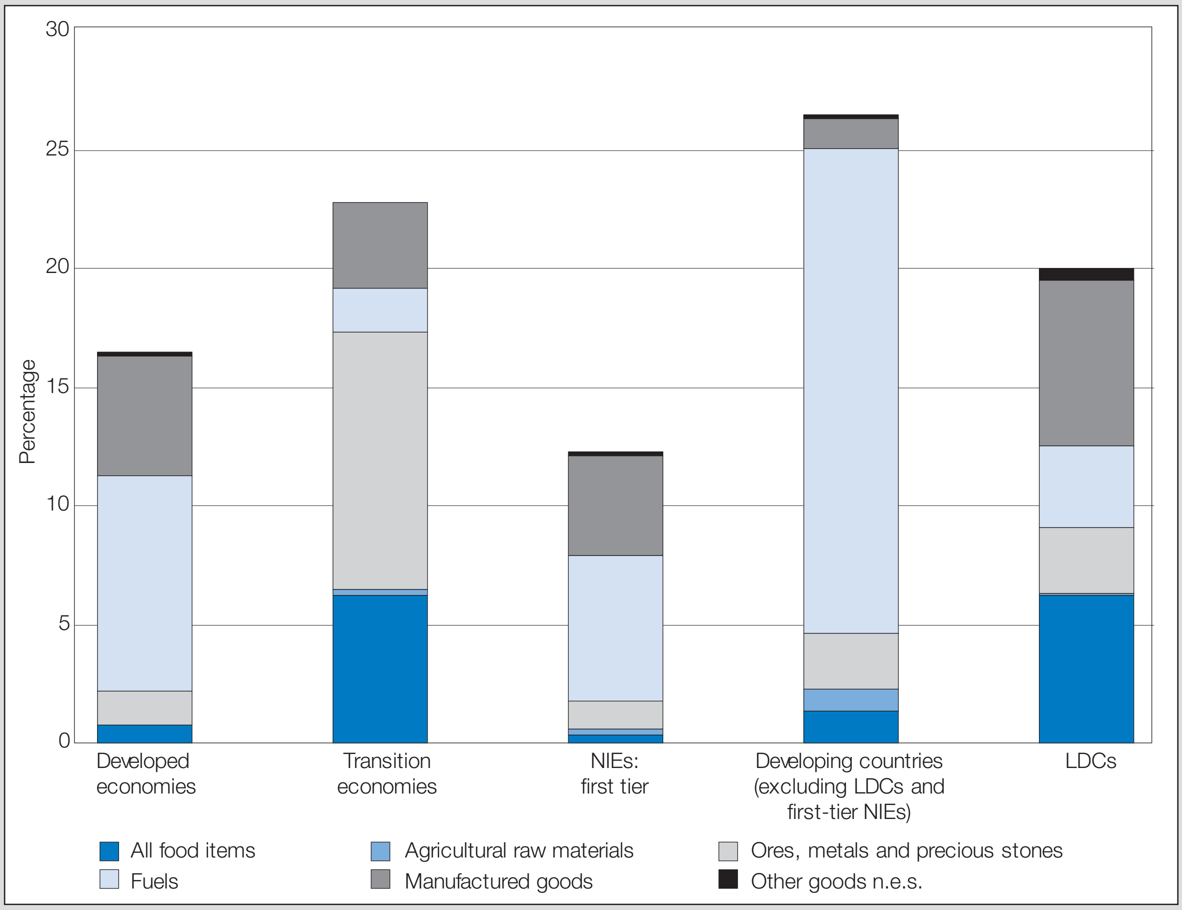
Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.
Note: The size of the bubble is proportional to the LDCs' merchandise exports to the destination market.

Chart 24. Merchandise imports of LDCs from 10 main Southern partners, 2000 and 2009



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.
Note: The size of the bubble is proportional to the LDCs' merchandise imports originating in the country.

Chart 25. Contribution to LDCs export growth in each country group, by product, 2000–2009
(Annual average percentage change)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

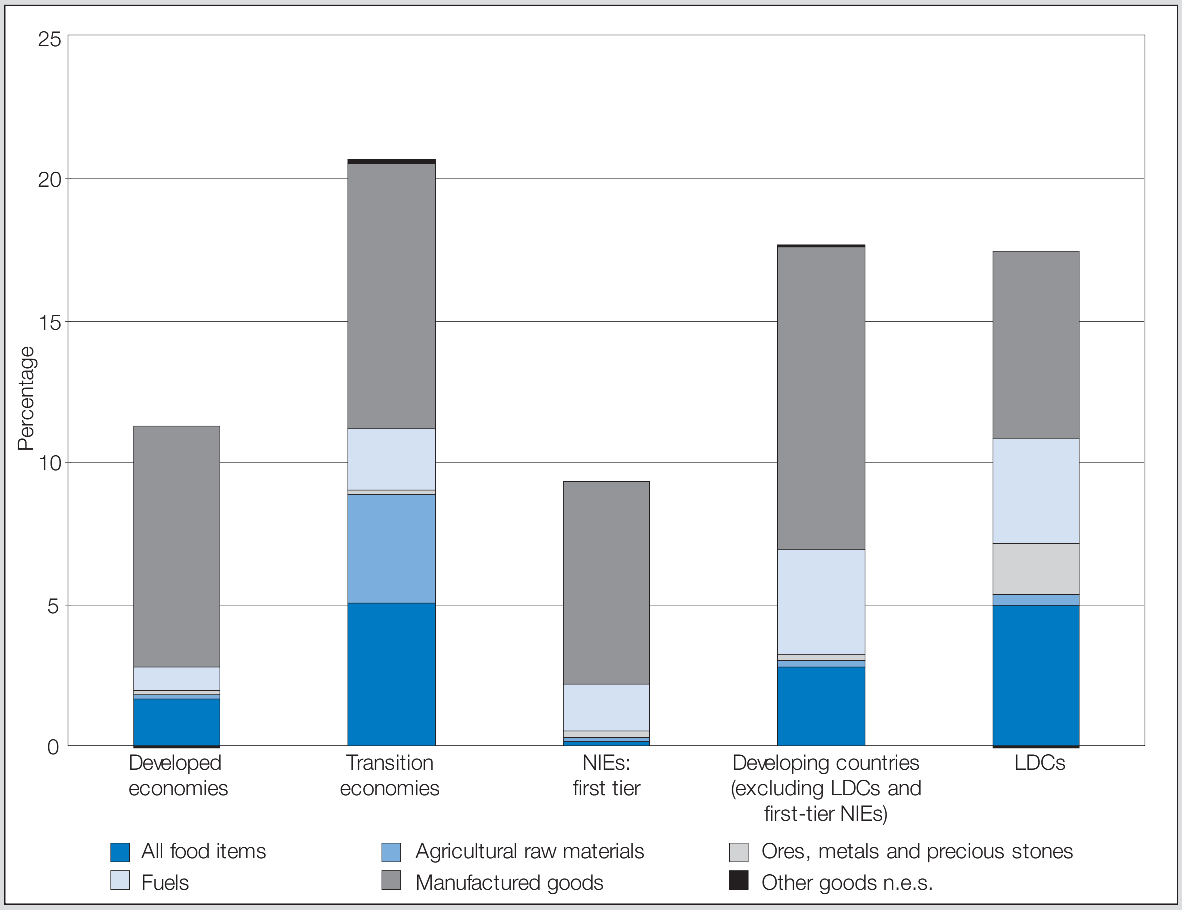
In contrast, LDC imports have been dominated by manufactures, food and fuels, which accounted respectively for 65 per cent, 19 per cent and 12 per cent of the total. In spite of the relative price changes and high commodity prices, manufactures continued to be the key drivers of the LDCs' import growth from all origins, though their contribution to the growth of imports is indeed the largest in the case of Southern partners (chart 26). In this two-way process, the boom of Southern countries' manufactured exports has, in turn, sustained their demand for imported inputs, including not only hard but also soft commodities, cotton being the best case in point.

The composition of the LDCs' merchandise exports to the South has been skewed towards agricultural raw materials and fuels.

The centrality of primary commodities in the LDCs' export structure towards Southern partners, except for NIEs, is further underscored by chart 27, which shows the share of merchandise exports by product type to these destinations.[19] The growing importance of Southern markets for the LDCs has been accompanied by two clear tendencies revealed by the chart.

(a) First, the composition of the LDCs' merchandise exports to the South has been skewed towards agricultural raw materials and fuels. This pattern of specialization, however, has become even more pronounced in recent years, to the extent that in 2009, 68 per cent of all LDC exports of agricultural raw materials and 55 per cent of all exported fuels were sold to other Southern partners, while the latter only accounted for 44 per cent of the LDCs' total export revenues;

Chart 26. Contribution to import growth of LDCs in each country-group by product, 2000–2009
(Annual average percentage change)



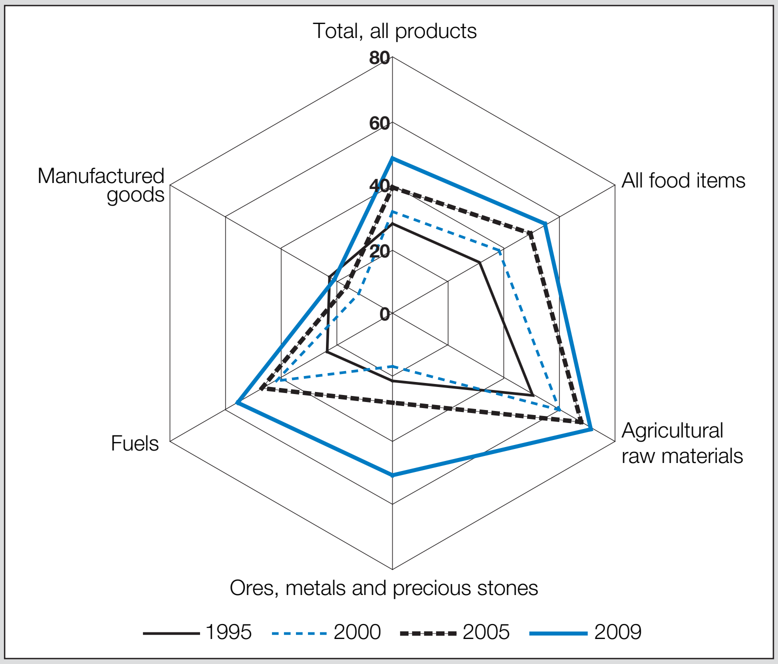
Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

(b) Secondly, manufactures are significantly and consistently underrepresented in the structure of LDC exports to other developing countries, with very little modification from one year to the other. While Southern partners by now account for nearly half of the LDCs' total merchandise exports, the share of manufactures originating in the LDCs and sold to the South has consistently hovered around 15 per cent of the total.

The prominence of primary commodities in LDCs' export structure obscures the fact that manufacturing exports to Southern markets has grown at about 18 per cent per year over the last decade.

These findings point to the LDCs' evident commodity dependence and to related challenges in leveraging South–South trade to promote export diversification. They should, however, be interpreted in light of the previous discussion, and notably of the geographic concentration of the LDCs' trade with the South. At the level of individual countries, the share of primary commodities in the LDCs' exports to Southern destinations does not appear to be correlated with the growth rates of such flows. In other words, while it is true that the quest of natural resources is one of the main drivers of the LDCs' exports boom to the South — and indeed large resource-rich LDCs account for the slightly growing share of these flows — such expansion has touched all LDCs regardless of their export specialization. Secondly, the prominence of primary commodities in LDCs' export structure obscures the fact that manufacturing exports to Southern markets has grown at about 18 per cent per year over the last decade. A similar performance, albeit lower than that of total merchandise exports, suggests that opportunities for structural transformation indeed exist.

Chart 27. Share of LDCs' merchandise exports destined to Southern markets, by product type, various years
(Percentage)



Source: UNCTAD secretariat calculations based on UNCTADstat database, May 2011.

Overall, it is clear that South–South trade is not a panacea for the LDCs' commodity dependence. Although hard commodities exporters appear to have benefitted disproportionately, there are no doubts that the remarkable growth of large Southern countries has boosted exports revenues across the board — also providing new opportunities for structural transformation and economic diversification. Whether the LDCs will be able to harness emerging opportunities or replicate the old pattern of North–South relationships is likely to depend — at least to some extent — on their capacity to devise an appropriate engagement strategy and set up a policy framework to promote economic diversification.

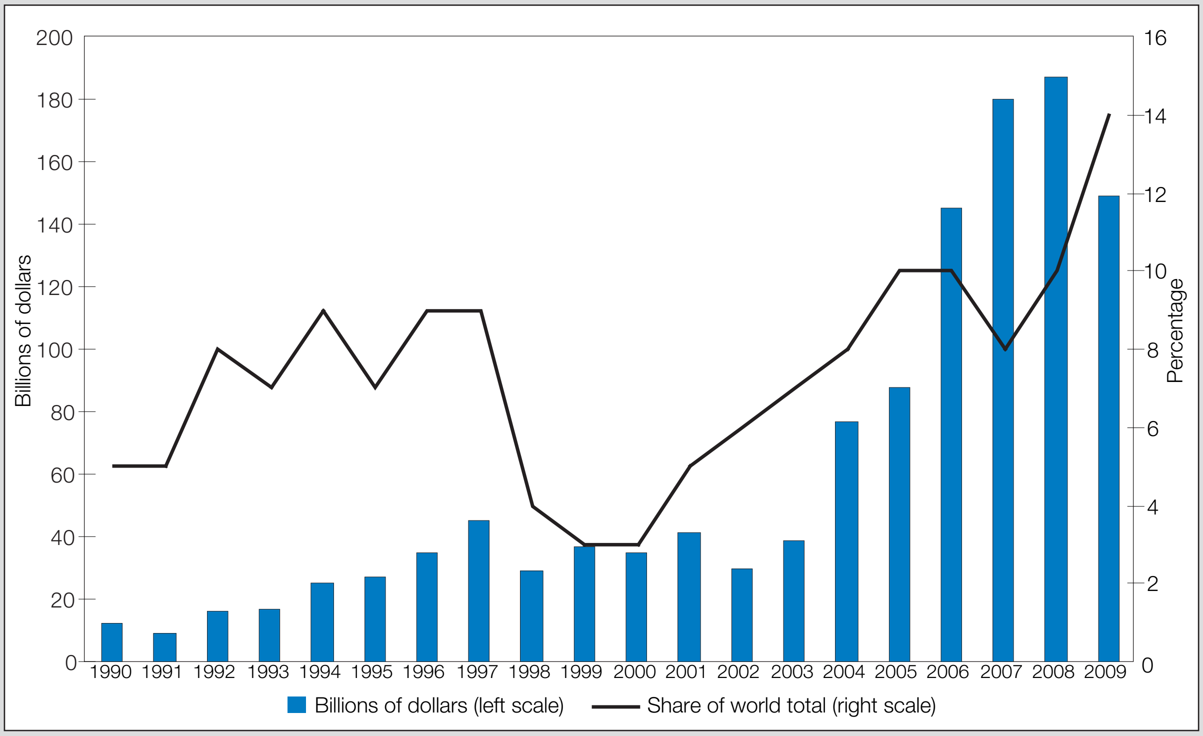
3. Southern foreign direct investment in LDCs

Between 2000 and 2009, South–South FDI worldwide more than tripled, attaining $140 billion in the latter year, when they accounted for 14 per cent of world total.

The rise of Southern growth poles has not only boosted global trade, but it has also translated into sharp increases of cross-border investments, partly directed to other developing countries. Between 2000 and 2009, South–South FDI worldwide more than tripled, attaining $140 billion in the latter year, when they accounted for 14 per cent of world total (chart 28). Southern investors have also proved more resilient than Northern ones in the wake of the financial crisis, partly owing to the lower dependency on debt financing (Bhinda and Martin, 2009; UNCTAD, 2011a). Their significance is hence likely to remains on the rise even in the near future.

The limitations of available FDI statistics hamper a detailed analysis of flows and stocks by origin and destination, and can potentially lead to biased estimations of South–South FDI flows. A further difficulty stems from the close ties that characterize Southern partners' engagements in FDI and in development cooperation. As a result of the complex interaction between motives related to investment and those related to solidarity, in practice it is often difficult to disentangle FDI flows in the stricter sense from financial flows that are intrinsically related to South–South development cooperation (UN-OSAA, 2010).

Chart 28. South–South FDI flows, worldwide, 1990–2009



Source: UNCTAD secretariat calculations based on UNCTAD 2011a.

Nonetheless, it can be safely argued that the evolution of Southern FDI in the LDC context parallels global trends. Between 2003 and 2010, when total FDI inflows to LDCs were growing on an average of nearly 20 per cent per year, the share of FDI projects accounted for by Southern investors climbed from 25 per cent to upwards of 40 per cent (chart 29). A similar expansion has not redressed the LDCs' marginalization — still less than 3 per cent of the world's total FDI flows is directed to the LDCs; yet, it clearly boosted access to capital and foreign exchange. Moreover, while Northern investors still play a crucial role in most LDCs, Southern players are becoming increasingly relevant. China and India already have sizeable investments in the LDCs, and their FDI is featured among the fastest growing in a number of Asian and African countries, while investors from other developing economies such as Brazil, South Africa and Turkey are following suit.

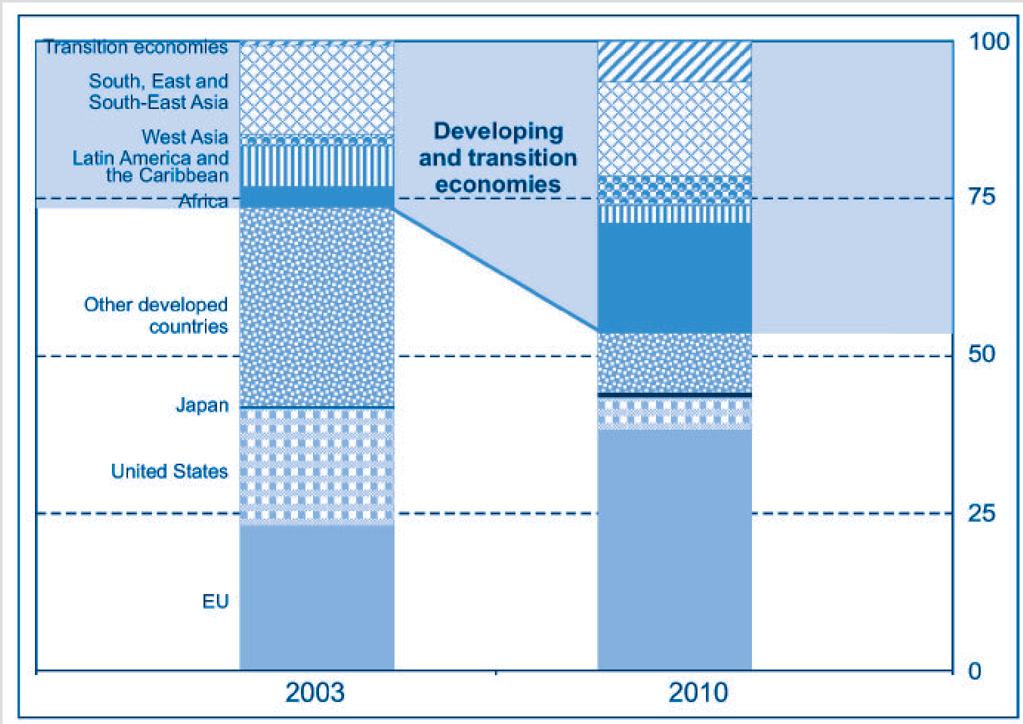
Between 2003 and 2010, the share of FDI projects in LDCs accounted for by Southern investors climbed from 25 per cent to upwards of 40 per cent.

FDI from developed and developing countries alike have targeted LDCs for natural-resource-seeking motives and are therefore largely concentrated in resource-rich economies (UNCTAD, 2010a, 2011a).[20] Leaving aside any related environmental concerns,[21] this tendency has exacerbated the LDCs' specialization in primary commodities, resulting often in enclave-investments with limited spillovers to the rest of the economy and narrow effects on employment creation. Moreover, in view of the large informational asymmetries that characterize extractive industries, public revenue collection has often proved to be a challenging task for the weak capacities of public authorities (UNCTAD, 2009a, 2010a).

While the quest for natural resources remains one of the main drivers of FDI inflows into the LDCs, there are incipient signs of diversification into other sectors.

While the quest for natural resources remains one of the main drivers of FDI inflows into the LDCs, chart 30, as well as various other studies, point to some incipient diversification into other dynamic activities (Bhinda and Martin, 2009; UNCTAD, 2010a, 2011a). This is notably the case of banking or financial services and telecommunications, sectors in which Southern companies are expanding quickly, thanks to their better knowledge of regional markets in

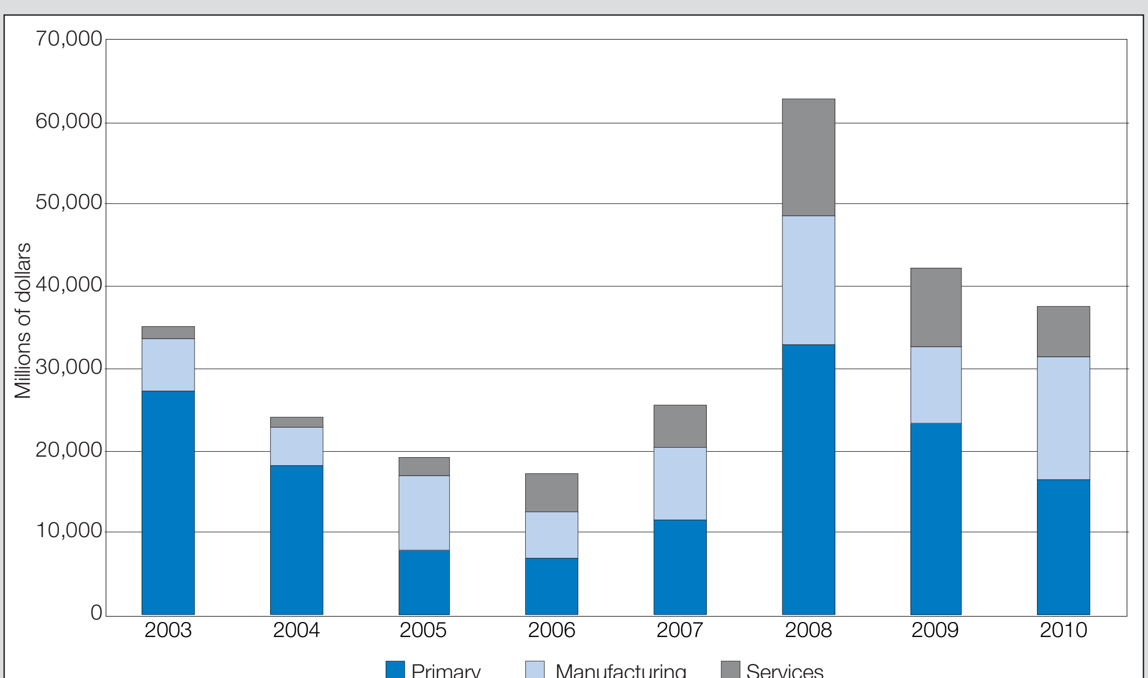
Chart 29. Regional distribution of FDI projects[a] in LDCs, by source, 2003 and 2010



Source: UNCTAD 2011b.

a Include both mergers and acquisitions as well as greenfield FDI projects.

Chart 30. Value of greenfield FDI projects in LDCs, by sector, 2003–2010
(Millions of dollars)



Source: UNCTAD secretariat calculations based on UNCTAD 2011b.

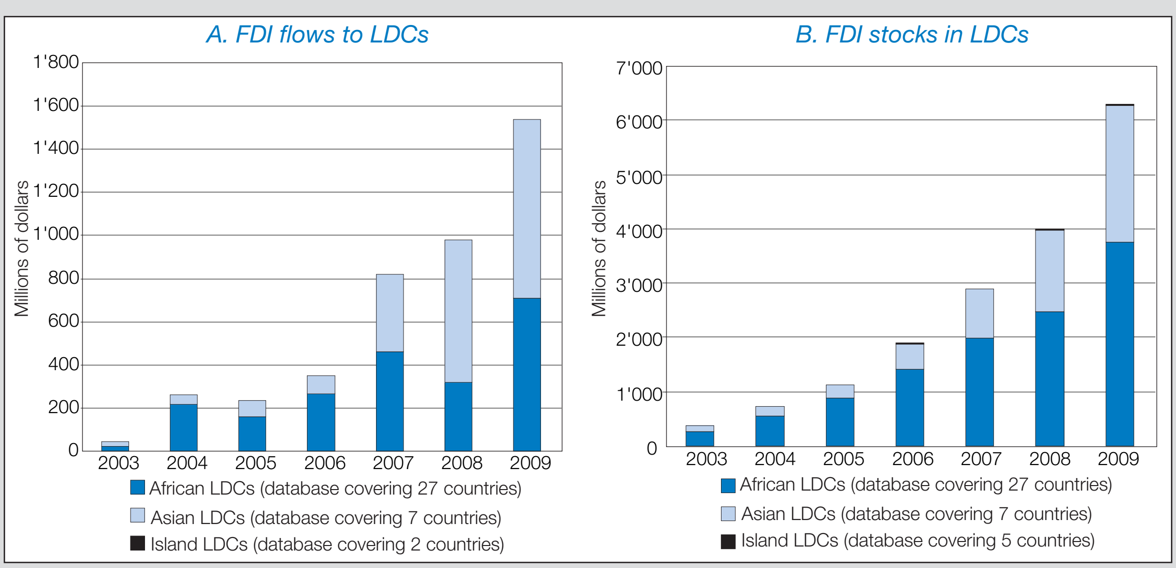
developing countries. To cite just few examples, South African and Nigerian banks, such as Standard Bank or United Bank for Africa, have rapidly acquired a prominent role in the sub-Saharan African region, through both greenfield projects, and mergers and acquisitions. Similarly, Southern companies such as Telkom, Vodacom, ZTE or Dimension Data holding are successfully penetrating the information and communication technology (ICT) compartment and telecom business in a growing number of LDCs (see Aykut and Goldstein, 2006; UNCTAD, 2011a). Additionally, an increasing number of investment projects in LDCs — including those from Southern firms — are targeting the construction, tourism and manufacturing sectors (Kopulande and Mulenga, 2011).

Chinese FDI flows to LDCs have surpassing $1.5 billion in 2009, over seven times their value in 2003.

A useful case to illustrate this evolving situation is the impressive boom in outward FDI from China, one of the few developing economies providing a complete breakdown of its FDI by host country. In 2009, 40 LDCs received Chinese FDI. These investments have skyrocketed over the last few years, with total flows surpassing $1.5 billion in 2009, over seven times their value in 2003 (see chart 31).[22] Interestingly, this boom has been accompanied by the deepening of China's presence in Asian LDCs, as confirmed also by table 8. Along with resource-rich economies — such as Zambia, Myanmar, Sudan, the Democratic Republic of Congo and Niger — Chinese investors have broadened their activities in countries such as Cambodia, Lao People's Democratic Republic and Madagascar. This evolving pattern of localization underscores that Chinese companies are still heavily engaged in the race for primary commodities, but are rapidly expanding their interests to other businesses. As regards Zambia, for example, Chinese investors are currently extending their operations beyond extractive industries, to encompass agriculture, construction, manufacturing and transport activities (box 3).

China and India are clearly more visible than other players: Their investors operate in a vast range of LDCs, and while extractive industries still constitute the backbone of their engagement, they are gradually extending their operations to other sectors. Further, Chinese investments abroad tend to be vertically integrated and are mostly carried out by large State-owned enterprises, often with the financial support of the China EximBank and China Development Bank (Brautigam, 2008; Broadman, 2008). Indian investors, instead, are mainly private enterprises and less vertically integrated, and often rely on the network

Chart 31. China's outward FDI in LDCs, 2003–2009
(Millions of dollars)



Source: UNCTAD 2011b.

Table 8. Top 10 LDC destinations for China's outward FDI, 2007–2009
(Millions of dollars, period average)

	Annual inflows	FDI stock
Zambia	148.4	641.6
Myanmar	233.8	563.8
Sudan	7.2	555.7
Cambodia	161.6	397.3
Lao People's Democratic Republic	148.2	381.0
Democratic Republic of the Congo	102.8	212.0
United Republic of Tanzania	12.0	194.3
Ethiopia	32.4	172.9
Niger	46.9	151.7
Madagascar	39.0	139.6
Share of total FDI to LDC (%)	**83.5**	**77.4**

Source: UNCTAD secretariat calculations, based on China MOFCOM 2010.

Box 3 Chinese investment in Zambia: A case study

Throughout the 1990s, when its economy was struggling with erratic growth and high inflation, Zambia received limited FDI inflows, even in comparison with neighbouring countries. The pickup only began in the early 2000s, as the Zambian economy reaped the benefits of the commodity boom, but since then, FDI inflows have attained unprecedented levels. The country has attracted investments originating not only from traditional sources, such as South Africa and the United Kingdom, but also increasingly from new investors. In particular, Chinese FDI flows have been the fastest growing in the last few years, increasing from $5.5 million in 2003 to $112 million in 2009. Further, some estimates suggest that Chinese FDI stocks had surpassed $1 billion at the end of 2010.

Chinese investments in Zambia are still dominated by mining and processing minerals, but are gradually expanding to other activities, ranging from agriculture, tourism and manufacturing to energy, communication, transport and construction. The bulk of these operations are carried out by large State-owned enterprises; however, an increasing number of small- and medium-sized private firms are entering the agricultural business, as well as the wholesale and retail trade. Zambia is host to two of the eight special economic zones China has been developing in Africa since the 2006 FOCAC summit – the other zones are located in Algeria, Egypt, Ethiopia, Mauritius, and Nigeria (two zones). Of the two zones located in Zambia, the Chambishi one is specialized in value addition to refine copper and cobalt, while the Lusaka East Zone will engage in the manufacturing of textiles, clothes, electronic goods, toys and plastics (see Davies, 2010).

With the exception of some copper mining and cotton processing firms, most Chinese investments (including the two special economic zones) are still in the inception stage. There are signs that newly established firms may soon begin to increase the range of goods produced domestically and thus lower the dependence on imported products, as has been the case with steel bars. For the time being, however, there have been little effects in terms of export diversification, as investment projects are still very recent.

The entrance of Chinese firms in the Zambian market appears to have exerted wide-ranging effects on the domestic production structure. On the positive side, it contributed significantly to gross fixed capital formation, opened up additional opportunities for suppliers through backward linkages and broadened consumer access to cheap manufacturing products. Rough estimates also suggest that Chinese FDI has created about 30,000 jobs, with potentially greater effects in the future once more firms begin their operation. Simultaneously, however, new entrants appear to have put some pressure on domestic firms through price competitiveness and better customer relations, especially in wholesale and retail trade, in the construction sector and among small and medium-sized poultry farmers.

The growing engagement of Chinese companies has resulted in some transfer of skills, especially in the construction, tourism and agricultural sectors, with positive impacts on productivity and work attitude. In this respect, the key challenge for Zambia will be to leverage the potential for technology transfer by fostering strong and systematic linkages between foreign enterprises and Zambian universities, research institutes and firms. This applies particularly to the enterprises established in the special economic zones, which are intended to catalyze efforts towards economic diversification. In that respect, one risk to be avoided is that the minimum capital requirement to establish an enterprise in the special economic zones ($500,000) may reduce the number of potential domestic firms benefiting from the spillovers of Chinese investors.

Regardless of the origin of FDI, generous tax incentives in sectors such as agriculture, ICT, tourism and firms based in the special economic zones may entail considerable opportunity costs in terms of forgone public revenues. As for the mining sector, which had traditionally enjoyed copious tax concessions, its fiscal regime was tightened in 2008, raising unprecedented revenues of $415 million in just one fiscal year. In the wake of the global financial crisis, though, foreign mining companies obtained a much more liberal revision of their regime. Thus, benefits from the viewpoint of public revenue mobilization are expectedly limited to investments (Chinese or of other origin) in sectors that currently are not covered by tax concessions – such as finance, transport, construction – or to small and medium-scale FDI that do not qualify for the exemptions granted in the special economic zones.

Source: Kopulande and Mulenga (2011).

externalities offered by the widespread presence of Indian diasporas in many LDCs (ibidem).

Beyond the Asian giants, the mounting presence of Southern investors in the LDCs involves a wide array of other partners, notably Brazil, the Gulf Cooperation Council countries, Malaysia, South Africa and Turkey. These Southern actors differ widely from one another in terms of localization, strategic rationales, comparative advantages and investment modalities. For instance, Brazilian companies are strongly present in Lusophone African countries and focus not only on resource extraction, but also on agriculture, telecommunications, infrastructures and biofuels production (Lewis, 2011). South African companies, conversely, operate mainly in the Southern African Development Community (SADC), and engage predominantly in extractive industries, banking and finance, ICT and light manufacturing. In view of these differences, Southern investors provide LDCs with a broad range of potential partnerships, in many ways complementary to the traditional relations established with Northern investors.

Beyond the Asian giants, the mounting presence of Southern investors in the LDCs involves a wide array of other partners, notably Brazil, the Gulf Cooperation Council countries, Malaysia, South Africa and Turkey.

Moreover, numerous authors have emphasized how South–South FDI could have a particularly promising developmental impact, for several reasons. First, as evidenced in the wake of the global economic crisis (see chapter 1), the geographic diversification of FDI sources could reduce their overall volatility, as Southern flows are not necessarily correlated with Northern ones (UNCTAD, 2010a). Though the majority of FDI inflows to LDCs still originate in developed countries, Southern FDI is becoming critical in some specific countries and contexts. There are indications that Southern investors are relatively more willing to assume the risks of post-conflict and other politically difficult situations: For example, as of 2006, Chinese companies (including some privately owned enterprises), were the only foreign investors in Sierra Leone in the aftermath of the civil war; similarly, Indian and Chinese investors accounted for over half of the FDI in Nepal (Aykut and Goldstein, 2006). Secondly, Southern FDI tends to be well placed to facilitate technological transfers to LDCs, owing to analogous climatic and social conditions, greater cultural proximity and more comparable level of development between the two parties (UNCTAD, 2007; Aykut and Goldstein, 2006; UN-OHRLLS, 2011).[23] Thirdly, through their greater knowledge of developing-country markets and business practices, Southern actors are especially well positioned to engage in “frugal innovations”, adapting products to the customers “at the bottom of the pyramid” (Prahalad and Hart, 2002). Tata’s $24 water filter and their $2,200 car, the Nano, to cite just a few examples, are products explicitly designed to satisfy the needs of millions of potential consumers (The Economist, 2010).

Southern FDI tends to be well placed to facilitate technological transfers to LDCs, owing to analogous climatic and social conditions, greater cultural proximity, and more comparable level of development.

Southern actors are especially well positioned to engage in “frugal innovations”, adapting products to the customers “at the bottom of the pyramid”.

4. Migration and remittances

Migration-related issues have recently gained greater attention in the international discourse, partly because of their rising importance in the political arena — especially in rich countries — and partly owing to the recognition that leveraging the developmental impact of migration is fundamental. Nevertheless, implications of the rise of the South with regard to migration and remittances have been often overlooked. A thorough understanding of these issues is certainly constrained by the imperfect quality and coverage of available data, particularly in the context of LDCs. In any case, the relevance of migration in the context of intensifying South–South economic relations is indisputable.

In 2008, almost 22 million people left the LDCs to work abroad, roughly 2.9 per cent of the LDC population in the same year (World Bank, 2008). Numerous recent studies have also emphasized the developmental impact of remittances for the LDCs, be it for their stabilizing impact on the balance of payments, for their potential to finance productive investment, or for their positive effects on poverty reduction (see UNCTAD, 2010a; Melde and Ionesco, 2010). As a matter of fact, remittances inflows to LDCs have grown by almost 17 per cent per year over the last decade, reaching a record level of nearly $26 billion in 2010, which is only slightly lower than FDI inflows. The relevance of remittances is hence unquestionable, even if their significance varies widely across LDCs, with countries such as Lesotho, Samoa, Nepal, Haiti, Bangladesh and Senegal being very dependent, and others such as Laos, the United Republic of Tanzania or Zambia, for which they play a negligible role compared with GDP.

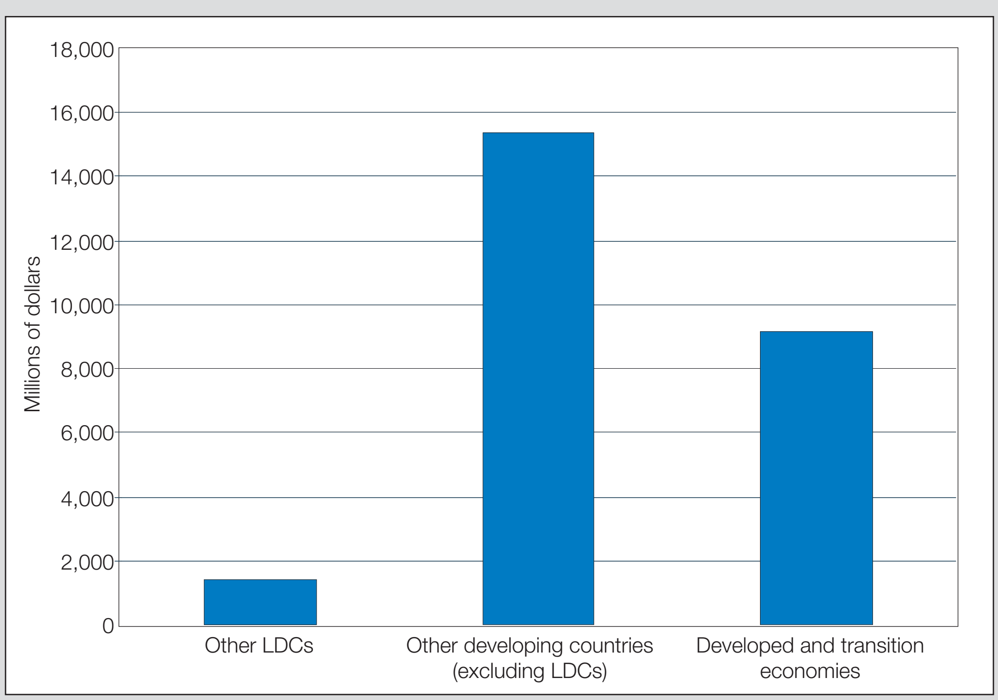
It is estimated that only one out of four people originating from the LDCs migrated to a developed country, one out of five went to other LDCs, and approximately half of all migrants went to other developing countries.

The links between migration and South–South economic integration are demonstrated by the ample evidence that the large majority of migrants tend to move within the same region, even if workers with higher education are more inclined to migrate to developed economies, triggering the well-known brain drain (UNCTAD, 2007; United Nations Development Programme, 2009).[24] It is estimated that only one out of four people originating from the LDCs migrated to a developed country, one out of five went to other LDCs, and approximately half of all migrants went to other developing countries (Melde and Ionesco, 2010). Therefore, it is clear that the predictable continuation of the rapid economic growth in many Southern countries is likely to have wide-ranging effects on migration. Southern growth poles will probably become more attractive for potential migrants, and the expansion of their economies may simultaneously allow migrants already working there to remit greater financial resources. The significance of migration in the context of South–South economic integration can hence be expected to rise.

In 2010 two thirds of the nearly $26 billion of remittances inflows to the LDCs originated in Southern countries.

According to World Bank estimates of bilateral remittances, in 2010, two thirds of the nearly $26 billion of remittances inflows to the LDCs originated in Southern countries, $15.3 billion in other developing countries and $1.3 billion in other LDCs (chart 32).[25] Conversely, remittances sent to LDCs from developed and transition economies accounted for a mere 35 per cent of the total, despite the fact that migrants working in these countries typically remit greater sums of money.

Chart 32. Remittances inflows to LDCs by region of origin, 2010
(Millions of dollars)



Source: UNCTAD secretariat calculations based on World Bank Bilateral Migration and Remittance, 2010 datasets.

The aggregation for the whole LDC group hides considerable variability across individual countries (chart 33). Large recipients — including the three largest ones, namely Bangladesh, Nepal and Sudan — tend to depend more heavily on remittances sent from other Southern countries, particularly India, Saudi Arabia and other countries of the Gulf countries.[26] Similarly, various African LDCs receive a large proportion of their inflows from other countries in the region, notably from South Africa and Cote d'Ivoire. At the other end of the spectrum, countries such as Cambodia, Ethiopia, Kiribati, Samoa and Vanuatu, whose diaspora communities are largely concentrated in advanced economies, depend more heavily on the latter for their remittances inflows. Even taking into account this heterogeneity, the significance of South–South remittances for the LDCs development prospects should not be overlooked.

Along with more market-driven economic relationships, South–South development cooperation represents a major aspect of the LDCs' deepening interactions with other developing countries.

5. Southern official flows to LDCs

Along with more market-driven economic relationships, South–South development cooperation represents a major aspect of the LDCs' deepening interactions with other developing countries. Initiatives driven by the principle of solidarity among developing countries are nothing new: Indeed their origin dates back to the Bandung Conference in 1955, and became more institutionalized in 1964, with the establishment of the Group of 77 in the context of the first United Nations Conference on Trade and Development and the subsequent calls for a New International Economic Order (Kragelund, 2010). The real change during the past decade has rather been the sharp resurgence of South–South cooperation in the international arena, after 20 years in which large developing countries were chiefly concerned with domestic development issues. This evolution, as recognized also in the Istanbul Programme of Action, can improve the LDCs' prospects for access to finance, providing their governments with a broad array of potential partnerships and a wider range of cooperation modalities.

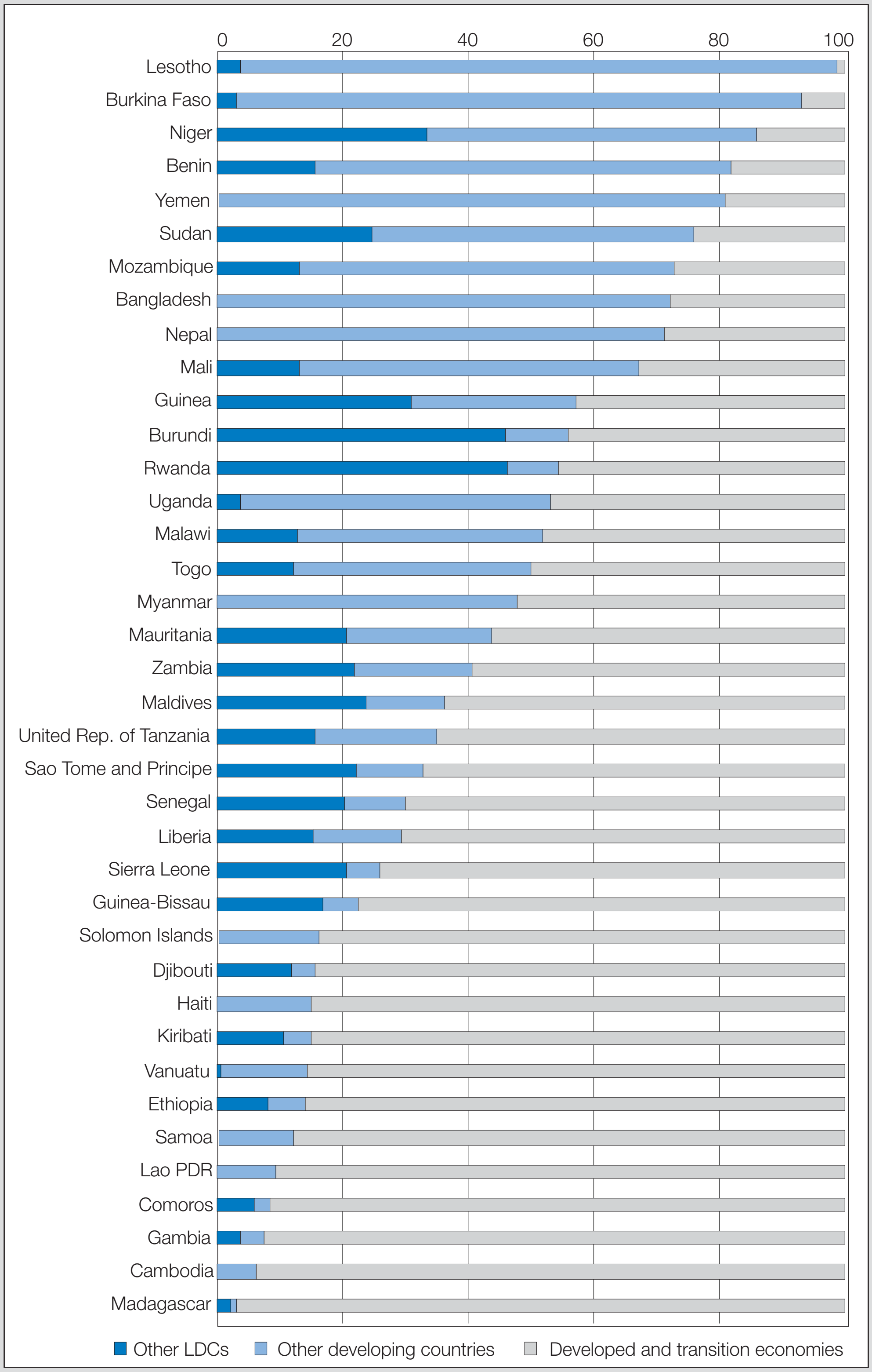
Some Southern countries openly utilize development cooperation as a catalyst for other commercial and financial interests.

Before starting the discussion of South–South development cooperation in the context of the LDCs, an observation on the definition of official flows is required. Southern countries' designation of development assistance is different from that of the OECD Development Assistance Committee (DAC), which in turn informs the practice of traditional donors. Some degree of overlap indeed exists, especially with respect to the overall long-term objectives, but figures are not directly comparable. Some Southern countries openly utilize development cooperation as a catalyst for other commercial and financial interests (Brautigam, 2008; UNCTAD, 2010a). Because of this, however, they typically regard development assistance "as an integral part of other financial flows, thereby blurring the overall picture" (Kragelund, 2010: 5). As shown in United Nations (2008), this does not imply that the degree of concessionality associated with these flows is lower than that applied by traditional donors, but simply that the definitions of what is considered development assistance vary. For this reason, hereafter the term "official flow" is used to designate the resources provided by Southern partners for development purposes, with the understanding that not all of them necessarily meet the conditions for eligibility as official development assistance (ODA).

Estimates of the total official flows of Southern partners vary considerably from one study to the other, and it is extremely difficult to quantify how much of their support is channelled to LDCs.

A related measurement problem stems from the lack of systematic and reliable data on the size, allocation and sectoral distribution of South–South official flows. Most Southern development partners — including the largest ones — do not disclose in a systematic way all the assistance provided. They often use in-kind contribution — whose cost evaluation is subject to a number of difficulties — and typically perform their activities through distinct entities (United Nations, 2008; Brautigam, 2008; Kragelund, 2010; AfDB et al., 2011). Moreover, there is a widespread use of pledges rather than actual disbursements in some analaysis of the revived interest in South–South development cooperation. As a

Chart 33. Share of remittance inflows, by region of origin, 2010



Source: UNCTAD secretariat calculations, based on World Bank Bilateral Migration and Remittances, 2010.

result, estimates of the total official flows of Southern partners vary considerably from one study to the other, and it is extremely difficult to quantify how much of their support is channelled to LDCs.[27]

Notwithstanding the opacity of the corresponding statistics, the growing significance of South–South development cooperation is unanimously recognized by both academia and policymakers (United Nations, 2008; Brautigam, 2008;

Kragelund, 2010). As for the LDCs, the increase of South–South official flows is confirmed by the data provided by the few Southern countries that report to OECD-DAC, whose figures are thus directly comparable with the standard ODA data. Developing countries reporting to OECD-DAC include the Republic of Korea, Thailand, Turkey, the United Arab Emirates, and other Arab countries and multilateral institutions.[28] As shown in chart 34, their ODA disbursements to LDCs have grown four times in real terms over the last decade and surpassed $900 million in 2009.

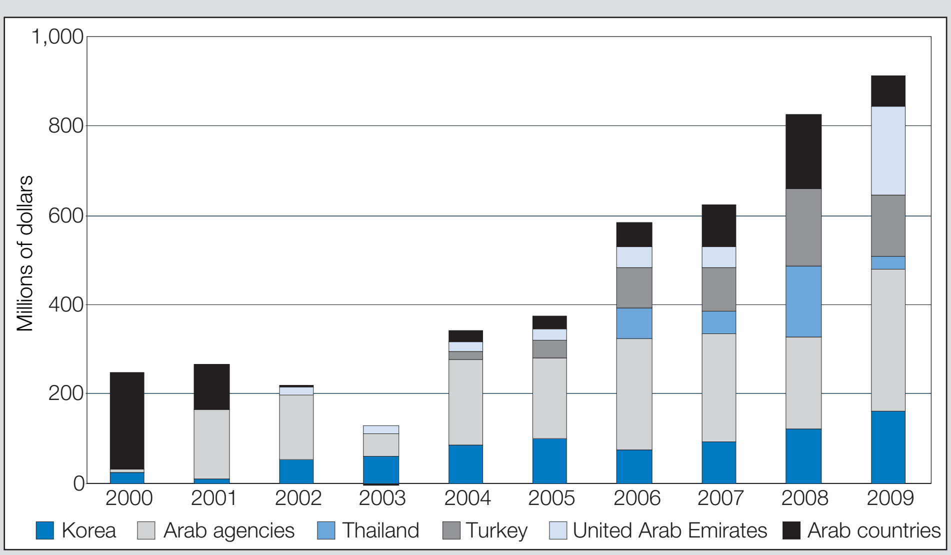
The surge of Southern official flows is a key factor boosting the availability of development finance, and may help cushion the possible slump in aid receipts from traditional donors, currently engulfed by a fragile recovery and debt problems.

Although these flows reported to OECD-DAC represent a minor fraction of those granted by traditional donors (slightly above 2 per cent of total aid to LDCs), their evolution suggests a pronounced expansion of South–South development cooperation in the LDCs. The upward trend becomes even clearer if one takes into account the massive scale-up in Southern official flows provided by large developing countries that do not report to OECD-DAC – for example, China, India, Brazil and South Africa (United Nations, 2008; Brautigam, 2008; Kragelund, 2010). Though the precise estimates of such expansion are contrasting, all available evidence suggests that Southern partners have stepped up their cooperation initiatives during the last decade (see also chapter 4). In particular, large scale-ups have followed the establishment of dedicated platforms for South–South development cooperation, such as the Forum on China-Africa Cooperation (FOCAC), established in 2000; the Africa-India Forum Summit (2008) or the India, Brazil and South Africa (IBSA) Partnership (2003).[29]

Beyond its growing magnitude, the peculiar attractiveness of South–South development cooperation to recipient governments stems also from its features and modalities, which may render it complementary to North–South cooperation.

From the viewpoint of the LDCs, the surge of Southern official flows is a key factor boosting the availability of development finance, whose role remains crucial in view of the LDCs' weak capacities to mobilize domestic resources. In this context, South–South official financial resources are all the more welcome at the present crossroads, as they may help cushion the possible slump in aid receipts from traditional donors, currently engulfed by a fragile recovery and debt problems. Beyond its growing magnitude, the peculiar attractiveness of South–South development cooperation to recipient governments stems also from its features and modalities, which may render it complementary to North–South cooperation, as acknowledged by the IPoA. Moreover, the multiplicity of Southern actors provides the LDCs with a broad range of potential partners,

Chart 34. Net ODA disbursements to LDCs by Southern countries reporting to OECD-DAC, 2000–2009
(Constant 2009 dollars, excluding debt relief)



Source: UNCTAD secretariat calculations based on *OECD-DAC International Development Statistics,* online database.

each with a specific geographical focus, comparative advantage and strategic approach to South–South cooperation.

First and foremost, Southern countries openly found their partnership on the principles of equality, solidarity, mutual benefit and non-interference in internal policy. These principles are typically mirrored in the absence of policy conditionalities, thereby enhancing ownership and broadening the policy space available to recipient countries (Oya, 2006; Kragelund, 2010). This contrasts with the practices of traditional donors, which acknowledge the importance of country ownership, but in some cases continued to apply policy conditionalities even in the aftermath of the global financial crisis (Weisbrot et al., 2009; Van Waeyenberge et al., 2010; UNCTAD, 2010a).

Southern countries openly founded their partnership on the principles of equality, solidarity, mutual benefit and non-interference. These principles are typically mirrored in the absence of policy conditionalities.

Criticism has been levelled against some Southern development partners for allegedly weakening the pressure on recipient governments to tackle corruption and enforce human rights (Brautigam, 2008; Kragelund, 2010). However, there is no systematic evidence substantiating this claim (AfDB et al., 2011). Moreover, the international aid regime is not well institutionalized with regard to the respect for human rights, and the unresponsiveness of aid allocation to good governance is certainly not unique to South–South cooperation (Brautigam, 2010; Mold, 2009). Econometric studies, such as Svensson (2000) and Alesina and Weder (2002), found no evidence that donors systematically penalized corrupt governments. In general "political and strategic considerations, as well as trade and investment opportunities, have been stronger motives for delivery of assistance than human rights" (United Nations, 2008: 20).

Some Southern partners make use of non-policy conditionalities, sometimes linking the disbursements of official flows to the access to natural resources, or to the purchase of goods and services from their own national firms (UNCTAD, 2010b). This notwithstanding, Southern partners are often seen by recipient countries as more responsive to their needs than traditional donors (AfDB et al., 2011). Moreover, South–South official flows are often perceived as more cost-effective and more rapidly disbursed than North–South aid, and are thus appreciated by the policymakers of recipient countries (Kragelund, 2010; United Nations, 2008).

Some Southern partners make use of non-policy conditionalities, sometimes linking the disbursements of official flows to the access to natural resources, or to the purchase of goods and services from their own national firms.

A second key aspect in which South–South development cooperation can complement North–South cooperation refers to the time horizon and modalities involved. The initiatives of Southern partners are characterized by the valorization of geographic and cultural proximity and by a strong preference for project-support modalities; in addition, they are typically seen by recipient counterparts as having a longer-term horizon.[30] However, their fragmentation, the modest degree of harmonization across Southern partners – with the exception of Arab donors – and the lack of transparency have been regarded as factors undermining the effectiveness of South–South development cooperation. Traditional donors, conversely, have somewhat reduced aid fragmentation by increasingly resorting to a sector-wide approach and budget support; however, the predictability of their disbursements remains a source of concern, and progress on untying aid is also sluggish (UNCTAD, 2010a). Further, while South–South cooperation has almost entirely been government-to-government, traditional donors have paid more attention to involving the civil society and the non-governmental organizations.

Southern partners are often seen by recipient countries as more responsive to their needs than traditional donors.

A third element of complementarity between South–South and North–South development cooperation refers to the sectors targeted, and the instruments utilized. Unlike traditional donors, who focus mostly on social issues, Southern partners devote a significant share of their assistance to infrastructure and productive sectors (UNCTAD, 2010a; Foster et al, 2008; United Nations, 2008; Kragelund, 2010). As argued repeatedly in past *The Least Developed Countries*

Reports, this allocation strategy responds in specific terms to the LDCs' long-standing infrastructural gap, particularly in Africa, where the financing requirement to close the infrastructure deficit amounts to $93 billion annually until 2020 (AfDB et al., 2010). Similarly, the support to the productive sectors tackles at the core the long-standing weakness of domestic small and medium-sized enterprises (the so-called "missing middle"), that have long been underfinanced by traditional North–South cooperation. Historically, technical assistance programmes have also featured prominently in South–South cooperation initiatives. This trend is likely to persist in the future, as developing country partners have acquired world-class experience in areas of immediate relevance for LDCs, and are better placed to transfer this knowledge to their counterparts, owing to their cultural and geographic proximity.

Unlike traditional donors, who focus mostly on social issues, Southern partners devote a significant share of their assistance to infrastructure and productive sectors.

A good example of this is provided by Brazil-Africa technical cooperation in agriculture, conducted by the Empresa Brasileira de Pesquisa Agropecuária – EMBRAPA. Through this entity, Brazil has put its successful experience on agricultural development at the service of the "Cotton-4 countries" (Benin, Burkina Faso, Chad and Mali) and made its know-how available to several African countries willing to develop their agro-energy sector (UNCTAD, 2010b; Lewis, 2011). Similarly, China and India have trained a growing number of professionals coming from LDCs, while Cuba and the Bolivarian Republic of Venezuela have provided doctors and teachers to Haiti and other developing countries (UN-OSAA, 2010; United Nations, 2008).

Southern partners deliver their official finance through a range of instruments, including grants, concessional loans and mixed loans. For projects related to infrastructural provision, official finance has been often channelled through export-import banks and backed by natural resources: the so-called "Angola mode".

Moving to the instruments through which official flows are disbursed, Southern partners deliver their official finance through a range of instruments, including grants, concessional loans and mixed loans.[31] For projects related to infrastructural provision, official finance has been often channelled through export-import banks and backed by natural resources: the so-called "Angola mode". There have been concerns that in some cases increased lending by Southern partners may jeopardize the debt sustainability of recipient countries, or simply free-ride on debt relief efforts of traditional partners (Reisen, 2007; Brautigam, 2008). Controversial deals have indeed occurred in the past,[32] and greater transparency is certainly necessary on both the lender and borrower sides (Kragelund, 2010; AfDB et al., 2011). Nevertheless, the above concerns seem, in general, misplaced for three reasons. First, insofar as Southern financing improves infrastructural provision and supports productive sectors, it removes binding constraints on the LDCs' economic growth, thereby contributing to overall debt sustainability. Secondly, a closer analysis of the role of China's official financial flows suggests that they have contributed to improve debt sustainability ratios in African countries, mainly by boosting exports and economic growth in borrowing countries (Reisen, 2007; Reisen and Ndoye, 2008). Thirdly, a growing number of Southern partners, led by China, the Republic of Korea and India, have actually embarked on bilateral debt relief initiatives and hence cannot be accused of free-riding on the efforts of other creditors (United Nations, 2008).

Overall, the expansion of South–South development cooperation has already changed the perception of poor countries, while its innovative modalities are starting to influence the behaviours of Northern donors, and vice versa.

Overall, the expansion of South–South development cooperation has already changed the perception of poor countries, while its innovative modalities are starting to influence the behaviours of Northern donors, and vice versa (AfDB et al., 2011). The practices of Southern development partners generally diverge from OECD norms and standards. Both are evolving, and as Brautigam (2010: 44) notes "across the board, there is much room for improvement from all the major players in the global aid and development finance regime". Examples of triangular cooperation are also gaining increasing attention, although they are not yet very numerous and are mostly focused on small-scale training and capacity-building programmes. With this evolving landscape, the strategies of the LDCs are all the more crucial in harnessing the diversity of approaches to development cooperation, leveraging the complementarities among different partners to better attain their development objectives.

D. The regional dimension and South–South relations

The prominent role of major developing countries in the LDCs' growing ties with the South should not obscure the fact that South–South relationships encompass multiple layers of partnerships, not only at the global level, but also at the regional and subregional levels. This multiplicity creates the scope for potential synergies across the whole array of international relations. Particularly in light of the asymmetries between individual LDCs and their main Southern partners, the regional dimension becomes crucial (UNCTAD, 2010a; AfDB et al., 2011).

The prominent role of major developing countries in the LDCs' growing ties with the South should not obscure the fact that South–South relationships encompass multiple layers of partnerships, not only at the global level, but also at the regional and subregional levels. This multiplicity creates the scope for potential synergies across the whole array of international relations.

Regional integration can be supportive to deeper South–South economic relations by offering greater opportunities for export diversification, despite the fact that regional markets have generally expanded at a slightly slower pace than the main Southern markets. Manufactured goods tend to play a significantly bigger role in the LDCs' exports to regional partners than in those destined to major developing countries, whose economic growth tends to be highly resource-intensive (see also UNCTAD, 2010a). In the case of Asian LDCs, the insertion into regional and subregional production networks is already proving capable of spurring the establishment of labour-intensive manufacturing firms. For example, the growth of the garment industry in countries such as Bangladesh, Cambodia and the Lao People's Democratic Republic, owes much to the participation to contract manufacturing arrangements for regional firms producing for international clients, favoured by the preferential access to developed countries' markets (Chang, 2011; UNCTAD, 2011b).[33] Interestingly, though, the regional market provides ample scope for export diversification also in the case of African LDCs, with potential benefits for several commodity-dependent economies (see box 4).

Manufactured goods tend to play a significantly bigger role in the LDCs' exports to regional partners than in those destined to major developing countries.

The regional dimension is equally important with respect to FDI and other investment flows, whether from the North or South. Owing to the limited size of LDC economies, deeper regional integration is critical to attract market-seeking as well as efficiency-seeking investors. At the same time, a greater degree of policy coordination at the regional level is necessary to acquire a critical mass for negotiations and avoid a "race to the bottom" in the competition for FDI (UNCTAD, 2010a). Regionally coordinated initiatives, in addition, are also likely to enhance the developmental impact of remittances and investment flows, insofar as they can reduce transaction costs and foster a smoother technology and knowledge transfer, leveraging on the synergies and complementarities across neighbouring countries. For example, regional initiatives could be devised in order to facilitate the establishment of joint ventures or the use of project co-financing.

A greater degree of policy coordination at the regional level is necessary to acquire a critical mass for negotiations and avoid a "race to the bottom" in the competition for FDI.

With respect to South–South cooperation and official flows, the relevance of the regional dimension appears clearly from the analysis of the engagement strategies of major emerging partners. Even though South–South development cooperation takes place predominantly on a bilateral basis, the agenda for regional integration is often explicitly supported by emerging partners, for example, at the 2006 FOCAC or the India-Africa Summit in 2008. Against this background, it is critical for poorer countries to coordinate a shared engagement strategy concerning major Southern partners at the regional level, thereby achieving a critical weight for negotiating purposes. This, in turn, could prove particularly useful in leveraging the peculiarities of South–South development cooperation to pave the way for more effective regional integration. For example, one way in which South–South development cooperation and regional integration could be mutually supporting would be to strengthen the provision of hard and soft regional infrastructures.

Box 4. Economic diversification and regional trade integration in Africa

Regional integration in Africa has traditionally received wide support from African policymakers and the international community, and the political momentum towards this goal was revamped with the establishment of the African Economic Community in 1991.[a] The share of intraregional trade, however, has so far remained far lower than in Asia or Latin America.

While the regional market is still characterized by a limited size — intra-African exports were roughly 12 per cent of Africa's exports to the rest of the world — in the last decade it displayed a robust dynamism, growing at about 16 per cent per year. Equally interesting from a developmental point of view, intra-African exports are more evenly distributed among fuels, non-fuel primary products, and food and manufactured goods, compared with the continent's exports to the rest of the world.[b]

Looking at the period 1995–2009, the growth rates of manufactures and non-manufacturing exports originating in African countries are positively correlated with one another, regardless of the destination market. Chart 20 shows, however, that the correlation is much stronger in relation to intra-African exports, than to exports towards the rest of the world (Fortunato and Valensisi, 2011). As illustrated in box 2, it would be misleading to interpret these dynamics as evidence of growing intra-industry trade within Africa. Nonetheless, box chart 4 suggests that the expansion of Africa's intraregional trade could bring significant benefits to economic diversification, and this could in turn boost per capita income and employment creation, given the importance of export composition for long-run growth (Hausmann et al., 2007).

With the aim of promoting intra-African trade, a key policy priority is to strengthen the provision and the quality of hard and soft infrastructures, which constrain import-export activities within the regional market, by raising transport and time costs (Longo and Sekkat, 2004; Geda and Kibret, 2008; UNCTAD, 2009b). Better infrastructure provision would be particularly crucial for LDCs and other landlocked countries, which are disproportionately affected by these bottlenecks.

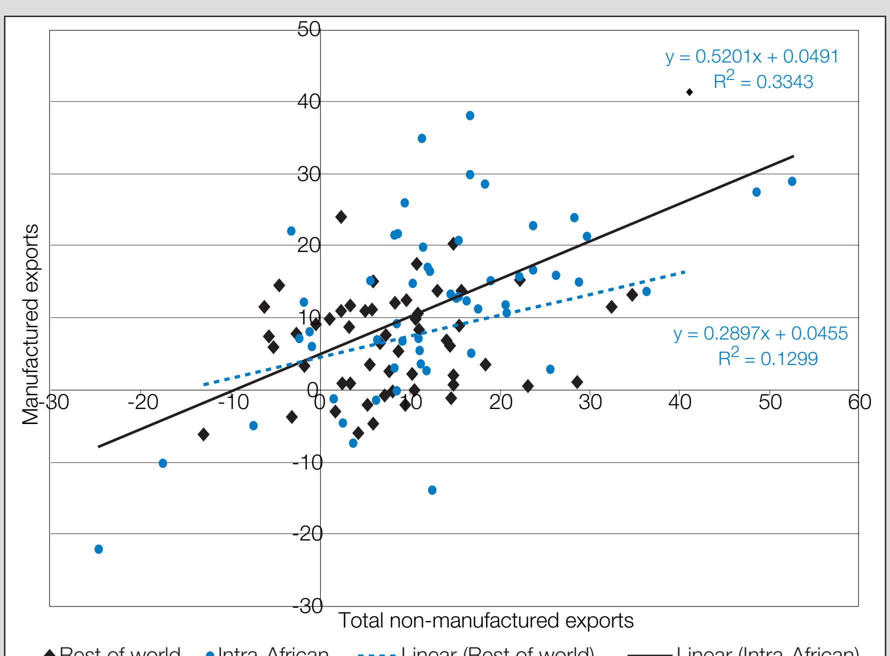
A second challenge for intra-African trade stems from the complexities caused by the overlapping membership of most countries of distinct regional economic communities (the so-called "spaghetti bowl" situation). Against this background, a rationalization of the regional integration process to simplify the trade-related legal framework could contribute to a more enabling business environment (UNCTAD, 2010a). In this respect, common preferential schemes for all African countries may be preferable to the current scenario.

Thirdly, the African market is dominated by few big regional players, but it plays a prominent role, be it as a source of imports or as a destination for exports, for a larger number of other economies. Therefore, it is crucial that regional powers take the leadership in identifying a shared strategy towards greater regional integration, instead of acting in their narrow national interests (Draper, 2010).

a The Abuja Treaty (1991) envisions the establishment of the African Economic Community as a six-step process, based on the gradual deepening of economic integration within the main regional blocs, followed by a further harmonization of trade provisions at the continental level.

b Interestingly, intraregional exports present a more diversified composition, that is, one that is relatively skewed more towards manufactured goods and food items; this holds true even without considering the South African market.

Box chart 4. Growth rates of African countries' exports by destination, 1995–2009



Source: Fortunato and Valensisi, 2011.

One lesson to be drawn from the East Asian experience is that regional integration can play a crucial role in fostering structural transformation by integrating less developed countries into regional and subregional production networks. As highlighted in a study by UNCTAD, the Commonwealth Secretariat and the Centre for WTO Studies (2010), opportunities for industrial upgrading at the regional level are indeed numerous, in spite of the fierce competition in the division of labour within global value chains (see box 5). The regional integration agenda needs, however, a renewed impetus and should be pursued in parallel with the growing integration in the South. In this respect, one of the legacies of the flying geese paradigm is that policy can and should play a significant role in shaping the terms of integration of the LDCs into global production networks. This role is all the more important nowadays, as the international context has evolved in a way that has rendered production networks increasingly hierarchical, intensifying the competition in the global division of labour (Chang, 2011). A stronger policy framework at the national and regional levels is therefore needed to prevent countries with less industrial capacity from being confined to low-end productions.

Achieving a critical weight for negotiating purposes could prove particularly useful in leveraging the peculiarities of South–South development cooperation to pave the way for more effective regional integration.

E. Conclusions

The previous analysis has shown how, in the span of a decade, economic relations with Southern partners have become an important dimension for the LDCs' development prospects, and one which is likely to become even more prominent in the future. As a result of the increased interdependence at the global level, the emergence of Southern growth poles will continue to have strong spillover effects on the LDC economies, not only through trade and investment, but through technology diffusion, migration and South–South development cooperation. Through all these channels, the ongoing recalibration of the world economy provides the LDCs with a broad array of emerging partnerships, which can be complementary to traditional North–South partnerships.

One lesson to be drawn from the East Asian experience is that regional integration can play a crucial role in fostering structural transformation by integrating less developed countries into regional and subregional production networks.

In line with the emphasis placed by the existing literature, the evidence presented here suggests that several LDCs have benefitted from the worldwide quest for natural resources, particularly on the part of large and fast-growing developing countries, whose growth and urbanization are highly resource-intensive. The resulting patterns of trade and FDI flows, to some extent reminiscent of the centre-periphery dynamic, have increased the resources available to these countries — especially where fuel and mineral exporters are concerned — broadening in many ways the policy space available for them to redress their commodity dependence. The undeniable prominence of hard commodities, though, should not obscure the fact that the rise of the South has simultaneously boosted — albeit to a lesser degree — the demand for other LDCs' exports, including manufactures. There are also signs that vibrant South–South trade is broadening the LDCs' access to low-priced consumer and intermediate goods, with unambiguous benefits for final consumers and firms using those inputs, and some potentially detrimental effects on import-competing industries.

The specificities of each country, the multiple channels through which South–South relations take place and the array of potential partners are so rich that no single narrative could possibly explain the complex dynamics of the recent development experiences.

Beyond trade, the emergence of Southern growth poles has provided many LDCs with broader access to financial resources, through workers' remittances, private and official flows and greater opportunities for technological upgrading. Partly in line with the flying geese paradigm, then, the incipient insertion of some LDCs into regional and subregional production networks may open up new opportunities of structural transformation, skills acquisition, and technological upgrading.

The deepening of economic relations between the LDCs and their Southern partners are creating a broader set of opportunities, but also pose challenges.

Box 5. The potential of regional supply chains: The case of textiles and clothing sector in South Asia

Frequently trade opportunities among developing countries, even from a same region or subregion, are hampered by the lack of information thereon on the side of firms that are the potential beneficiaries. An example in that respect has been highlighted by a joint report carried out by UNCTAD, the Commonwealth Secretariat and the Centre for WTO Studies (2010) on the potential of regional supply chains for South Asian textiles and the clothing industry.

To assess the potential of integrating into regional supply chains, the study maps out the production and export structures of the textiles and clothing industry in various South Asian countries, tracking the flow of inputs leading to export products and identifying the potential cross-border linkages at the regional level that are currently unexploited. Using disaggregated data at the six-digit level of the Harmonized System of Trade Classification, the report finds that in Bangladesh, 15 unique tariff lines were identified as final products for global exports that can be manufactured using regional supply chains alone. The comparable numbers for India are 37, for Pakistan, 29, and for Sri Lanka, 8, demonstrating that the scope for integrating into regional supply chains is wide for all countries reviewed. Again focusing on Bangladesh – the only LDC covered by the study – it was found that 19 “first-stage inputs” and 47 “primary inputs” could potentially be sourced within the region, to then lead to global exports of textiles and clothing.

However, Bangladesh’s total imports of the identified inputs comprised only around 18.3 per cent of South Asia’s corresponding exports, indicating that the region’s supply chain capacity was sufficient to meet potential demand. In addition, a comparative assessment of unit value prices of the products supplied by South Asian countries compared with other leading global suppliers also reveal that in many of the items identified, the former may actually be lower-cost suppliers.

Since 2005, Bangladesh’s imports of the identified inputs for its clothing industry have increased steadily from the region, especially from Pakistan and India. The share of the region in Bangladesh’s total imports of textiles increased from 14 per cent in 2005 to 24 per cent in 2007. India’s share in cotton imports from Bangladesh increased from 10–12 per cent in 2005–2006 to 30 per cent in 2009–2010. Imports of cotton yarn and woven fabrics from Pakistan have also been rising steadily. It can hence be argued that Bangladesh’s textiles and clothing industry appears to be integrating more and more into the region’s supply chain. The scope for integrating more closely is, however, still largely untapped, and South Asian countries could further enhance their global competitiveness through effective regional collaboration.

Source: UNCTAD-Commonwealth Secretariat-Centre for WTO Studies, 2010.

If the LDCs clearly benefit from the boost in exports, FDI and development finance, there is also a risk that their commodity dependence will be locked in by the emerging international division of labour.

As argued in this chapter, each of the above-mentioned findings and each related analytical framework capture some dimensions of the multifaceted relationships between the LDCs and their Southern partners. Yet, the specificities of each country, the multiple channels through which South–South relations take place and the array of potential partners are so rich that no single narrative could possibly explain the complex dynamics of the recent development experiences. The key question, from the standpoint of the LDCs’ development objectives, is to what extent these emerging partnerships can be leveraged to promote the development of productive capacities and the diversification of their economies. In this respect, the previous analysis shows that the deepening of economic relations between the LDCs and their Southern partners are creating a broader set of opportunities, but also pose challenges. Notably, if the LDCs clearly benefit from the boost in exports, FDI and development finance, there is also a risk that their commodity dependence will be locked in by the emerging international division of labour and the fierce competition in labour-intensive manufacturing.

For this reason, it is essential for the LDCs to forge a proactive and strategic approach to their integration with developing country partners, leveraging synergies and complementarities across them.

Ultimately, the interaction between each country’s structural conditions and the specific terms of engagement with Southern partners will determine the developmental outcome of this complex process. Overall, if distinct opportunities seem to emerge for the LDCs, the net result of the overlapping forces reviewed in this chapter will be contingent on the implementation of appropriate policies to maximize the benefits and minimize the risks. For this reason, it is essential for the LDCs to forge a proactive and strategic approach to their integration with developing country partners, leveraging synergies and complementarities across them. Where appropriate, LDC governments should also coordinate their engagement strategies at the regional level to harness the scope for fostering an inclusive pattern of structural transformation within regional markets, and to avoid a race to the bottom for FDI, trade agreements and development cooperation. These tasks in turn will require the setting up of an enabling policy framework, as spelled out in the rest of the report.

Notes

1 The main drivers of this process identified in the literature include: (a) the separability of the manufacturing process into different stages, with distinct characteristics and requirements; (b) technological changes, which have reduced communication and, to a lesser degree, transport costs between different locations; (c) large labour cost differences among countries; (d) trade policy measures, for example, outward processing regimes, and the Multi-Fibre Arrangement, which expired in 2005; (e) developing country policies to attract FDI and improve their infrastructures and skills endowment; (f) services becoming cheaper and more readily available (Arndt and Kierzkowski, 2001; Yeats, 1997; Jones et al., 2005).

2 Strictly speaking, NIEs – the Republic of Korea, Hong Kong (China), Singapore and Taiwan Province of China – are also developing countries. However, when appropriate for the purpose of the chapter they have been singled out from the South in view of the markedly different structure of their economies.

3 According to Henderson et al. (2002: 445), the concept of global production networks is defined as "the nexus of interconnected functions and operations through which goods and services are produced, distributed and consumed". Correspondingly, global production networks are characterized by three key dimensions: (a) the value created and distributed across different firms and agents (e.g. workers) according to their power, but also according to the institutional framework; (b) the power: corporate, institutional (e.g. national States, regional trade agreements, multilateral financial and trade organizations), collective (business associations, trade unions); and (c the embeddedness, intended as the degree to which global production networks are connected to a given location through business linkages (forward, backward) and policy measures (e.g. tax and education policies), but also to the solidity of the linkages between the different agents (firms and so forth) of the production networks.

4 Wolfensohn, 2007 refers to this differentiation as the "four-speed world", the fourth group being that of developed economies (refer also to OECD, 2010).

5 In its original version, the flying geese paradigm was named after "the graphic presentation of three time-series curves for a particular product, with time dimension on the horizontal axis" (Kasahara, 2004: 2). This pattern basically described the fact that the volume of import, production and export of particular products, in a late developing process, all follow an inverse-V pattern as time goes by, with the three variables peaking in sequence. In other words, at the initial stage of industrialization, a late industrializing country needs to import manufactured goods from more developed economies until local firms gradually gain the capacity to compete with imported goods, replace them in the domestic market and eventually export them.

6 For instance, Chang (2011) notes that the second-tier NIEs benefitted from a much lower degree of reverse import in their advanced regional trading partners than that enjoyed by the first generation of NIEs a decade earlier. Moreover, such a reverse import was mostly limited to labour-intensive products such as textiles, garments and low-end electronics parts.

7 The importance of such a long-term trend for commodity-dependent LDCs, especially in Africa, is further reinforced by the fact that many of them possess large untapped reserves of fuels and metals (UN-OSAA, 2010).

8 According to UNCTADstat data, in 2009, 40 LDCs were net food importers and 39 of these were net energy importers (these figures include Maldives, which graduated only after the period reviewed).

9 Consumers from the rising middle class in emerging economies tend to prefer cheap and undifferentiated products, unlike those of rich economies; hence, the emergence of Southern growth poles may favour the LDCs' integration into global value chains with lower standard intensity than those destined to Northern markets (Kaplinsky and Farooki, 2010).

10 Giovannetti and Sanfilippo (2009) provide an interesting literature review of this problématique.

11 Trade in services also deserves to be mentioned, in light of the sharp boom it underwent during the last decade, but also of the key role it plays in a number of LDC economies, small islands in particular. Lacking hard evidence on services trade by partner, however, any analysis on this topic cannot but rely on specific case studies and anecdotal evidence. Even the latter seem sufficient to claim that LDCs have been intensifying their trade in services with Southern partners. This statement is valid in particular for tourism, business and financial services, as documented by the World Bank (2010) and the World Trade Organization (WTO) (2011).

12 Note that the global crisis of 2009 reduced such "bilateral" surplus to its 2006 levels, but did not reverse the trend mentioned above.

13 China represents a notable exception to the above general trend, in that it recorded a deficit vis-à-vis the LDC group because of the large bilateral deficit with oil exporters such as Angola and Sudan.

14 While the above analysis holds true for the LDCs as a group, the heterogeneity of individual LDCs makes the story significantly more complex and blurred at the country level. Interestingly, however, the LDCs' growing net-exports to developed countries is not only ascribed to the performance of fuels – or mineral exporters – but also to large Asian countries, such as Bangladesh, Cambodia, Laos and Myanmar. Similarly, the net deficit of these countries as opposed to other Southern markets, excluding NIEs, has increased steadily except in the case of Myanmar.

15 This finding implicitly underlies the growing importance of regional integration from the point of view of the individual LDCs as a springboard to overcome the constraints imposed by their limited market size, as well as to successfully integrate with more dynamic Southern partners.

16 Excluding NIEs, the 10 main Southern export markets for the LDCs include Brazil, Chile, China, India, Malaysia, Nigeria, Saudi Arabia, South Africa, Thailand and the United Arab Emirates.

17 Excluding NIEs, the 10 main Southern import partners for the LDCs include Brazil, China, Côte d'Ivoire, India, Indonesia, Malaysia, Saudi Arabia, South Africa, Thailand and the United Arab Emirates.

18 It is interesting to note that an increasing number of developing countries, including some of the LDCs' main trading partners, have recently provided improved market access schemes for products originating from the LDCs. These countries include, among others Brazil, China, India, and Republic of Korea (UNCTAD 2010b; UN-OHRLLS 2010).

19 Note that the chart compares the share of LDC exports by more or less homogeneous product types; hence the influence of relative price movements over time is considerably reduced.

20 Angola is the best case in point, as it accounted alone for some 40 per cent of FDI inflows to all LDCs in the 2000–2009 period; similarly, Sudan received in the same period approximately 11 per cent of the LDCs' total FDI inflows. Interestingly, though, AfDB et al. 2011 notes that in the African region, FDI from emerging partners are less concentrated in oil-rich countries than that of traditional partners.

21 Concerning FDI-related environmental concerns, the interested reader is referred to Kopulande and Mulenga, 2011, which provides a brief review of the issue in the case of Zambia.

22 While the magnitude of this boom may be partly due to improved data coverage towards the end of the year, this is arguably a negligible bias. Considering only those 15 LDCs with complete data series (which account for two thirds of total Chinese FDI inflows to LDCs), the increase in FDI inflows between 2003 and 2009 has been tenfold.

23 South–South transfers of technologies are expected to play an even more prominent role in the future, in light of the increasing engagements of some large developing countries in R&D activities. OECD, 2010 notes, for instance, that China and – to a lesser extent – India feature already among the top countries for R&D spending, and number of researchers. Leveraging these opportunities could be crucial for technological upgrading and TFP growth in the LDCs, and may simultaneously have significant impacts in terms of human development, insofar as the process touches key sectors, such as agricultural R&D and pharmaceuticals technologies (UN-OSAA, 2010).

24 Docquier and Marfouk, 2006 estimate that the rate of emigration from LDCs to developed countries was more than 10 times higher among skilled workers than across the whole labour force.

25 It should be borne in mind, though, that these figures are likely underestimated, owing to the large flows of remittances transferred to LDCs through informal channels.

26 This circumstance had a part in explaining why during the global financial and economic crisis remittances inflows to LDC – particularly to the largest recipients – displayed a greater resilience than remittances to other developing countries.

27 At a worldwide level, United Nations, 2008 estimates that South-South development assistance made up between 8 and 10 percent of the total aid flows in the 2006 -- 2008 period.

28 Data for Arab countries cover Saudi Arabia and Kuwait, while so-called Arab agencies include multilateral institutions such as the Arab Bank for Economic Development in Africa, the Islamic Development Bank and the like. Data for Thailand are provided only from 2006 onwards.

29 Other examples of official platforms for South–South development cooperation include the Republic of Korea-Africa Forum (established in 2006), the Turkey-Africa

Cooperation Summit (2008), as well as interregional ones such as the Africa-South-America Strategic Partnership (2006), the New Asian-African Strategic Partnership (2005) or the Afro-Arab Cooperation Forum (1977). In some cases, development funds have also been established as spin-offs of the above South–South initiatives, as for instance, the China-Africa Development Fund (CADF), with an expected capital of $5 billion, or the IBSA Trust Funds.

30 Non-traditional donors typically channel their funds directly to the contracted Southern firms, thereby strengthening the incentive for the successful and timely completion of turnkey projects and reducing the risk of misappropriation. While this modality usually allows for a period of loss financing and may even include some kind of maintenance, it is mostly tied to the utilization of donor country firms, especially when funds are granted through export and import banks.

31 Mixed loans are intended as financing packages that combine concessional and market rate loans.

32 One such example is the Sicomines deal between China and the Democratic Republic of the Congo. After negotiations, the initial terms of this resource-backed loan for infrastructure were re-structured to make them acceptable under the joint International Monetary Fund (IMF)-World Bank debt sustainability framework (see Davies, 2010 and Brautigam, 2010).

33 In the case of Cambodia, 95 per cent of exports in the garment industry are by foreign firms, mostly Southern transnational corporations from China, Hong Kong (China), Indonesia, Malaysia, the Republic of Korea, Singapore and Taiwan Province of China. These companies employed around 300,000 people in 2009, accounting for nearly 50 per cent of Cambodia's manufacturing employment (UNCTAD, 2011b).

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CHAPTER 3

ACTIVATING THE DEVELOPMENTAL STATE IN LDCS: THE ROLE OF SOUTH–SOUTH COOPERATION

A. Introduction

The objective of this chapter is to examine how least developed countries (LDCs) and their Southern partners can enhance the development impact, and realize the development opportunities, of South-South cooperation. The chapter argues that the most effective way for LDCs to do this is to build a catalytic developmental State (CDS) tailored to LDC circumstances. Building a developmental State in LDCs is not a simple matter, as discussed in the *Least Developed Countries Report 2009*. However, this chapter argues that South–South cooperation has features which make it more likely to support and encourage such State–building than the traditional forms of development cooperation currently do. It is thus possible to create a positive interaction between building developmental States in LDCs and South–South cooperation. New modalities and structures are required to strengthen the interdependence between the two phenomena in the post-crisis environment. In this regard, developmental regionalism is particularly important, as well as mechanisms to address the financial resource challenges of effective developmental States.

The most effective way for LDCs to do this is to realize the developement opportunities is to build a catalytic developmental State (CDS) tailored to LDC circumstances.

The chapter is organized in four sections. Section B introduces the notion of the catalytic developmental State. In earlier *Least Developed Countries Reports,* we have examined the issue of development governance and argued that it is necessary to adapt the governance practices of the developmental State to an LDC context and the twenty-first century. In this *Report*, we argue further that the best way to tailor the notion of the developmental State to LDC circumstances is to build a CDS which addresses the specific developmental challenges of LDCs. Section C examines how the CDS can benefit from South–South cooperation, and how it can, in turn, make the most out of South–South cooperation. Section D presents some preliminary evidence on the effects of South–South integration on the changes in the level of productive capacities in the LDCs. Section E focuses on how developmental regionalism can support both the developmental State and South–South cooperation.

The concluding section summarizes the main argument, while the next chapter takes up the issue of financing the developmental State, examining in more detail how LDCs and Southern partners might address this issue within the framework of a developmental State, using developmental regionalism and enhancing the solidarity mechanisms of South–South cooperation.

New modalities and structures are required to strengthen the interdependence between the CDS and South–South cooperation in the post-crisis environment, particularly developmental regionalism.

B. The catalytic developmental State

Since 2000, most LDCs have prepared and implemented Poverty Reduction Strategy Papers (PRSPs) as a policy framework for ensuring and attracting official development assistance (ODA) and promoting development. The PRSPs have evolved over time (see *Least Developed Countries Report 2008, 2009)*. However, in general, their implicit development strategy has been close integration with the global economy through removing trade barriers, both at and behind the border, the liberalization and deregulation of domestic financial markets, and increased aid-financed social expenditure to achieve the Millennium Development Goals (MDGs). As shown in chapter 1 of this *Report*, the overall outcome of these policies was accelerated gross domestic product (GDP) growth in LDCs but little structural transformation. Poverty rates have been falling but only slowly, as insufficient productive and decent employment opportunities have been created for the rapidly growing population. As a result, the number of extremely poor people in LDCs increased during the economic boom years of 2002–2007.

The global financial crisis and subsequent global recession further exposed the weaknesses of this development model. It revealed in particular the risks and vulnerabilities of integration with the global economy dominated by finance, through the process of so-called financialization of the real economy. Most LDCs experienced a sharp slowdown in 2009, with GDP per capita declining in 19 LDCs. Although growth has subsequently recovered, it is clear that new development paths are now required for sustainable and more inclusive growth which meets the immense challenge of productively employing the millions of young people who are now entering the labour force in LDCs.

The opportunity for rapid poverty reduction in LDCs through the development of productive capacities and associated expansion of productive employment is real and significant.

This *Report* is based on the view that the opportunity for rapid poverty reduction in LDCs through the development of productive capacities and associated expansion of productive employment is real and significant. It can emerge from (a) mobilizing underutilized resources, as well as the addition of new capacity through investment in agricultural productivity, plant and equipment; (b) the diffusion of available technologies; (c) public spending on infrastructure, skills and capabilities; and (d) the creation of new products and markets. There is no unique way to combine these elements into a single correct strategy for inclusive growth. However, if history is any guide, a cohesive, strong, catalytic and effective State responsive to the needs of its constituents is one of the prerequisites for defining the content of a long-term development strategy suitable to discovering what works in a particular context of individual countries.

There is no unique way to combine these elements into a single correct strategy for inclusive growth. A cohesive, strong, catalytic and effective State responsive to the needs of its constituents is one of the prerequisites for defining the content of a long-term development strategy.

The modalities, role and reach of the State in national economic management have tended to fluctuate over time. However, in all dynamic developing economies and in all countries now classified as developed market economies, the government has played an influential role in promoting and supporting economic development. In this context, the coordinating function of the developmental State is stressed, as well as its role in formulating a development vision and creating the policy space required to combine and integrate policy measures in support of structural transformation.

The *Report* defines the developmental State as a set of institutions, tools, capacities and capabilities committed to national development with a capacity to implement its articulated economic and social strategies. But within this broad definition, it is possible to identify a number of different visions of the developmental State (see Fine, 2011 and box 1).

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This *Report* argues that, due to the specific vulnerabilities and structural constraints of LDCs and their initial conditions, none of the approaches to the developmental State described in box 1 fully reflects the special challenges facing the LDCs and the roles and functions a developmental State should have at its disposal to meet these challenges. It proposes a model of the developmental State — the catalytic developmental State (CDS) — which is especially tailored for LDCs.

1. The catalytic developmental State for LDCs

The CDS traces its intellectual origins in part, to the Structuralist school and in part to the East Asian developmental State (see box 6). It focuses on creating new productive capacities rather than “re-allocating” given resources and putting given productive capacities to more efficient use. In other words, its focus is on creating dynamic comparative advantage, and ensuring financial resources for long-term investment and for evolution of new productive capacities (Hirschman, 1958; *Least Developed Countries Report, 2009*).

It proposes a model of the developmental State — the catalytic developmental State (CDS) — which is especially tailored for LDCs.

Each CDS will need to choose the trajectory of development suited for its own economy, ranging from the traditional path toward “modernity” through Rostow’s

Box 6.The nature of the developmental State

The developmental State literature can be usefully divided into three separate schools: (a) The East Asian model; (b) the Institutionalist model (developmental State); and (c) the Structuralist model.

The East Asian model of the developmental State, in its heyday, is most associated with accelerated industrialization experiences, particularly of Republic of Korea and Taiwan Province of China, to identify the critical constraints on late industrialization and design policies to overcome them (Akyuz, 1999). This approach looks at appropriate regulatory policy framework, incentive structure, fiscal policy regime, and particularly active industrial policies, in order to galvanize the development process. It is based on the idea that markets do not work perfectly, in the presence of given economies of scale and scope, investment complementarities within and across sectors, and various positive and negative externalities, of such an approach.

The Institutionalist developmental State finds its disciplinary origins mainly from within political science, and in part, from a strand of New Institutional Economics. It is often remarkably aloof from consideration of the economy itself and the nature of the policies required to bring about development. Rather, it is concerned with the nature of the State apparatus itself and whether it has the potential, in general, and the independence, in particular, to adopt the necessary policies more or less irrespective of what these might be. Here, emphasis is placed upon the necessity for the developmental State to be free of capture by particular (or class-defined) interests, and so to be able to adopt developmental policies concerning national interest at large. Posing this in terms of the independence of the State from economic or other interests has itself presumed an analytical approach in which society is structured along the lines of the State as opposed to the market, with the addition of civil society to fill out the remaining economic, political and ideological space. In this way, not only is the (developmental) State seen as potentially "autonomous" from the economy and from the dominant landed, commercial, or industrial classes, but it is also perceived to evolve interests of its own that may prevail over those of the market and the ruling classes civil society, especially where these conflict with developmentalism-oriented policies. This approach of the Institutionalist school is admirably captured in the notion of Evans, Rueschemeyer and Skocpol (1985) as an agent of development in its own right.

Across both the East Asian and the Institutionalist approaches, there is a predilection to set up an opposition between State and market. For the East Asian model, the State overrules the market in the area of industrial development and so is able to improve upon it. For the Institutional school, the State needs to stand detached of the market, and the economic interests found within it to forge a broader national interest.

The Structuralist model, a third approach to the developmental State, is premised on the idea that the economy is inflexible and economic change is constrained by obstacles, bottlenecks and other rigidities. For instance, factors of production tend to be immobile and consequently, economic actors may not respond to price changes in the "right" way. Hence, the market alone cannot solve development problems. While there are differences in the perception of Structuralist writers, most of them focused on the role of bottlenecks, external economies, and complementarities between sectoral investments in particular. Albert Hirschman (1958: 5), for example, believed that "development depended not so much on finding optimal combinations of resources and factors of production as on calling forth and enlisting for development purposes, resources and abilities that are hidden, scattered or badly utilized". The Structuralist approach addressed the long-term determinants of economic growth, highlighting the importance of increasing productivity and reducing supply constraints.

The Economic Commission for Latin America and the Caribbean's (ECLAC's) theory of underdevelopment, articulated by Latin American economists in the 1950s and 1960s, shares some features with other Structuralist analyses. It includes a historical analysis of capitalist development through the relations between the developed Centre and the backward Periphery that are structurally different. The Centre is homogeneous and diversified, whereas the Periphery is heterogeneous and specialized in terms of technical knowledge. From this perspective, the choice of the countries at the periphery of the world economy is between a passive, market-driven, static-comparative-advantage type of integration into the world economy and an active, selective and strategic integration that attempts to create dynamic competitive advantage. The latter implies a much stronger role for the State. Thus, the developmental State has to actively generate resources and fill various gaps in order to change the structural conditions in the economy. The process of economic change through industrialization demanded an active role for the State, although there was little analytical research on the nature of the State itself.

In spite of its insights, the Structuralist approach was criticized because of its concentration on the promotion of the industrial sector that resulted in an insufficient analysis of the informal sector and the development of agriculture. In addition, the developmental State in the Structuralist approach was a category without a solid theory of State intervention. On the one hand, there was little consideration of the weak administrative apparatus of developing countries. On the other hand, it neglected a deeper consideration of the nature of the State that should include particular interests of civil servants and politicians.

well-established stages of development, including, industrialization via textile and garments and other labour-intensive commodities, toward technological leapfrogging into services or skill-intensive capital goods. The CDSs must identify and promote the type of industrialization which is best suited for the particular LDC. This type of search makes up a key component of the new functions of the CDS, and requires policy space. Rather than taking industrialization as a given trajectory for all LDCs, the CDS "searches" (tries, experiments pragmatically) for the optimal path of development in its own economy, including choosing the optimal form of productive and development trajectories.

The CDS' focus is on creating dynamic comparative advantage, and ensuring financial resources for long-term investment and evolution of new productive capacities.

The CDS approach is more holistic and integrated, encompassing both economic and social development, and needs to ensure that such development is served by finance rather than the other way around. Both the internal and external conditions that existed in East Asia in the 1950s and 1960s no longer exist. The internal conditions which characterized East Asian States simply do not exist in most LDCs today, for example, (a) close alliances between State and the private sector; (b) general consensus or a "development contract" to implement public policies; (c) expansionary macroeconomic conditions; (d) lower degree of openness and integration with the global economy; (e) high level of education of the population; (f) the attitudes of the elite toward national development; (g) the absence of the national development project; (h) the institutional development of the State itself; and (i) other factors. The absence of all these factors accounts for the difficulties in applying the East Asian model to LDCs today.

At early stages of development, the initiatives of the CDS will not rely solely on market forces to generate the desired structural change and economic transformation. In order to accelerate growth, the CDS will need to carry out significant shifting and reallocating of national and possibly international assets and resources to the growth-enhancing sectors. For this purpose, the catalytic developmental State in LDCs, should engage in a more strategic type of integration into the global economy that would enable these countries to integrate in a manner which is in their interest to do so, rather than pursuing rapid trade liberalization based on current and given comparative advantage. The CDS should assist LDCs in achieving an optimal degree of economic openness according to their own needs and circumstances as well as the form of their integration into the global economy (Cripps, Izurieta and Singh, 2011).

In order to accelerate growth, the CDS will need to carry out significant shifting and reallocating of national and possibly international assets and resources to the growth-enhancing sectors. The State in LDCs should engage in a more strategic type of integration into the global economy.

Rather than arguing that LDCs should integrate with the world economy and produce according to their static comparative advantage, (see Lin and Zhang, 2009), the analytical foundation behind the CDS is associated with the classical economic perspective, which claims that productive structure is not endogenous to the countries' endowment structure (in terms of its relative abundance of labour, skills capital or natural resources), but that comparative advantage is very much influenced and co-determined by interactions between internal and external environment in which it is operating.

While the mainstream model of the State is underpinned by the paradigm of free trade and free capital movements as being the optimal strategy for the world economy, the analytical underpinnings of the CDS define their own optimal degree of openness, implying that structural changes arise from shifts in the world economy, over which most developing countries have little if any influence. The optimal degree of openness is not defined by the free trade regime but through emphasis on acquisition of dynamic comparative advantage that can be attained through deliberate and strategic upgrading of products and processes and as well as its ability to generate productive employment. This is an alternative approach to development that is consistent with the paradigm of classical economics, including not only Ricardo, but also Alfred Marshall (Marshall, 1926: 386).

The CDS model is thus underpinned by the theory of openness within a managed trade policy that may enable a country to concentrate its relatively scarce resources in areas of production where world demand is highly income- and price-elastic; additionally from this analytical perspective, it needs to promote the diffusion of knowledge of the kind of learning needed for continuous upgrading of the quality of all of the local factors of production. Essentially, trade needs to be managed in order to gain all of the above-mentioned benefits, especially in the context of low-income economies which are overly specialized on natural resources.

The CDS model is underpinned by the theory of openness within a managed trade policy that may enable a country to concentrate its relatively scarce resources in areas of production where world demand is highly income- and price-elastic.

2. The importance of development governance

The success of the CDS will depend on good development governance (*Least Developed Countries Report 2009*) or in particular, the existence of what Mushtaq Khan calls growth-enhancing governance capacities, namely the capacity to achieve and sustain high rates of investment and to implement policies that encourage the acquisition and learning of new technologies. In all cases, the allocation of public investment is the primary function of the CDS, along with setting up of a pro-investment regulatory framework that would enable rapid catch-up growth that could accelerate economic development along the lines discussed in previous *Least Developed Countries Reports*. Moreover, the State needs legitimacy and to be a truly representative State, which will largely depend on the State's legitimacy to ensure a consensus for the development drive. This is a question of political will that involves what the *Report* calls "development contracts" or a social consensus in support of the development drive. A further important governance capacity is the ability to absorb external shocks.

The success of the CDS will depend on the existence of growth-enhancing governance capacities, namely the capacity to achieve and sustain high rates of investment and to implement policies that encourage the acquisition and learning of new technologies. In all cases, the allocation of public investment is a key function of the CDS, along with setting up of a pro-investment regulatory framework that would enable rapid catch-up growth.

The precise nature of the relationship between growth strategies and governance capabilities varies widely amongst countries and national conditions, including the composition and the nature of the State itself. While certain conditions may work very well in some countries, they may not work well in others; for example, India did reasonably well with liberalization by using some of the capacities developed during the previous growth strategies, while some countries in Latin America did rather less well, in terms of growth, following liberalization, and allowed markets to guide resource allocation to areas of current comparative advantage (Khan, 2009). This aspect requires further research in the LDC context. But in general, to accelerate catch-up growth, it is necessary that the CDS possesses appropriate governance capabilities, both to create additional incentives and rents for investment and acquire mastery over advanced technologies but also to ensure that the non-performers, in the targeted sectors, are prevented from retaining implicit rents.

To accelerate catch-up growth, it is necessary that the CDS possesses appropriate governance capabilities, both to create additional incentives and rents for investment and acquire mastery over advanced technologies.

C. The catalytic developmental State and South–South cooperation

The basic argument of this chapter is that the benefits of South–South cooperation will be greatest when a dynamic dialectical relationship is established in which policies carried out by CDSs in LDCs and South–South cooperation reinforce each other in a continual process of change and development. In such a dynamic relationship, South–South cooperation supports both the building of the CDS in LDCs and the successful achievement of its objectives. The CDS in LDCs in turn enhances and shapes the benefits of South–South cooperation.

This section considers firstly how such positive synergies can be created, and secondly the mutual advantages between the LDCs and their Southern partners which can motivate their activation.

1. Positive synergies

Action is required by both the LDCs and by their Southern cooperation partners to create positive synergies between the CDS and South–South cooperation.

The benefits of South–South cooperation will be greatest when a dynamic two-way relationship is established in which policies carried out by CDSs in LDCs and South–South cooperation reinforce each other in a continual process of change and development.

(a) What LDCs can do

For LDCs, domestic ownership and leadership of policies is a sine qua non for enhancing the development benefits of any kind of development cooperation, whether North–South or South–South. Mainstreaming South–South cooperation, both interregional and intraregional, into the national development strategies of LDCs is thus a necessary condition to ensure that South–South cooperation promotes rather than hinders the achievement of the development goals of the LDCs. For the CDS, as argued above, the question of strategic integration into the global economy is a critical issue. Thus, from the policy perspective, the issue would be whether South–South cooperation enables a different kind of integration into the global economy, which is more developmentally effective. Mainstreaming South–South cooperation into national development strategies would thus involve strategically shaping the integration into the global economy in a way which supported national development goals through South–South cooperation.

From the policy perspective, the issue would be whether South–South cooperation enables a pattern of integration that is more developmentally effective.

It is clear that, with current policies, globalization has not fostered the desirable kind of structural change in LDCs that could pull labour from less to more productive activities. A CDS in LDCs would seek to use South–South cooperation to re-shape its integration into the global economy in ways which would enable the structural transformations necessary for creating decent and productive employment opportunities and achieving substantial poverty reduction.

Two central objectives of the CDS in LDCs should be to promote learning and enhance resilience. Openness works positively only if the phenomenon of learning is suitably institutionalized on the policy side, involving appropriate government interventions that would make the domestic economy more responsive to change. In general, managed South–South cooperation has the potential to facilitate openness and learning in a far more rational and efficient way than the unmanaged global market is doing and the CDS in LDCs should seek to capitalize on this.

Two central objectives of the CDS in LDCs should be to promote learning and enhance resilience.

Intensifying South–South integration is also likely to be a valuable strategy for the CDS because the diversification of markets and investment sources enables greater resilience. The differential responses of LDCs in the global recession of 2009 clearly demonstrated how strategic Southern integration can affect volatility. Those LDCs which were relying more on regional markets were buffered somewhat from the sharp downturn in Northern markets.

Mainstreaming South–South cooperation into national development strategies of CDSs will have both regional and interregional dimensions. However, the CDS will, in particular, seek to integrate a regional dimension into national policymaking. This issue will be taken up in more detail in section E of this chapter, which addresses developmental regionalism. However, it can be noted that there are a number of benefits which LDCs can gain from regional cooperation. First, most LDCs lack a sufficiently large and diverse home market (that could allow diversification of the industrial structure), and thus regional markets provide an important economic space within which learning over time can take place. Second, there are major opportunities for the achievement of economies of scale through the provision of various kinds of regional public goods which would benefit LDCs and other developing countries within regional groupings. Such regional public goods include various kinds of physical infrastructure supporting transport, communications and energy, as well as regional science and technology infrastructure, and regional innovation systems.

South–South relationships should not be treated as a substitute, but a complement to traditional North–South relationships.

In addition, with regard to the agricultural constraints to development in LDCs, reflected in their inability to generate surplus and to guarantee food security for all, joint adaptive research with neighbouring countries, regional storage facilities and coordinated investment programmes at the regional level can all make a difference. Finally, financial deepening can also have a strong regional dimension, as will be discussed in the last chapter.

Although intensified South–South economic relationships are likely to become a central element of the approach of the CDS in shaping its strategic integration into the global economy, this should not be treated as a simple substitute for traditional North–South relationships. The latter remain very important for most LDCs. Thus the challenge for LDCs is to maximize the developmental benefits of both North–South and South–South cooperation and to articulate them in a positive way. This is a challenging task, particularly given the different modalities of cooperation. However, the new alternative opportunities associated with South–South cooperation should enable greater policy space for LDC governments.

The challenge for LDCs is to maximize the developmental benefits of both North–South and South–South cooperation and to articulate them in a positive way.

To use this policy space effectively, it is important that LDCs develop institutions which allow them to integrate different forms of cooperation at the national level. As discussed in earlier *Least Developed Countries Reports*, one possible tool is the establishment of an aid management policy, which includes both an information system for tracking both North–South ODA flows and South–South official financial flows, as well as regular national forums in which LDC governments discuss with their cooperation partners the development effectiveness of their support.

To use the policy space effectively, it is important that LDCs develop institutions which allow them to integrate different forms of cooperation at the national level.

(b) What Southern partners can do

While LDCs themselves must exercise leadership to make the most out of South–South cooperation, it is clear that South–South cooperation has certain features which can particularly support the building of developmental State capacities in LDCs and also help to overcome the constraints facing CDSs. Southern cooperation partners can best support the LDCs if their cooperation efforts accentuate these features.

Two features are particularly important. Firstly, given the development experience of major development partners in the South, South–South cooperation is more likely to support and encourage developmental State–building than traditional forms of development cooperation. Secondly, building productive capacities has been much more integral to South–South cooperation than traditional development assistance. Thus, South–South cooperation can not only support developmental State–building, but also support the objectives of developmentally effective States.

LDCs themselves must exercise leadership to make the most out of South–South cooperation.

(i) Developmental State-building

Building a developmental State in LDCs is not an easy task. It is constrained, in part, by the damaging institutional legacy of neoliberal adjustment policies that have seriously weakened State capacity and left it vulnerable to capture by narrow interest groups (Mkandawire, 2001); and in part, by the failure of their own elites to support a strong State able to endogenize virtuous and inclusive circles of growth. The resulting failure to effectively mobilize domestic resources has restricted the capacity of LDCs, and left them too heavily dependent on resources from abroad which often come with policy conditions and have led at best to the persistence of resource gaps and at worst a vicious cycle of economic stagnation and institutional decay.

This problem has been exacerbated by an anti-State rhetoric that has often come with development cooperation, whether attached to financial assistance from multilateral or bilateral sources or the conditions that come with trade agreements of one kind or another. This rhetoric employs a language that implies the State is somehow external or foreign to the market economy and that it "intervenes" or "meddles" in matters that should be none of its business. This ignores the fact that the State has always been an important actor in the market economy and indeed an integral part of it. Historically, the State has always been an instigator of innovation in successful economies: it was institutional development by the State that laid the basis for the "efficient set of markets that make possible the growth of exchange and commerce" (North, 1990:130). Ignoring this obscures the real problem for developing countries, which is not so much to roll back the State as far as possible but to transform it in to an effective developmental institution.

South–South cooperation can play an important role in supporting LDCs to build developmental State capabilities. This can happen through three main channels: (a) supporting capacity–building efforts; (b) sharing policy lessons; and (c) providing alternative sources of finance.

In the *Least Developed Countries Report 2009*, it was argued that building developmental State capabilities in LDCs would take time but "(they)… can build incrementally through policy learning and institutional experimentation, focusing initially on extending the experience of islands of excellence within administration and executive agencies and aiming to build governance capabilities required to relax binding constraints on the development of productive capacities" (*Least Developed Countries Report 2009*: 50–51). It was also argued that policy space is necessary to allow policy pluralism and experimentation.

Against this background, South–South cooperation can play an important role in supporting LDCs to build developmental State capabilities. This can happen through three main channels: (a) supporting capacity–building efforts; (b) sharing policy lessons; and (c) providing alternative sources of finance.

The great potential for knowledge-sharing which supports policy learning and institutional experimentation in LDCs is rooted in the fact that all developing countries face similar challenges.

The great potential for knowledge-sharing which supports policy learning and institutional experimentation in LDCs is rooted in the fact that all developing countries face similar challenges. Thus, even the larger Southern economies face problems with respect to poverty levels, technological gaps and non-level playing fields, similar to those which LDCs face, though to a much less severe degree. On top of this, successful developing economies continue to formulate and implement developmental policies and to build developmental institutional arrangements.

Even the larger Southern economies face problems with respect to poverty levels and technological gaps.

More advanced developing economies have different kinds of relevant experience. First, they have successfully employed a mix of policies and institutions to expand their productive capacities and promote wider and deeper linkages between the export sector and the rest of the economy, which redefined their development paths, industrial strategies and trade priorities. Thus, for example, developing countries such as China, India, Brazil and the Republic of Korea, among others, have gained useful experience by employing the purchasing power of the State to promote the creation of small and medium-sized enterprises and local suppliers. Second, they have introduced poverty reduction schemes which integrate poverty reduction with productive transformation. In this regard, it is worth mentioning Brazil's Bolsa Familia and India's rural employment guarantee scheme, as well as the role of China's Spark Initiative in generating rural non-farm employment within town and village enterprises in the 1980s.

In short, policy–learning based on experiences from the more advanced developing countries may help LDCs to create new instruments and institutions to develop their productive capacities in a way which promotes structural transformation, employment generation and poverty reduction.

Policy learning can be encouraged in various ways including (a) the organization of seminars and round tables; (b) sponsoring internships and visits of LDC officials in key development planning institutions and ministries; and (c) enabling academic exchange on development policies and strategies between research institutions and universities of LDCs and Southern partners. However, it should be noted that this requires resources and commitment. In 2000, as part of its preparations for the Third United Nations Conference on LDCs, UNCTAD, together with the International Labour Organization, undertook a study of desirability and feasibility of adopting the Brazilian Bolsa Escola scheme in African LDCs, recommending its relevance (ILO and UNCTAD, 2001). However, this idea, which was ahead of its time in terms of the South–South diffusion of the Brazilian policy innovation, subsequently was not transferred to LDCs, owing to under-resourcing. In general, technical capacity-building should be pursued as well as South–South policy dialogues to draw policy lessons from experience.

Policy–learning based on experiences from the more advanced developing countries may help LDCs to create new instruments and institutions to develop their productive capacities in a way which promotes structural transformation, employment generation and poverty reduction.

The provision of alternative sources of finance is another major channel through which South–South cooperation can support the building of the CDS in LDCs. Financing public investment, particularly in social sectors and for physical and technological infrastructure, is a critical function of the developmental State. At present, the effectiveness of the State in LDCs is handicapped by a scarcity of public resources.

Some figures can illustrate the scale of the challenge of financing governance in LDCs by examining national accounts statistics. They show that the average GDP per capita per day in LDCs in 2009 was $1.59 and that household consumption per capita per day was $1.14. What this means is that, on average, the LDCs had 45 cents per person per day as domestic resources available for financing both public and private investment, and also for running the government, including paying the wages and salaries of all government workers and also purchasing the goods and services required to operate the economy smoothly. These numbers are in market prices and at current exchange rates, and obviously there are purchasing power differences which allow money to go further. But there is only 45 cents per person per day for all investment needs, as well as running the police, judicial system and administration at local and national levels.

The provision of alternative sources of finance is another major channel through which South–South cooperation can support the building of the CDS in LDCs. The effectiveness of the State in LDCs is handicapped by a scarcity of public resources.

In practice, the national accounts show that government final consumption expenditure (i.e. expenditures on wages and salaries of government workers and purchases of goods and services) in the LDCs in 2009 was actually 20 cents per person per day in LDCs, compared with $20 per person per day in developed countries. The developed countries spent a higher percentage of their GDP (19 per cent) on governance than the LDCs (12 per cent). But even if the LDCs increased the share of GDP spent on governance to the developed country level, this would only mean that they would be able to spend 30 cent per person per day. What kind of developmentally effective governance can this amount buy?

As a result of this situation, LDCs are highly dependent on traditional donors. But as discussed in the *Least Developed Countries Report 2009*, this is not at present working to create developmentally effective States in LDCs. It is, rather, focused on a specific good governance agenda which limits the developmental role of the State.

One ironic aspect of this is that ODA which is rhetorically justified as supporting a private sector approach to development has been more related to donor demands than to the interests of the local business class. Mkandawire (2001: 309) has suggested that one of the main constraints of the practice of structural adjustment policies has been the failure to develop the private sector. As he puts it:

"Wanton liberalization of markets without careful consultation with business classes, privatization that provides no special privilege to local capitalists, cessation of directed credit or 'development finance', high interest rates, all these underscore the distancing of the State from local capitalist interests and the preeminent position of international financial institutions' interests and perceptions in policymaking."

More recently, the PRSP process has continued this marginalization of the business perspective in policy formulation and implementation. The shift from aid to support production sectors towards aid to support social sectors, noted in earlier *Least Developed Countries Report*s, is an aspect of this marginalization.

Finance from other developing countries can directly enable policy initiatives in LDCs which do not correspond with the preferences of traditional donors.

It is possible that the understanding by traditional donors of what it means to have a developmentally effective State in an LDC context is now shifting somewhat after the global financial crisis. However, South–South cooperation can also loosen the key financial resource constraints which limit developmental State action, and also enhance LDCs' room for maneuver.

Finance from other developing countries can directly enable policy initiatives in LDCs which do not correspond with the preferences of traditional donors. Moreover, new demand for natural resources from Southern partners can help to boost natural resource rents in LDCs which can also support domestic resource mobilization. Helping to lift the financial resource constraint of LDC governments, either directly or through indirect effects on domestic resource mobilization, can be as important a form of South–South cooperation as helping to lift the technical capacity constraint through support for policy learning.

An distinct feature of official finance from Southern partners is that, though it is often commercially tied, it does not come with policy conditionalities. This is critically important in opening policy space and the possibilities for policy initiatives and experimentation in LDCs, which are the basis for developing domestic ownership of policies and institutional learning.

Finally, in this context, it must be stressed that an important feature of official finance from Southern partners is that, though it is often commercially tied, it does not come with policy conditionalities. This is critically important in opening policy space and the possibilities for policy initiatives and experimentation in LDCs, which are the basis for developing domestic ownership of policies and institutional learning.

(ii) Building productive capacities

A second important basis for positive synergies between CDSs in LDCs and South–South cooperation arises because South–South cooperation is often oriented to building productive capacities and at the same time the development of productive capacities is one of the primary objectives of the CDS. As a result, South–South cooperation can not only support the building of catalytically effective States in LDCs, but also the achievement of the objectives of such States.

There are three main channels through which South–South cooperation potentially supports the development of productive capacities in LDCs: (a) through official financial flows for production and economic infrastructure; (b) through technology transfer and support for technological learning at the enterprise level in LDCs; and (c) through the provision of preferential market access in a manner which permits, or even promotes, learning. Currently, the first is most important while the second is developing.

Although official financial flows from Southern partners to LDCs covers a wide range of activities, they tend to focus more on infrastructure and productive sectors compared with traditional donors who increasingly target the social sectors. The situation is particularly striking in Africa, where China, India and Arab countries are all active in the provision of infrastructure finance to African LDCs (see *Least Developed Countries Report 2010*).

There are three main channels through which South–South cooperation potentially supports the development of productive capacities in LDCs: (a) through official financial flows for production and economic infrastructure; (b) through technology transfer and support for technological learning at the enterprise level in LDCs; and (c) through the provision of preferential market access in a manner which permits, or even promotes, learning.

South–South technology transfer is also an important channel for developing productive capacities in LDCs. Technologies available in Southern countries are often more suitable to the needs and requirements of LDCs, at similar level of development, thereby confirming the scope for technology transfer. Moreover, the necessary human capital requirements for utilizing and adopting the new technologies, originating in the South, may be more absorbable, cost-effective, and generally more available in other developing countries than in the North. Joint adaptive research and development, especially in agriculture holds much promise for South-South cooperation.

A good example is the way that Brazil has been providing technical assistance to the Cotton-4 countries — Benin, Burkina Faso, Chad and Mali — through its agency EMRAPA. The main objective of this project is to increase productivity as well as production in the cotton sectors of the recipient countries through the transfer of Brazilian technology. Similarly, China has helped Benin to build a ginnery with capacities to process cotton from Benin and other Cotton-4 countries, thereby helping these countries to move up the cotton value chain.

Another good example of a Southern initiatives to promote technology transfer is Turkey's initiative, announced during the Fourth United Nations Conference on the Least Developed Countries (LDC–IV), to host an International Science, Technology and Innovation Centre dedicated to LDCs, which will also serve as a "technology bank" to help LDCs access and utilize critical technologies. Its aim will be to foster the adoption of technologies and create a culture of innovation, as well as to advance technology transfer programmes to LDCs.

While the focus of South–South cooperation on productive sectors, physical infrastructure and technological transfers and acquisition are current features of South–South cooperation, the provision of enhanced market access for LDCs in a way which encourages learning by LDC enterprises is nascent. However, it could become more important as a channel through which South–South cooperation could support the objectives of the CDS through developing productive capacities.

Joint adaptive R&D, especially in agriculture holds much promise for South-South cooperation.

This is in contrast to past experience, which shows that some forms of market access which are tied to input provision from the final market encourage a maquiladora type of integration in which technological upgrading is limited. The classic example is found in the Caribbean Basin (see Mortimer, 1999). Limited product coverage in preferential market access schemes can also stymie diversification and upgrading.

Another way in which Southern partners have been enabling learning in LDCs is through specially designed regional and bilateral free trade agreements in a way which provides LDCs with breathing space — extra time to liberalize — so that they have the time to help their domestic enterprises develop necessary capabilities to compete. In recent years, various Southern countries have started preferential trade schemes for LDCs in the form of duty-free, quota-free market access provisions. A critical issue is whether these schemes will provide a training ground for LDC enterprises to upgrade production. As will be discussed below, this is not likely to be automatic. Thus, designing these schemes in such a way that can realize the nascent potential of South–South trade to support learning and upgrading is important.

2. Towards mutual advantage between LDCs and Southern partners

While a dynamic two-way relationship can be established between CDSs in LDCs and South–South cooperation, it is clear that, for this to occur in practice, the relationship between LDCs and their Southern partners should not only be valuable to the former but also lead to mutual advantage.

Relationship between LDCs and their Southern partners should not only be valuable to the former but also lead to mutual advantage.

In this regard, the fundamental principles of solidarity and mutual respect which underpin South–South cooperation are important. Given their shared histories of colonialism and neo-colonialism, similar initial conditions and familiar economic and political constraints, there are strong reasons to believe that South–South cooperation and integration can avoid reproducing the asymmetries and biases that have overshadowed traditional development cooperation. However, South–South cooperation should not be thought of as a panacea for development and should not be romanticized. While the donor–recipient relationship characteristic of aid and development is absent in the context of South–South cooperation, this does not mean that all can participate on an equal basis. South–South trade, investment and development aid include both complementary and competitive relations between the domestic interests of LDC nations and those of investors and exporters from more advanced developing countries.

The fundamental principles of solidarity and mutual respect which underpin South–South cooperation are important. Given their shared histories of colonialism and neo-colonialism, similar initial conditions and familiar economic and political constraints, there are strong reasons to believe that South–South cooperation and integration can avoid reproducing the asymmetries and biases that have overshadowed traditional development cooperation.

A further aspect of the current situation is that, in successful developing economies, South–South cooperation tends to be subordinate to the objectives, strategies, orientations and priorities of foreign policy of national governments. In most of these economies, it is used as a foreign policy tool to support the realization of national objectives. This is not in itself bad. But this works in an unequal way when, as is now the case in many LDCs, it is often unclear what the objectives of national governance systems are owing to dearth of strong States.

Nevertheless it is possible to identify a number of reasons why Southern partners may be motivated to engage in the types of cooperation suggested above and mutual advantages obtained with LDCs.

Firstly, there is a potential to create mutually beneficial market gains and opportunities for both partners. Market–seeking is one of the main determinants of trade relationships and outward investment of leading Southern economies in other less developed countries, notably LDCs. In this context, South–South cooperation should be seen as a policy tool that can facilitate the building of new markets both in terms of production and consumption.

Secondly, LDCs offer access to natural resources which their Southern partners need. Southern investment in LDCs in exploitation of these resources can be mutually beneficial for both parties provided the policy framework focuses on its developmental impact.

Southern partners may be motivated to engage in the types of cooperation where there is a potential to create mutually beneficial market gains and market seeking. LDCs offer access to natural resources which their Southern partners need.

Thirdly, regional prosperity and regional stability cannot be achieved without the participation of all the countries in the region, including the LDCs. Strategic geopolitical interests also play an important rational that provides motivation for cooperation with LDCs.

Fourthly, the LDCs can work jointly with Southern partners to better articulate their common voice and exercise their collective influence in all forums. Other Southern partners could also gain from broadening the voice and participation of a larger membership of countries, in order to better articulate the needs of developing countries in general, and their collective bargaining power vis-à-vis the transnational corporations (TNCs), in particular.

D. South–South integration and the development of productive capacities

Regional prosperity and regional stability cannot be achieved without the participation of all the countries in the region, including the LDCs.

Assessing the effects of South–South integration on the changes in the levels of productive capacities of the LDCs is a complex task. However, this section provides some evidence on the potential of the South as a training ground for firms in LDCs to upgrade their production.

This issue can be addressed by assessing the level of complexity of new exports. The importance of South–North and South–South trade to the current levels of productive capacity can be estimated through the analysis of the difference between the average complexity of the new products exported to Southern countries and the average complexity of the new products exported to Organization for Economic Cooperation and Development (OECD) countries (North). New products are here defined as products that were not exported in the previous two years, and products are considered more complex if they are exported on average by more diversified countries producing more exclusive goods.

The LDCs can work jointly with Southern partners to better articulate their common voice and exercise their collective influence in all forums.

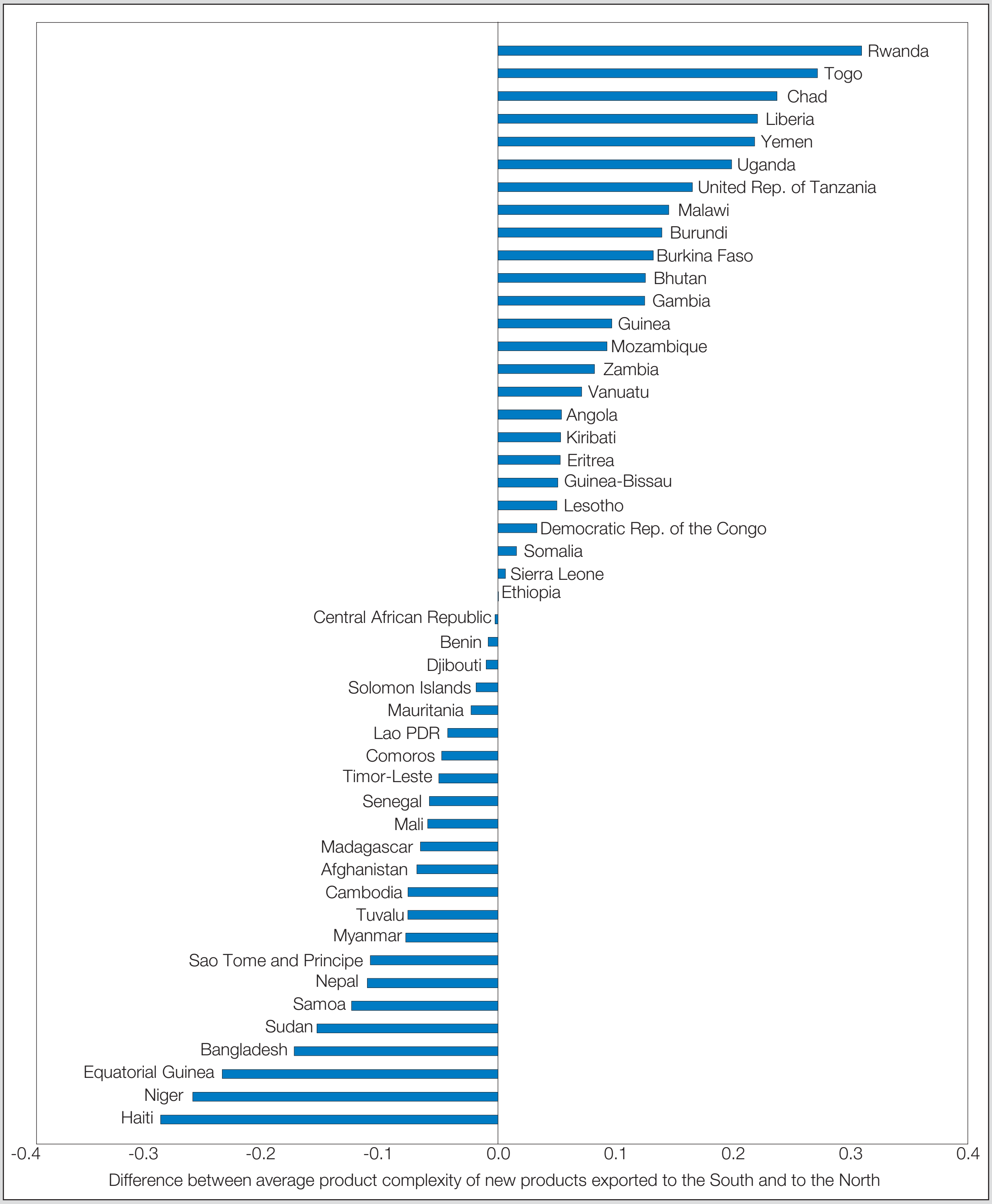
The result of such analysis highlights that, in terms of the effect of South–South integration on the productive capacity of the LDCs, there is no one–size–fits–all. This is illustrated in chart 35, which shows the difference between the average product complexity of new imports directed to the South and to the North. Higher values of the difference between the average product complexities are represented by higher values in the horizontal axis (right side), and indicate that the South–South trade presents more opportunities to increasing the complexity of the product-mix and, in consequence, the increase of productive capacity.

The evidence suggests that simplistic generalizations regarding the impact of South–South trade on the productive capacities should be avoided and that South–South trade can be used as a training ground for diversification towards more complex products, but it is not a panacea that can guarantee the productive transformation of their economies.

The evidence depicted in chart 35 shows that for about half of the LDCs the complexity of new products exported to the South was greater that the complexity of new products exported to the North, during the period 2008-2009. This illustrates the potential for learning and diversification that can be gained from South-South trade. Rwanda, Togo and Chad are the countries that benefitted more from South–South trade as a training ground to more complex products during this period; conversely, Haiti, Niger, Equatorial Guinea and Bangladesh are the countries that made most use of South–North trade to diversify their production structure and move towards more complex products.

This evidence suggests that simplistic generalizations regarding the impact of South–South trade on the productive capacities should be avoided; however the results suggest that South–South trade can be used as a training ground for diversification towards more complex products. In the end, what will determine the effect of South–South integration on the increase of productive capacities is not the direction of the integration but the conditions in which the least developed countries engage in the integration (Frieire, 2011).

Chart 35. Comparative complexity of new products exported to the South and to the North by LDCs, 2009



Source: Freire, 2011.

E. Developmental regionalism and South–South cooperation: Integration beyond liberalization

1. The nature of developmental regionalism

Developmental regionalism can be understood as a development-led regionalism that accepts globalization as a historical trend, but rejects the market-led approach to globalization. Developmental regionalism aims at maximizing the benefits of regional cooperation with the goal of achieving an advantageous insertion of the members' economies into world markets. This goal is not an end by itself, but only a means to accelerate economic, social and human development.

Development-led regionalism accepts globalization as a historical trend, but rejects the market-led approach to globalization.

Developmental regionalism is concerned with both the (a) internal economic development and domestic integration, while at the same time, with (b) strategic integration of the regional trading blocs into the world economy. As is the case with other forms of regionalism, the most basic level of cooperation covered by developmental regionalism is that of trade. However, the concept of developmental regionalism goes beyond the domain of trade per se, and includes other, more ambitious forms of intervention, such as industrial policy. The term "industrial policy", in the context of developmental regionalism, is to be interpreted in the broadest possible sense. As such, it can involve a variety of policy tools, and not only those traditionally associated to trade policies proper — from tariff and non-tariff barriers, to subsidies, concessional loans, direct provision of infrastructure and other public goods (UNCTAD, 2007), promotion of research and development and science and technology activities, State-owned enterprises and State-controlled mixed enterprises, and many others. For greatest impact and efficiency, these policies should be harmonized and coordinated among participating countries in the regional association.

Developmental regionalism goes beyond the domain of trade per se, and includes other, more ambitious forms of intervention, such as industrial policy.

Under developmental regionalism, trade amongst regional partners is favoured with respect to extra regional trade, implementing strategic trade policies consistent with each member State's domestic industrial policies. Strategic trade policies may include traditional or less traditional tools — such as tariffs, import and exports quotas and bans, and technical and phytosanitary standards. In tandem with its holistic vision of development, regional trade can also be promoted through coordination of investment to strategic areas such regional transport and other ancillary infrastructure. Prioritizing investment in strategic areas of common interest and common constraints can help to overcome the pre-existing bias against regional trade caused by the colonial legacy that characterizes many LDCs and other poor countries. As many developing countries are better connected to other continents than to neighbouring countries, they cannot fully benefit from the potential gains of regional integration. In this context, "Regional trade facilitation projects can directly reduce the transport costs of intraregional trade and unleash a virtuous circle of increasing trade and economies of scale in the transport sector, and reducing transport costs, which in turn may further stimulate intraregional trade" (UNCTAD, 2007: 183). While, as noted above, a strong developmental State is an asset that LDCs usually lack, this weakness represents a constraint that can progressively be overcome. In order to speed up in a harmonious fashion economic and social development, the promotion of developmental regionalism should go hand-in-hand with strengthening the structures, institutions, capabilities typical of the developmental State at the national level.

For greatest impact and efficiency, these policies should be harmonized and coordinated among participating countries in the regional association.

This kind of developmental regionalism aims at fostering industrialization and accelerating economic and social development of member countries both as goals per se, and as a means of successfully integrating their economies in the global web of market relations. In the context of globalization, new developmental regionalism strives to exploit to the maximum extent the benefits that can stem from negotiating with other blocks and economic powers from a position of relative strength, such the one allowed by member States' collective ability to act as a single player. The expanded regional market generated through inter-State cooperation, along with temporary protection policies for domestic capital, contributes to secure benefits for domestic firms over their foreign competitors. In fact, developmental regionalism assumes the need for gradual and sequenced trade liberalization together with conscious and planned policy actions are enacted to build up productive capacities. The existence of such productive capacities is seen as a necessary condition that will eventually enable domestic businesses to participate in global market activities (Bowles, 2000; Nesadurai, 2002, 2003; Chandra, 2009).

Developmental regionalism aims at fostering industrialization and accelerating economic and social development of member countries both as goals per se, and as a means of successfully integrating their economies in the global web of market relations.

2. Examples of successful developmental regionalism

The experience of developmental regionalism is still in its infancy in most of the developing world. African countries, supported by the AfDB and the NEPAD as well as other partners, are also embarking into similar initiatives to promote the creation of development corridors, and redress long-standing infrastructural gaps. Although in general these initiatives are at a more incipient stage than those in the Asian region, notable examples are: the North South corridor, which connects Durban and Dar es Salaam, and the Maputo corridor linking South Africa's northern and eastern regions to the port of Maputo. So far, the most successful examples of its practical realization can be found in Asia. Indeed, the region where these processes are most advanced is East Asia, a region where a positive, proactive view of integration has been prevailing for a long time (Taga, 1994; Fujita; Kuroiwa and Kumagai, 2011). Some examples are:

First, the recent experience of trilateral economic cooperation between China, the Republic of Korea and Japan constitutes a successful example of development regionalism. Trilateral cooperation in North-east Asia began in 2000, and has been focusing particularly on environment protection, transport and logistics, and finance, and research and development. In the manufacturing area, particular attention was devoted to the IT sector. The latter covered several areas, from telecom service policy to network and information security. Yet, the main strategic goal was the joint development of new technologies such as next-generation Internet, open source software, and radio frequency identification (RFID) sensor network. The three North-east Asian countries were aware of the key role of IT for overall economic upgrading and industrial competitiveness.

Since the mid-2000s, the Asian Development Bank (ADB) has been playing a catalyst role for of regional cooperation and integration in East Asia.

China, Japan and the Republic of Korea adopted proactive government commitments in order to generate synergy effects in technological development and, more broadly, to enhance their firms' international competitiveness. In the North-east Asian cooperation context, developmental regionalism adopted an Aikido-like approach, as it did not resist globalization as a whole, seeking rather to use its own momentum to carve for its members a solid position in the global marketplace, fostering proactive integration, cooperation, coordination and harmonization (Doidge, 2007; Yoshimatsu, 2008).

Second, since the mid-2000s, the Asian Development Bank (ADB) has been playing a catalyst role for of regional cooperation and integration in East Asia. To this purpose, the Bank established in 2005 a new Office of Regional Economic Integration. The ADB faces various challenges in effectively promoting regional cooperation and integration, due to inadequate resources to address capacity-related constraints (Hamilton-Hart, 2003), other technical and political difficulties, and the accusation of focusing too much on East Asian integration to the detriment of the other constituent regional groupings. However, the ADB has been able to make an increasingly effective contribution to regional cooperation and integration initiatives and activities, especially those aimed at enhancing productive capacity in the less developed countries of the region (Dent, 2008).

The ADB supports proactive integration, rather than passive integration. While the latter does not go beyond the removal or reduction of trade, focusing exclusively on economic liberalization and deregulation, proactive integration implies a far more comprehensive range of forms of policy cooperation, coordination and harmonization. The ADB stance stems from two main sources of inspiration: (a) its mandate of providing development capacity assistance to the region's less developed countries; and (b) the persisting influence of Japanese developmentalism, that still pervades the policy approach of both the Bank and of East Asian governments (Taga, 1994).

The basic strategy is to attract private investment to the region and facilitate cross-border trade and investment and human resource development by strengthening infrastructure linkages.

Third, the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) is one of the subregional "growth polygons" that were established since the early 1990s to foster the process of regional integration among the member States of the Association of Southeast Asian Nations (ASEAN). As these subregional zones include very poor countries, they face significant challenges. The BIMP-EAGA has tried to overcome these challenges by adopting the principles of developmental regionalism, promoting activities aimed at enhancing the economic capacity and prospects of lesser-developed countries in order to foster their integration into the regional economy. The BIMP-EAGA initiative has achieved a measure of success, yet progress towards substantial subregional development cooperation is still inadequate (Dent and Richter, 2011).

3. The importance of regional support mechanisms within developmental regionalism: The case of the ADB coordinated GMS Program

The GMS Program involves powerful actors operating far beyond the GMS region who tend to have major control over the flows of goods, investment and technology. The interests of those international players often contradict the wider developmental goals of LDCs and people's immediate needs within the subregion.

The ADB-coordinated Greater Mekong Subregion (GMS) Program (see chart 36) can also be considered a successful example of developmental regionalism. However, this case of good practice also illustrates the importance of an integrated regional development approach to ensure that LDCs also benefit. The GMS, which started in 1992, involves all the major actors around the Greater Mekong area, such as Thailand, China, and all the LDCs in the region, ASEAN and ASEAN's development partners including Japan. It is the only regional cooperation programme specifically targeting all LDCs in the region. The core of GMS is to enhance the infrastructure of industrial development in the region by implementing programmes in areas of transport, telecommunications, energy, tourism, trade facilitation, investment, human resource development and agriculture (Chang, 2011) . The basic strategy is to attract private investment to the region and facilitate cross-border trade, investment and tourism by strengthening infrastructure linkages. To enhance transportation linkage over the region covering three East Asian LDCs, Thailand, Viet Nam and Yunnan Province as well as Guangxi Zhuang Autonomous Region of the PRC, the GMS programme introduced three economic corridor projects: (a) the East-West Economic Corridor (Myanmar, Thailand, the Lao People's Democratic Republic and Viet Nam); (b) the North–South Economic Corridor (China – Yunan, Guangxi, the Lao People's Democratic Republic, Thailand, Viet Nam and Myanmar); and (c) the Southern Economic Corridor (Cambodia, Thailand and Viet Nam). As of 2009, the GMS Program had completed 44 projects with total investment of $11 billion (Chang, 2011).

Chart 36. Economic corridors in the Greater Mekong Subregion

Source: www.adb.org/GMS/Economic-Corridors/default.asp

The formation of the GMS region and the project itself involves powerful actors operating far beyond the GMS region, and it is these actors who tend to have major control over the flows of goods, investment and technology (Glassman, 2010). The interests of those international players often contradict the wider developmental goals of LDCs and people's immediate needs within the subregion. Therefore, simple exchange of comparative advantages runs the risk of, rather than facilitating subregional cooperation, through which participating countries collectively satisfy the needs of people in the subregion, simple substitution of LDCs into roles that primarily enhance the power and economic influence of either the big players in the region or of TNCs from outside the GMS. There is undeniably a danger that, as the second phase of the GMS project is marked by promoting private sector participation and cross-border trades by them, the final product of the GMS may become simply island industrial zones dominated by transnational players, connected by and taking advantage of public-funded infrastructure (Chang, 2011).

It is necessary to evolve regional support mechanisms (RSMs) — regionally planned and coordinated sets of policies that allow LDCs to benefit from regional cooperation and integration by collectively addressing the structural weakness of LDCs.

Serious attempts to devise public initiatives that can maximize this new infrastructure and of the potential extension of regional production networks should be made to take advantage of the booming private investment into the region for more strategic long-term goals of development of LDCs other than recycling the usual cheap labour advantage. For that purpose, it is necessary to evolve regional support mechanisms (RSMs) — regionally planned and coordinated sets of policies that allow LDCs to benefit from regional cooperation and integration by collectively addressing the structural weakness of LDCs, including limited access to regional markets, weak human resources, poor physical infrastructure, low technological capabilities, excessive dependence on external sources of growth, low share of manufacturing in GDP, high levels of debt and chronic deficit balance of trade. In East Asia, ASEAN's Initiative for ASEAN Integration and Early Harvest Schemes for LDCs in free trade agreements (like the China–ASEAN Free Trade Agreement) are examples of RSMs, although these policies are limited in scope. More comprehensive RSMs would include not only policies improving market access for LDCs through tariff cuts, but also regionally coordinated industrial policy supporting productive capacity of LDCs through protecting LDCs producers, promoting technology transfer and assistance and facilitating inverse import to more advanced economies of the region.

A regional development framework that is carefully and thoroughly designed to minimize the development gap between the key actors should be an important feature of developmental regionalism.

Without coupling infrastructure building with proper RSMs, equipped with industrial policies that can support the process of productive capacity building of LDC players, ADB's plan to develop the region's poor countries by building an environment for more trade and industrial investment through mega scale infrastructure building may not lead to prosperity for all. When considering the poor, whose livelihoods are being affected by massive infrastructure building and commercialization of agriculture, promoted by the project, the need for policy intervention that is sensitive to the needs of the LDCs, is even more urgent (Chang, 2011).

Leaving the development of LDCs and coordination of regional integration entirely to free-market schemes is unlikely to guarantee balanced regional development as it hampers the development of RSMs and deeper South–South cooperation through which increasing intraregional trade and investment can promote industrial capacity of LDCs and address the needs of LDCs. Properly coordinated regional intervention for development of LDCs has even more significant implications for the poor in LDCs. Political and institutional infrastructure for more South–South cooperation and RSMs is indeed available as a consequence of the contradictory unfolding of regional integration, even though the process was driven by TNCs. Thus, a regional development framework that is carefully and thoroughly designed to minimize the development gap between the key actors should be an important feature of developmental regionalism which includes LDCs.

F. Conclusions

An important feature of the Istanbul Programme of Action (IPoA) is the complementary role of South–South cooperation in supporting development and poverty reduction in the LDCs (section 5). Its basic message is that South–South cooperation could substantially enhance the achievement of the goals of the IPoA. It emphasizes shared experiences and objectives of developing countries, as well as the potential of South–South cooperation to build upon them. Most notably, the IPoA recognizes that South–South cooperation could substantially contribute to its implementation in areas such as human and productive capacity–building, technical assistance and exchange of best practices, particularly on issues relating to health, education, professional training, agriculture, environment, science and technology, trade and investment (para. 131).

South–South cooperation could substantially enhance the achievement of the goals of the IPoA. It emphasizes shared experiences and objectives of developing countries, as well as the potential of South–South cooperation to build upon them.

This chapter has discussed how South–South cooperation could best support the achievement of development and poverty reduction in the LDCs. It has made three basic points.

First, it has argued that South–South cooperation will work best in the context of effective States in LDCs which take leadership of the development process and catalyse development processes. Such a catalytic developmental State would actualize one of the key principles of the new Programme of Action, which is "balanced role of the State and market consideration, where the Government in least developed countries commits to design policies and institutions with a view to achieving sustainable and inclusive economic growth that translates into full employment, decent work opportunities and sustainable development" (section III: 8).

South–South cooperation will work best in the context of effective States in LDCs which take leadership of the development process and catalyse development processes.

Second, it has argued that South–South cooperation can and should support the building of catalytically-effective States in LDCs and that the benefits of South–South cooperation will be greatest when there is an interactive relationship in which South–South cooperation supports the building of developmental State capacities and the objectives of developmental States in LDCs, while the developmental State in turn generates the benefits and augments the catalytic impact of South–South cooperation.

Third, it has argued that developmental regionalism is an important mechanism through which the catalytic developmental State and developmental regionalism can reinforce each other. There are various successful examples of developmental regionalism, particularly in Asia, which illustrate the potential. However, past experience shows that the benefits of regionalism can be unequally shared. LDCs will benefit through a concept of regional integration which goes beyond liberalization — or integrated regional development through trade, finance, investment, technology and employment. This may need specific regional support measures.

South–South cooperation can and should support the building of catalytically-effective States in LDCs. However, it should not be romanticized as a panacea. But it can be a win–win strategy for LDCs and their Southern partners. As LDCs become more developmentally effective, this will also contribute to improving the effectiveness of North–South development cooperation.

South–South cooperation should not be romanticized or seen as a panacea. But it can be a win–win strategy for LDCs and their Southern partners. Moreover, as LDCs become more developmentally effective, this will also contribute to improving the effectiveness of North–South development cooperation. In the *Least Developed Countries Report 2010*, South–South cooperation was identified as one of the key elements for the constitution of a new international development architecture for LDCs. This chapter has outlined a conceptual and policy framework showing how this might be turned into reality.

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CHAPTER 4

LEVERAGING SOUTH–SOUTH FINANCIAL COOPERATION FOR LDC DEVELOPMENT

A. Introduction

One of the most fundamental challenges in implementing the new Istanbul Programme of Action (IPoA) for least developed countries (LDCs) will be to mobilize financial resources and direct them to productive use in a way which leads to sustainable and inclusive growth.

One of the most fundamental challenges in implementing the new Istanbul Programme of Action (IPoA) for least developed countries (LDCs) will be to mobilize financial resources and direct them to productive use in a way which leads to sustainable and inclusive growth. This chapter discusses specific ways in which South–South financial cooperation could contribute to addressing this challenge (see boxes 1 and 2). As expressed in paragraph 12 of the IPoA:

"Guided by the spirit of solidarity with least developed countries, developing countries, consistent with their capabilities, will provide support for the effective implementation of the programme of Action in mutually agreed areas of cooperation within the framework of South–South cooperation, which is a complement to, but not a substitute for, North–South cooperation".

The chapter argues that regional and subregional development banks should play a larger role in supporting LDCs and also financing developmental regionalism and makes a novel proposal aimed at mobilizing untapped resources of Southern partners in order to boost the provision of development finance through regional and subregional development banks.

The chapter argues, firstly, that regional and subregional development banks should play a larger role in supporting LDCs and also financing developmental regionalism. It then goes on to make a novel proposal aimed at mobilizing untapped resources of Southern partners in order to boost the provision of development finance through regional and subregional development banks. The central idea underlying this proposal is to channel a very small part of the foreign exchange reserves increasingly held by developing countries towards regional and subregional development banks. These banks would, in turn, intermediate these financial resources in support of development-oriented investments in the provision of regional, and also national, public goods, thereby enabling the LDCs to build and strengthen their productive capacities.

As expressed in the IPoA, these proposals must not be seen as a substitute for North–South development assistance. They are rather intended to improve the diversity and efficacy of development financing in LDCs. The proposals are intended to generate additional external resources. Moreover, they need to take into account of the development challenges facing Southern partners, in particular poverty.

.... These banks would, in turn, intermediate these financial resources in support of development-oriented investments in the provision of regional, and also national, public goods, which would enable the LDCs to build and strengthen their productive capacities.

The chapter is organized in four sections. Section B broadly discusses the financial vulnerability of LDCs and situates South–South financial cooperation as one policy option. Section C discusses the importance, and role of regional and subregional development banks. Section D describes the relatively new phenomenon of foreign reserve accumulation in the South and the emergence of sovereign wealth funds in developing countries. Section E sets out a policy proposal to channel resources from Southern sovereign wealth funds to regional and subregional development banks. The conclusion summarizes key elements of the argument.

B. LDCs' financial vulnerability

Standard indicators of financial development suggest that, in the LDCs, financial intermediation remains extremely shallow and underdeveloped, by international standards.

Despite high economic growth between 2002 and 2008, the economic performance in the LDCs continues to be characterized by a high reliance on foreign savings and a limited domestic capacity to mobilize financial resources for productive investments (see chapter 1 of this *Report* and also the *Least Developed Countries Report 2010* (UNCTAD, 2010a)). The weaknesses of the domestic financial systems, in this respect, add a heavy burden to economic activities. Standard indicators of financial development suggest that, in the LDCs, financial intermediation remains extremely shallow and underdeveloped, by international standards (see table 9). In particular, the limited access to

Table 9. Selected indicators of financial development: LDCs and other country groups, various years

	Domestic credit to private sector (% of GDP)			Money and quasi money (M2) as % of GDP			Interest rate spread (lending rate minus deposit rate, %)		
	1990–1992	*2000–2002*	*2007–2009*	*1990–1992*	*2000–2002*	*2007–2009*	*1990–1992*	*2000–2002*	*2007–2009*
World	105.8	128.2	133.4	..	103.4	112.0	6.0	7.1	6.4
High income countries	115.9	145.5	160.1	..	113.2	126.0	4.4	4.5	..
Upper middle income countries	36.4	30.9	44.6	28.3	38.2	47.7	7.3	7.8	6.1
LDCs	11.9	14.8	19.1	21.0	26.9	31.1	8.2	12.5	10.0

Source: UNCTAD secretariat calculations, based on World Bank, *World Development Indicators*, online, June 2011.

credit (evidenced by both the small amount of credit extended in relation to GDP, as well as the high interest rate spread) is amongst the most binding factors constraining firms' capitalization and productive investments. While large enterprises can sometimes escape these constraints by resorting to international capital markets, the domestic small and medium-sized enterprise (SME) sector is particularly affected by the weaknesses of the financial system, which exacerbate the so-called "missing middle" (*Least Developed Countries Report 2006*).

Moreover, LDCs' intrinsic financial fragility, high level of indebtedness and dependence on foreign capital inflows make them exceptionally exposed to external shocks. The lack of domestic resources to cope with their impact is a fundamental source of their vulnerability.

LDCs' intrinsic financial fragility, high level of indebtedness and dependence on foreign capital inflows make them exceptionally exposed to external shocks.

The persistence of LDCs' extreme financial vulnerability was acknowledged in the context of the Fourth United Nations Conference on the Least Developed Countries (LDC–IV). For instance, in one of the pre-conference events, participants "highlighted the persistent structural constraints faced by the LDCs and their extreme vulnerability to external and internal shocks… These constraints should all be taken into account when designing support measures for LDCs… Donors should also bear in mind that alternative financial resources, such as domestic resources, were limited in LDCs" (United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), 2011).

Addressing the development finance challenge of the LDCs needs a multi-dimensional and multi-partner approach. LDCs should, firstly, promote domestic resource mobilization in order to decrease their dependence on external financial sources. Strengthening the domestic financial sector, broadening its outreach, diversifying the spectrum of available financial instruments, and building up financial resilience should become key priorities in any meaningful policy framework for future development of LDCs. Given the very low level of financial development, public development banks — at national and regional levels — have a fundamental role to play. Whilst promoting domestic resource mobilization, LDCs also need to work with traditional donors to ensure that they get more aid and more of that aid is oriented towards the development of their productive capacities. At the same time, they should explore the emerging opportunities to diversify their array of partners, thereby expanding their resource envelope and decreasing their heavy dependency on traditional financial sources.

Addressing the development finance challenge of the LDCs needs a multi-dimensional and multi-partner approach.

As indicated in chapter 2, official flows from Southern partners to LDCs, though still relatively small in relation to those of traditional donors, have been increasing rapidly in recent years. The growing prominence of South-South cooperation has been characterized by a multiplicity of actors and a plurality of forms (see boxes 7 and 8). The rest of this chapter discusses, specifically, possibilities for enhancing Southern financing as a complement, not as a substitute, to traditional official development assistance (ODA).

Box 7. South–South cooperation — multiplicity of actors and plurality of forms

From its political beginnings in the 1950s, the concept of South–South cooperation has evolved rapidly into intense trade and investment links among developing countries. While there was less activity in the 1980s and 1990s, the new millennium has witnessed a rejuvenation of South–South cooperation based on the resurgence of growth in a number of developing countries. As the evidence throughout this *Report* indicates, this "rise of the South" is not only changing the economic reality towards a more multi-polar world economy, but is also intensifying economic relations among developing countries through trade, investment, migration, technology transfer and other channels. Developing countries increasingly find that it is in their best interest to help promote development in other developing countries. As most of the countries of the South are pursuing export-led growth, it is in their interest to intensify economic relations with countries capable of purchasing their exports, and of providing them with imports they need. Increasingly, these partners are other developing countries.

As a consequence, one of the most important characteristics of South–South cooperation today is its overwhelming focus on the development of productive capacities. For example, large, dynamic Southern economies are rapidly becoming a driving force for infrastructure development in LDC countries. Through South–South cooperation, they provide investment in key sectors such as transportation and energy. Given the fact that the traditional donors mostly target social sectors, the emphasis of South–South cooperation on productive sectors makes it complementary to that of the former. In addition, it increases the policy space and the room for manoeuvre of developing countries. Finally, it may entice the traditional donors to shift the emphasis from social to productive sectors. According to Cook and Gu (2009), traditional donors have already responded by again engaging in infrastructure projects in Africa.

A second important characteristic of current South–South cooperation is the multiplicity of actors. While the development assistance of China, India, Brazil and South Africa has attracted the most attention, there are many other developing countries that provide different forms of cooperation. Some are between middle-income developing countries such as the Promesa project (Argentina–Peru), or the Development of Modern Greenhouse Practice (Turkey–Uzbekistan). Others are between middle-income countries and the LDCs, such as the Pro-Huerta project (Argentina–Haiti), or the Kollo project (Tunisia–Niger). LDCs also cooperate among themselves, as the Centre Songhai (Benin–Zambia) demonstrates. The list of countries engaging in South–South cooperation is long, but in addition to those already mentioned, it is worth pointing out that the Bolivarian Republic of Venezuela, Cuba and Saudi Arabia are also very active.

As these examples indicate, the bulk of South–South cooperation is of a bilateral nature. However, there are examples of a regional cooperation as well. The Growth Triangle Initiative of Zambia, Malawi and Mozambique is one such example of regional cooperation among countries at a similar level of development. Another one is the SMART School Project involving Malaysia, Myanmar and the Lao People's Democratic Republic. There are also types of cooperation that resemble the hub and spoke relations where one pivotal country provides several countries with expertise, technology, investment and the like. The Health Care for sub-Saharan Africa programme (Turkey–African countries) and the technical agricultural assistance of Egypt to cotton-producing African countries illustrate that modality. Triangular cooperation is also present, either with a developed country (Japan financing the training of nurses provided by Malaysia for Cambodian hospitals, for example) or with an international organization (the UNCTAD TrainForTrade Programme).

The leading actors in South–South cooperation, however, are the largest Southern economies: China, India, Brazil and South Africa. The importance of South–South cooperation for these countries is exemplified by the fact that all of them have established special forums to enhance cooperation, either among them or with other developing countries. The examples are the India–Brazil–South Africa Dialogue Forum (IBSA), the Forum for China–Africa Cooperation (FOCAC), and Africa–South America Cooperation Forum (see UNCTAD, 2010b).

India has prioritized capacity–building and economic assistance to the LDCs, focusing on agriculture, infrastructure, telemedicine, energy, banking and information technology implemented by its outstanding Indian Technical and Economic Cooperation Programme. In addition, the country supplied nearly $5 billion credit lines to LDCs since 2003. It is important to note that Indian private companies are very active, the leading example being the Tata Group in transportation, energy, communications and pharmaceuticals, already operating in 14 African countries.

The Africa–India Forum provides a blueprint for India–Africa engagement in the twenty-first century. The Second Africa–India Forum Summit, held in Addis Ababa in 2011, announced credit lines to Africa of around $5 billion for the next three years. Building upon the achievements of the Pan-African E-Network Project launched in 2004, the establishment of an India–Africa Virtual University and India–African clusters for food processing and textiles were also proposed.

India's cooperation with LDCs in Asia and Pacific includes the leading role in the South Asian Association for Regional Cooperation with four LDC members (Bhutan, Nepal, Bangladesh and Afghanistan) and growing relations with ASEAN as well with its three LDCs (Myanmar, Lao People's Democratic Republic and Cambodia). This cooperation includes investments, finance, trade, technology transfer and human capital formation.

The cooperation of Brazil with LDCs over past decades has focused mainly on African Portuguese-speaking LDCs. In the new millennium, however, a new page in Brazil's economic and trade cooperation with the South has been turned. In trade terms, Africa is already the fourth most important partner for Brazil. At over $20 billion in 2010, it has recorded considerable growth, but is still far behind the figures for Africa's trade with China (over $100 billion) or India ($32 billion).

Agriculture is one of the key sectors in Brazil's cooperation with Africa, and a first Brazil–Africa Dialogue on Food Security, Combating Hunger, and Rural Development was held in Brasilia in 2010. The issues of production of biofuels from sugar cane have gained the prominence, given the high price of petroleum in the last several years.

Box 7 (contd.)

Brazil is increasingly involved in African infrastructure development. For example, Vale do Rio Doce, the leading Brazilian mining company, is investing $1.7 billion in coal mining to start exporting over 11 million tons per year from the region of Moatize, Mozambique. The project is the largest-ever investment in the Portuguese-speaking country and is expected to increase the country's GDP by several percentage points in the medium term and create 7,500 jobs, mainly for nationals. A 600 kilometres long railway from Moatize to the port of Beira is being rehabilitated by an Indian consortium and another railway line is planned by Vale in the northern region of Mozambique, to connect Moatize with Nacala, the only deep-water port in the country. The railway will cross Malawi, and is expected to boost economic and social development of that landlocked country.

Along with Nigeria, Brazil took the leadership in setting the Africa–South America Cooperation Forum, first held in Abuja in 2006, and then in Caracas in 2009. The forum has become a platform for dialogue and cooperation in a number of sectors between the two regions with a series of economic and cooperation agreements being signed on trade, investment, tourism, transport, mining, energy, agriculture, the environment and telecommunications.

Brazil's activities with Haiti and East Timor are also worth mentioning. In Haiti, Brazil leads the MINUSTAH, the peace mission of the United Nations. As one of the leading contributors to the Union of South American Nations, Brazil has played a crucial role in the establishment of the $300 million fund to aid Haiti's recovery. Moreover, Embrapa is implementing series of projects to revitalize sustainable family farming agriculture in Haiti. In East Timor, Brazil participates in a triangular cooperation project with Indonesia.

South Africa is also an important actor in South–South cooperation, but with almost exclusive emphasis on Africa. The country has spearheaded the New Partnership for Africa's Development (NEPAD) and has worked to promote Africa in the rest of the world as a place to do business. South Africa plays an important role in the regional context and provides development assistance to its less developed neighbours. The country is also very active in capacity–building, post-conflict reconstruction projects and humanitarian assistance in many African countries.

Box 8. China's cooperation with the LDCs

China's growing involvement in South–South cooperation, particularly vis-à-vis African countries, has been the subject of numerous recent studies.[a] Far from a comprehensive review of this literature, the present box intends to emphasize some key features of the Chinese development cooperation, in its multiple intertwined facets. These characteristics – which partly reflect China's own development experience – are of paramount importance from the point of view of the development of LDCs' productive capacities, and render in many ways the partnership between LDCs and China potentially complementary to that with traditional donors.

While China's engagement in development cooperation dates to the 1950s, it has recently gained renewed momentum, mainly at a bilateral level, but also with the establishment of the Forum on China–Africa Cooperation (FOCAC) in 2000 and the strengthening of its ties with the Association of Southeast Asian Nations (ASEAN). China's engagement in South–South cooperation has remarkably strengthened during the last decade, touching an increasing number of countries, including some that tended to be neglected by traditional donors. According to China's Information Office of the State Council (2011), LDCs receive nearly 40 per cent of China's development assistance.

With an eye to the development of LDCs' productive capacities, a salient feature of Chinese development assistance is the prominence accorded to infrastructures' provision. Such an emphasis is strongly complementary to the choices of traditional donors – who have long privileged the support to social sectors – and well-tailored to LDCs' long-standing infrastructural gaps. In Africa, for instance, where the infrastructural funding gap is on the order to $10 billion per year, it is estimated that in 2007 the Chinese financial commitments to infrastructure projects totaled $4.5 billion (Foster et al., 2008). Improved infrastructures are all the more crucial for LDCs in so far as they favor the emergence of intersectoral linkages in rural areas, as well as foster regional integration, thereby overcoming the constraints posed by limited market size. Chinese projects have focused largely on power and transport sectors (especially hydropower and railroads), and to a lesser extent information and communication technology (mainly in the form of equipment supply); besides, they have typically been implemented as "turn-key projects".

Infrastructural financing is mostly provided by China's Eximbank (along with China Development Bank and China Agricultural Development Bank) through grants and loans with variable degree of concessionality. Moreover, funds are usually tied to the use of Chinese companies, which directly receive the accredited funds upon completion of the agreed works. In several LDCs, the financing occurs in the form of resource-backed loans, the so-called "Angola mode", although not all these projects are classified as "development assistance" by Chinese authorities.

In addition, it is worth noting that China's development cooperation pays great attention to productive sectors, again complementing in that respect the traditional North–South assistance. Chinese projects have recently also touched the industrial sector — notably through the setting up of Special Economic Zones, under the 2006 FOCAC framework. Three of these Special Economic Zones are located in LDC countries — two in Zambia (see chapter 1) and one in Ethiopia – while the others are located in Algeria, Egypt, Mauritius and Nigeria (two). Along the same lines, several recent projects aim at promoting the domestic value addition by providing support to the transformation of primary commodities (fuel and sugar refineries, paper mills, etc). Scholarships, trainings and technical assistance are also receiving growing attention on the parts of Chinese authorities.

Box 8 (contd.)

China also provides assistance to the LDCs and other developing countries through triangular cooperation. In this respect, it is interesting to note the growing number of tripartite cooperation projects, including through combining multilateral and bilateral interventions. Notable examples, in this context, are the establishment of the International Poverty Reduction Centre in China in partnership with the United Nations Development Programme (UNDP), the collaboration between the latter and the Chinese African Business Council (CABC), the partnership with the Food Security Programme of the Food and Agriculture Organization of the United Nations and the setting up of small-scale hydropower systems in 10 African countries (including 6 LDCs) in collaboration with the United Nations Industrial Development Organization (UNIDO) (UNDP, 2009). Similar initiatives, aimed at knowledge and information sharing as well as projects co-financing, have recently been initiated with the World Bank and the African Development Bank (Brautigam, 2010).

a The interested reader can refer to Broadman (2007), Brautigam (2008 and 2010), Foster et al. (2008), Davies (2010), Kragelund (2010), Kaplinsky and Farooki (2010) and Berthelemy (2011).

C. The role of regional and subregional development banks in regional financial cooperation

1. Types of regional financial cooperation

Regional financial cooperation covers a wide spectrum of activities, including (a) regional payments systems which provide financial incentives to intraregional trade; (b) regional monetary systems which can provide liquidity finance to cushion against external shocks; and (c) regional and subregional development banks which provide long-term finance — development finance — to support private and public investment.

Regional financial cooperation covers a wide spectrum of activities including (a) regional payments systems; (b) regional monetary systems; and (c) regional and subregional development.

Regional payments systems save foreign reserves and reduce the transactions costs associated with the use of such reserves. But they can do more: they can (a) provide short-term credit to deficit countries; (b) include dispositions that ensure that both surplus and deficit countries contribute to a more balanced position; and (c) create incentives for exchange rate coordination. In case of a shortage of international currency, the existence of a regional payment system can reduce — as it did during the debt crisis in the 1980s in Latin America — the negative impact on regional trade.

Regional monetary funds can pool reserves and organize swap arrangements among central banks, immobilizing a smaller volume of financial resources. They can be instrumental in avoiding uncontrolled exchange devaluations that may compromise the integration process. It might be argued that a regional reserve pool would not work if an external shock affects the whole region. However, external shocks often strike firstly and more intensely one or two countries. If the stability of these countries — the weakest link in the chain — can be defended, this may reduce the possibility of contagion to the other cooperating countries (Ocampo and Titelman, 2009).

This Report focus on the potential of regional development banks in channelling finance to support development in LDCs.

Regional and subregional development banks play an important role in regional financial cooperation, as they are an important source of development finance for regional member countries. Beyond providing increased development finance at concessional terms, regional development banks can also facilitate the establishment of innovative financial instruments, such as GDP-linked bonds or diaspora bonds. By providing technical assistance in tailoring these instruments to the specificities and needs of the various countries, and by acting as “market makers” to facilitate the trading of innovative securities, regional development banks could effectively reduce the cost of financing LDCs.

These different types of regional financial cooperation described above can contribute to the reduction of the financial fragility derived from high transaction costs associated with the use of foreign reserves and the so-called currency mismatch, issuing bonds and making loans in local currencies or helping to introduce other financial assets. This *Report* focuses on one aspect of these different type of regional financial cooperation — regional development banks — and the potential of these banks in channelling finance to support development in LDCs.

The Monterrey Consensus emphasized the crucial role which regional and subregional banks can play "in serving the development needs of developing countries and countries with economies in transition".

2. Revitalizing regional and subregional development banks

Important regional development banks for LDCs include (a) the Inter-American Development Bank, created in 1959; (b) the African Development Bank, created in 1964; and (c) the Asian Development Bank, created in 1966. In general, the regional and subregional development banks in Asia and Latin America supply a much greater share of total multilateral ODA within their respective regions than the regional and subregional development banks in Africa do. Also, regional development banks provide a relatively low share of total multilateral ODA disbursements to LDCs (see table 10).

The Monterrey Consensus of the International Conference on Financing for Development (United Nations, 2002) emphasized the crucial role which regional and subregional banks can play "in serving the development needs of developing countries and countries with economies in transition". It also stressed that they should "contribute to providing an adequate supply of finance to countries that are challenged by poverty and should also mitigate the impact of excessive volatility of financial markets". Equally importantly, the Monterrey Consensus argued that "Strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, enhancing ownership and overall efficiency. They can also serve as a vital source of knowledge and expertise on economic growth and development for their developing member countries."[1] This accumulated knowledge is an important source of learning for LDCs about what works and what does not.

Revitalizing and strengthening the role of regional and subregional development banks is an important component of the agenda of reforming the international financial architecture.

Revitalizing and strengthening the role of regional and subregional development banks is an important component of the agenda of reforming the international financial architecture (see Griffith-Jones and Ocampo, 2010; Griffith-Jones, Griffith-Jones and Hertova, 2008; United Nations Department of Economic and Social Affairs (UN-DESA), 2005) and such banks should play an increasing role in financing development in the LDCs.

There are a number of advantages of regional and subregional development banks. First, because of their regional ownership structure, regional development banks can facilitate a stronger voice to developing country borrowers, as

Table 10. Multilateral ODA to LDCs, gross disbursements, 2005–2009
(Millions of 2009 dollars, constant price)

	2005	2006	2007	2008	2009
Total Multilateral donors	**13'787.0**	**46'875.2**	**16'074.0**	**15'894.6**	**18'812.0**
Main regional development banks	1'783.4	6'942.9	2'089.3	2'273.0	3'468.2
African Development Bank	173.6	177.2	152.6	149.7	148.9
African Development Fund	1'017.8	5'967.4	1'088.5	1'114.8	1'852.2
Asian Development Fund	510.3	723.9	731.5	886.5	896.7
Caribbean Development Bank	..	..	..	10.8	14.2
Inter-American Development Bank, Special Fund	81.6	74.4	116.7	111.3	556.3
Main regional development banks as a share of total multilateral (%)	*12.9*	*14.8*	*13.0*	*14.3*	*18.4*

Source: UNCTAD secretariat calculations, based on OECD-DAC database, September 2011.

well as enhance regional ownership and control. Second, they can be more effective because they tend to govern more through informal peer pressure rather than imposing conditionality. Third, information asymmetries are smaller at the regional level, given proximity as well as close economic and other ties. In this regard, Helleiner (2010) has proposed that there should be a conscious effort to translate the principle of "subsidiarity" into the practice of development finance. That is to say, where development investments aspire to global or transregional objectives, there is an obvious rationale for a global institution to play the dominant role. But where investments seek to meet national or regional objectives, there is less need for a global institution to be the key player. Accumulation of development-related knowledge and expertise better occurs and is utilized closer to the ground. In a similar vein, Birdsall and Rojas-Suarez (2004) argue that regional development banks' ability to transmit and use region specific knowledge can make them particularly helpful to countries designing policies most appropriate to their economic needs.

Regional or subregional development banks can be particularly valuable for small and medium-sized countries, such as LDCs, which are unable to carry much influence in global institutions.

Regional or subregional development banks can be particularly valuable for small and medium-sized countries, such as LDCs, which are unable to carry much influence in global institutions. Their voice can be better heard and their needs better met by regional and subregional institutions rather than global institutions.

Regional and subregional development banks may also be particularly suitable for provision of regional public goods.

Regional and subregional development banks may also be particularly suitable for provision of regional public goods. Since industrial development occurs increasingly within regional production networks, the provision of "social overhead capital" — such as infrastructures, energy, or telecommunication networks — at the regional level is likely to become more and more critical. Regional development banks, in this context, appear to be the most appropriate institutions to oversee the financing and implementation of such large-scale investments projects, while ensuring that the interests of even the smallest country involved are adequately taken into account.

3. Some policy issues

It is important to note that regional development banks have had an uneven record of success. Against this background, three policy issues should be addressed.

Regional and subregional development bank should be regarded as a key instrument of developmental regionalism through which the benefits of integration accrue to least developed member countries.

First, regional development banks' activities cannot take place in a policy vacuum. The argument of this *Report* is that they need to become an integral part of a broader developmental regionalism framework, supported by a catalytic developmental State (see chapter 3). Indeed they should be regarded as a key instrument of developmental regionalism through which the benefits of integration accrue to least developed member countries.

Second, even though it is clear that regional development banks have tended to give a higher priority to regional integration projects than the international financial institutions, the evidence shows that they still tend to underfund such projects (Birdsall, 2006). It may be necessary to develop particular facilities to promote the financing of regional integration projects as public goods.

Thirdly, an important factor affecting the working of both multilateral and regional development banks is their ownership structure. Some regional banks have both developed and developing country members, in varying proportions; others, notably subregional development banks such as the Andean Development Corporation, have a membership composed almost exclusively of developing countries. This matters because banks tend to respond to the political agendas of their major shareholders.

Experience indicates that regional and sub-regional banks have worked particularly well where their shareholders are also their clients. One good example is the European Investment Bank. It provided a significant financial mechanism to make economic integration in Europe equitable, providing grants and guarantees for building regional infrastructure in less developed areas (Griffith-Jones and Hertova, 2008). The Andean Development Corporation *(Corporación Andina de Fomento* (CAF)) is also a good example. It is a regional development bank exclusively owned by developing countries and its features include the great average speed with which loans are approved and the absence of conditionality.

Experience indicates that regional and sub-regional banks have worked particularly well where their shareholders are also their clients.

At the present time, non-borrowing countries still have a strong position in most regional development banks. However, if an increasing share of the banks' financial resources comes from Southern countries, the relations of power inside the banks is likely to change, with Southern countries being entitled to much higher quotas of capital and more governing board members. Such a change in the legal ownership of regional development banks could in itself powerfully enhance the sense of political ownership of the programmes and projects financed by the banks on the part of beneficiary countries. How it could occur is discussed in the next section.

If an increasing share of the banks' financial resources comes from Southern countries, the relations of power inside the banks is likely to change, with Southern countries being entitled to much higher quotas of capital and more governing board members.

D. Reserve accumulation in the South and Sovereign Wealth Funds as instruments of foreign exchange reserves

It has traditionally been assumed that, under normal circumstances, capital would flow from developed, capital-rich countries to poorer, capital-poor countries. But this has never quite been the case, as net capital transfers from developing to developed countries have often been the rule rather than the exception. In particular, in the last decade, some developing countries have increased their domestic savings significantly. Furthermore, they have accumulated vast foreign exchange reserves, on a historically unprecedented scale, part of which are invested in their Sovereign Wealth Funds (SWFs) (see Griffith-Jones, 2011).

Between December 2001 and the end of 2010, the value of global reserves increased from $2.05 trillion to $9.3 trillion (chart 37). The bulk of the increase was due to reserves accumulated by developing countries which, as a whole, accounted for more than 80 per cent of global reserve accumulation during this period. By the end of 2010, their reserves approached $6.1 trillion.

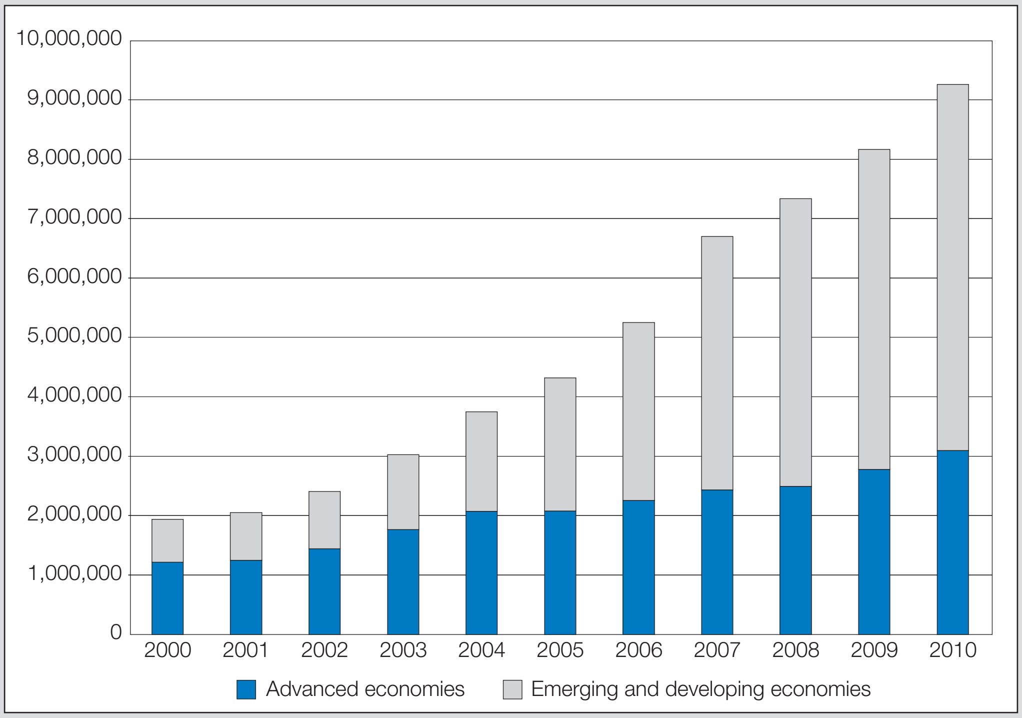
Some developing countries have increased their domestic savings significantly. Furthermore, they have accumulated vast foreign exchange reserves, on a historically unprecedented scale, part of which are invested in their Sovereign Wealth Funds.

Broadly speaking, there are two groups of developing countries that presently hold large foreign exchange reserves. The first group is constituted by commodity exporters, and by oil exporters in particular, who have been accumulating foreign exchange reserves thanks to the boom in commodity prices. Some of these commodity exporters are LDCs. As a result, the size of total reserves held by LDCs more than quadrupled in nominal terms between 2000 and 2009 (table 11)[2].

The second group is constituted by large and medium-sized manufacturing exporters, who have for many years enjoyed trade and balance of payments surpluses. This group is made up by a small number of Asian developing countries.

Such an extraordinary process of reserve accumulation is without parallel in recent history. A significant proportion of those assets has been accumulated

Chart 37. World total foreign exchange reserves, 2000–2010
($ million)



Source: Griffith-Jones, 2011.

Table 11. Reserve accumulation across LDCs, various years

		1980	1990	2000	2005	2006	2007	2008	2009
Total reserves (including gold) in $ million	All LDCs	4'018.6	5'889.0	15'396.1	33'688.7	44'364.6	53'549.5	62'737.5	67'526.6
	Max	940.0	659.6	2'914.0	6'141.1	8'598.6	11'196.8	17'869.4	13'664.1
	Min	1.0	0.0	0.3	25.4	25.4	34.3	57.9	146.0
	Median	48.7	80.6	160.0	249.5	439.7	552.8	650.7	790.0
	No. of LDCs with available data	**33**	**40**	**44**	**45**	**43**	**41**	**40**	**37**
Total reserves in months of imports	LDCs weighted average	5.71	3.15	4.70	4.84	5.18	4.84	4.09	4.90
	Max	12.20	8.59	8.29	9.51	9.70	8.39	7.03	7.43
	Min	0.08	0.09	0.64	0.23	0.46	0.74	0.84	0.96
	Median	1.25	1.91	2.74	3.65	4.01	3.97	3.72	5.29
	No. of LDCs with available data	**31**	**35**	**33**	**34**	**32**	**30**	**28**	**21**

Source: UNCTAD secretariat calculations, based on *World Development Indicators*, online, June 2011.

in SWFs, which are generally run independently from traditional reserve management by central banks and/or finance ministries (Griffith-Jones, 2011; SWF Institute, 2011)[3].

The main reason behind the accumulation of foreign assets in SWFs on the part of commodity exporters was the boom in commodity prices, particularly oil. Oil-producing countries' SWFs account for nearly three quarters of total assets under management by these funds. A second reason for the development of SWFs is the accumulation of international assets by non-commodity-exporting countries that are running persistent current account surpluses (Aizenman and Glick, 2007). Many countries seem to have more reserves than needed for precautionary motives, and have transferred part of them to special investment vehicles to maximize their returns. This is the case of East Asian countries, which have combined SWFs in excess of $800 billion, to be added to their massive foreign exchange reserves.

Such an extraordinary process of reserve accumulation is without parallel in recent history.

Total SWF assets are estimated to be valued at $4.3 trillion, of which $3.5 trillion are owned by developing and emerging countries (SWF, 2011)[4]. It is interesting that three LDCs – East Timor, Kiribati and Mauritania – have SWFs, with total assets of $7 billion. The largest by far is East Timor's SWF, with total assets of $6.3 billion (see table 12)[5].

Total SWF assets are estimated to be valued at $4.3 trillion, of which $3.5 trillion are owned by developing and emerging countries.

Such high levels of foreign exchange reserves and SWFs have some undesirable consequences. At the national level, especially for poor countries such as LDCs, high reserves inherently carry a heavy opportunity cost in terms of development spending and foregone imports. As noted by Ghosh, "the external reserve build-up (which reflected attempts by developing countries to prevent their exchange rates from appreciating and to build a cushion against potential crises) proved quite costly for the developing world, in terms of interest rate

Table 12. Sovereign Wealth Funds in emerging and developing countries, March 2011

	Fund name	Assets ($ billion)	Inception	Origin
United Arab Emirates – Abu Dhabi	Abu Dhabi Investment Authority	627	1976	Oil
Saudi Arabia	SAMA Foreign Holdings	439.1	..	Oil
China	SAFE Investment Company	347.1	1997	Non-commodity
China	China Investment Corporation	332.4	2007	Non-commodity
China, Hong Kong	Hong Kong Monetary Authority Investment Portfolio	292.3	1993	Non-commodity
Kuwait	Kuwait Investment Authority	260	1953	Oil
Singapore	Government of Singapore Investment Corporation	247.5	1981	Non-commodity
China	National Social Security Fund	146.5	2000	Non-commodity
Singapore	Temasek Holdings	145.3	1974	Non-commodity
Russian Federation	National Welfare Fund	142.5[a]	2008	Oil
Qatar	Qatar Investment Authority	85	2005	Oil
Libya	Libyan Investment Authority	70	2006	Oil
Algeria	Revenue Regulation Fund	56.7	2000	Oil
United Arab Emirates – Abu Dhabi	International Petroleum Investment Company	48.2	1984	Oil
Kazakhstan	Kazakhstan National Fund	38.6	2000	Oil
Republic of Korea	Korea Investment Corporation	37	2005	Non-commodity
Malaysia	Khazanah Nasional	36.8	1993	Non-commodity
Brunei	Brunei Investment Agency	30	1983	Oil
Iran, Islamic Republic of	Oil Stabilisation Fund	23	1999	Oil
Chile	Social and Economic Stabilization Fund	21.8	1985	Copper
Azerbaijan	State Oil Fund	21.7	1999	Oil
United Arab Emirates – Dubai	Investment Corporation of Dubai	19.6	2006	Oil
United Arab Emirates – Abu Dhabi	Mubadala Development Company	13.3	2002	Oil
Bahrain	Mumtalakat Holding Company	9.1	2006	Oil
Brazil	Sovereign Fund of Brazil	8.6	2009	Non-commodity
Oman	State General Reserve Fund	8.2	1980	Oil & gas
Botswana	Pula Fund	6.9	1994	Diamonds & minerals
Timor-Leste	Timor-Leste Petroleum Fund	6.3	2005	Oil & gas
Mexico	Oil Revenues Stabilization Fund of Mexico	6.0	2000	Oil
Saudi Arabia	Public Investment Fund	5.3	2008	Oil
China	China-Africa Development Fund	5.0	2007	Non-commodity
Trinidad & Tobago	Heritage and Stabilization Fund	2.9	2000	Oil
United Arab Emirates – Ras Al Khaimah	RAK Investment Authority	1.2	2005	Oil
Venezuela	FEM	0.8	1998	Oil
Vietnam	State Capital Investment Corporation	0.5	2006	Non-commodity
Nigeria	Excess Crude Account	0.5	2004	Oil
Kiribati	Revenue Equalization Reserve Fund	0.4	1956	Phosphates
Indonesia	Government Investment Unit	0.3	2006	Non-commodity
Mauritania	National Fund for Hydrocarbon Reserves	0.3	2006	Oil & gas
United Arab Emirates – Federal	Emirates Investment Authority	..	2007	Oil
Oman	Oman Investment Fund	..	2006	Oil
United Arab Emirates – Abu Dhabi	Abu Dhabi Investment Council	..	2007	Oil

Source: Griffith-Jones, 2011.

a Figure includes Russia's oil stabilization fund.

differentials and unused resources". (Ghosh, 2008: 5; see also *Least Developed Countries Report 2008*). At the global level, however, developing countries' large reserves accumulation may have a positive effect in terms of a potential for expanded South–South financial links and cooperation.

Developing countries' large reserves accumulation may have a positive effect in terms of a potential for expanded South–South financial links and cooperation.

E. Sovereign Wealth Funds as policy tools to promote South–South financial cooperation

Without underestimating the economic, institutional and political difficulties that such an initiative would entail, one promising way in which Southern countries could strengthen the role of regional financial institutions could be through channelling towards them a small share of the financial resources presently managed by their SWFs[6]. This proposal would provide the SWFs with an opportunity to diversify their long-term financial position — currently held mainly in developed countries — and to match their maturity with the long-term maturity of regional development banks' liabilities.

One promising way in which Southern countries could strengthen the role of regional financial institutions could be through channelling towards them a small share of the financial resources presently managed by their SWFs.

Assessing the viability of such an initiative is beyond the scope of this Report and would require a full-fledged feasibility study; however, a "back-of-the-envelope calculation" suggests that this strategy could significantly boost the role of regional development banks, leading to large increases in the availability of development finance. If only 1 per cent of Southern SWF assets were invested into regional development banks, for example, this would increase their paid-in capital by $35 billion. Assuming a conservative ratio of authorized capital to paid-in capital of 2.8 (the value which is actually applied by CAF[7] to its own financial operations), this would translate into an additional $98 billion of authorized capital, corresponding to an additional annual lending capacity of over $84 billion. This figure would be higher than the total lending disbursements to developing countries by all multilateral and regional development banks — including the World Bank and the European Investment Bank — in 2009, the year when their lending activities peaked (at $64 billion) due to the extraordinary credit requirements caused by the global financial crisis.

If only 1 per cent of Southern SWF assets were invested into South–South regional development banks, this would increase their paid-in capital by $35 billion.

A similar boost in regional development banks' lending capacities could clearly play a central role in financing the provision of regional wide infrastructures (thereby facilitating regional trade integration), as well as supporting the development of domestic productive capacities, particularly in the LDCs.

Two important caveats must be taken into account, however, when promoting the development of South–South financial cooperation. First, it is important to distinguish the growing opportunities for South–South financial cooperation from the long-standing responsibilities underlying the traditional development cooperation framework. As stated in the introduction, South–South financial cooperation should be viewed as a complement, rather than as a substitute for, traditional North–South cooperation. The second caveat is that it is important that Southern partners can actively use this new modality for mutual advantage. Increased financial support should go hand-in-hand with increased voice in the governance of regional development banks.

South–South financial cooperation should be viewed as a complement, rather than as a substitute for, traditional North–South cooperation. It is important to convince Southern partners of the value of a small part of their reserve funds going towards financing regional development banks' activities, particularly in LDCs.

F. Conclusions

This chapter has put forward a proposal linking regional development banks to SWFs in order to promote the development of productive capacities in LDCs in a regional context. The proposal would adequately capitalize regional development banks, enabling them to promote the social and industrial infrastructure in LDCs. Regional development banks can play a catalytic role as intermediaries, channelling financial resources held by the emerging and developing countries towards productive capacity-enhancing investments in the LDCs. The rationale of the proposal is twofold. First, the very existence of these reserves in the South is a rather new phenomenon, and the opportunity to exploit their potential as a tool to harness LDCs development should not be missed. Second, the South–South cooperation framework can be particularly suitable to relax the financial constraints limiting LDCs' policy space, as it is less bound by conditionalities with respect to the practices of traditional donors.

This chapter has put forward a proposal linking regional development banks to SWFs in order to promote the development of productive capacities in LDCs in a regional context.

Since the beginning of the twenty-first century, several developing countries have accumulated vast foreign exchange reserves. Between December 2001 and the end of 2010, global reserves quadrupled. Developing countries as a whole accounted for more than 80 per cent of global reserve accumulation during this period. An important part of foreign exchange assets is being placed into SWFs. Total SWFs assets worldwide were estimated at about $4.3 trillion at the end of 2010. The vast majority ($3.5 trillion) of these assets are held by developing countries, among them some LDCs.

Regional development banks can play a catalytic role as intermediaries, channelling financial resources held by the emerging and developing countries towards productive capacity-enhancing investments in the LDCs.

Regional development banks, in particular, have a series of advantages as public financial instruments utilized by governments to promote productive capacity-enhancing investments in a regional South–South cooperation framework. Thanks to their public nature and to their relatively ample policy space, they can overcome those market failures and gaps that make private banks reluctant to lend to the poorest countries — especially in sectors that are crucial for national development, such as infrastructure, the green economy, research and development, and SMEs — as investment in these domains entails relatively long maturities and high risks. Regional development banks can also engage in counter-cyclical lending, providing additional liquidity during crises and securing long-term finance to long-maturing investment projects.

Channelling only 1 per cent of developing and emerging country SWF assets to regional development banks would provide $84 billion of additional annual lending capacity.

Under plausible assumptions, channelling only 1 per cent of developing and emerging country SWF assets to regional development banks would provide $84 billion of additional annual lending capacity, equal to more than the total lending disbursements to developing countries by all multilateral and regional development banks in 2009.

Reserves-holding developing countries might consider the option of financing regional development banks convenient, as expected growth rates in LDCs are likely to remain higher than those of the developed economies for the immediate future. Moreover, the long-term profile of development-oriented projects can be suitable to the risk-averse time preferences of fund managers.

It is important that the new opportunities for South–South cooperation are not confused with the long-standing responsibilities surrounding traditional development cooperation.

Yet, due mainly to its very novelty, this option could be seen by some policy-makers in emerging countries as both financially and politically risky, at least in the beginning. In this respect, it is important that the new opportunities for South–South cooperation are not confused with the long-standing responsibilities surrounding traditional development cooperation, thereby risking weakening those responsibilities. In this context, international initiative aimed at cementing reciprocal trust between LDCs, traditional donors, and new Southern would-be financers would be welcome.

Notes

1 Monterrey Consensus, paragraph 45.
2 In months of imports terms, LDCs' reserves merely stagnated (table 3).
3 It should be noted that some of the reserves accumulated by developing countries are borrowed reserves.
4 See also table 3 for list of developing and emerging country SWFs and their levels of assets; the three LDC assets are marked in dark black in table 4.
5 It is by itself admirable that an LDC commits to build for the future rather than to spend today: a bid to make sure there's something left for the country when the oil runs out. Yet, in such a poor country, there are (quite understandably) major controversies on the trade-offs, between saving for the future and spending on development in the present.
6 The World Bank has also called for the use of 1 per cent of SWFs for the purpose of development (Zoellick, 2008; and Ochoa and Keenan, 2010).
7 CAF, one of the few South–South banks that have been in existence for a long period, is owned mainly by the Andean countries of Latin America.

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ANNEX

STATISTICAL TABLES ON THE LEAST DEVELOPED COUNTRIES

Contents

Explanatory notes

Country groupings used in this Report

As of 1st January 2011, the United Nations category of least developed countries comprises 48 countries, one less than in 2010. Maldives was in this category until its graduation on 1 January 2011.

As the data in this report do not refer beyond the year 2010, the least developed countries covered in this report consist of all the countries in that category in 2010. Maldives is therefore included although it has now graduated.

Least developed countries

Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia.

LDCs geographical classification

African LDCs (and Haiti): Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia (32).

Asian LDCs: Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal and Yemen (8).

Island LDCs: Comoros, Kiribati, Maldives, Samoa, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu (9).

Major economic areas

The classification of countries and territories according to main economic areas used in this document has been adopted for purposes of statistical convenience only and follows that in UNCTAD's Handbook of International Trade and Development Statistics 2011. Countries and territories are classified according to main economic areas as follows:

Developed economies: Andorra, Australia, Austria, Belgium, Bulgaria, Bermuda, Canada, Cyprus, Czech Republic, Denmark, Estonia, Faeroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Holy See, Hungary, Iceland, Ireland, Italy, Israel, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Saint Pierre and Miquelon, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States.

European Union: Andorra, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

Transition economies: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Montenegro, Republic of Moldova, Russian Federation, Serbia, Tajikistan, the former Yugoslav Republic of Macedonia, Turkmenistan, Ukraine, Uzbekistan.

All developing countries: All other countries, territories and areas in Africa, Asia, America, Europe and Oceania not specified above.

Other developing countries: All developing countries excluding LDCs.

Major petroleum exporters (developing economies): Algeria, Angola, Bahrain, Brunei Darussalam, Iran (Islamic Republic of), Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, United Arab Emirates, Venezuela (Bolivarian Republic of), Yemen.

Newly industrialized economies, 1st tier: Hong Kong (Special Administrative Region of China), Republic of Korea, Singapore, Taiwan Province of China.

Newly industrialized economies, 2nd tier: Indonesia, Malaysia, Philippines, Thailand.

Other country groupings

DAC member countries: The countries of the OECD Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Republic of Korea, Spain, Sweden, Switzerland, United Kingdom, United States.

Non-DAC member countries reporting to the OECD-DAC: Czech Republic, Hungary, Iceland, Mexico, Poland, Slovak Republic, Turkey, Thailand and Arab Countries (Algeria, Islamic Republic of Iran, Kuwait, Libya, Qatar, Saudi Arabia, United Arab Emirates).

Other notes

Calculation of annual average growth rates: In general, they are defined as the coefficient *b* in the exponential trend function $y^t = ae^{bt}$ where t stands for time. This method takes all observations in a period into account. Therefore, the resulting growth rates reflect trends that are not unduly influenced by exceptional values.
Population growth rates are calculated as exponential growth rates.
The term "dollars" ($) refers to United States dollars, unless otherwise stated.
Details and percentages in tables do not necessarily add to totals because of rounding.

The following symbols have been used:

A dash (–) indicates that the item is not applicable.
Two dots (..) indicate that the data are not available or are not separately reported.
A zero (0) means that the amount is nil or negligible.
Use of a hyphen (-) between dates representing years, e.g. 1980–1990, signifies the full period involved, including the initial and final years.

Abbreviations

AfDF	African Development Fund
AsDF	Asian Development Fund
CarDB	Caribbean Development Bank
CDP	United Nations Committee for Development Policy
CRED	Centre for Research on the Epidemiology of Disasters
DAC	Development Assistance Committee
EIA	Energy Information Administration
ESAF	Enhanced Structural Adjustment Facility
EVI	Economic Vulnerability Index
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FAOSTAT	FAO statistical database
FDI	Foreign Direct Investment
GAVI	Global Alliance for Vaccines and Immunisation
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
HAI	Human Assets Index
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IDA	International Development Association
IDB	Inter-American Development Bank
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IPU	Inter-parliamentary Union
ITU	International Telecommunication Union
LDC	Least Developed Country
MPI	Multidimensional Poverty Index
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OFDA	Office of US Foreign Disaster Assistance
PRGF	Poverty Reduction and Growth Facility
SAF	Structural Adjustment Facility
SITC	Standard International Trade Classification
TNC	Transnational Corporation
UN DATA	United Nations Data Access System
UNAIDS	Joint United Nations Programme on HIV/AIDS
UN DESA	United Nations Department of Economic and Social Affairs
UNCTAD	United Nations Conference on Trade and Development
UNCTADSTAT	UNCTAD Statistical Database
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UIS	UNESCO Institute for Statistics
UNICEF	United Nations Children’s Fund
UNTA	United Nations Technical Assistance
UNWTO	United Nations World Tourism Organisation
UPU	Universal Postal Union
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organization
WTTC	World Travel an Tourism Council

1. Indicators on least developed countries' development

Country	GNI per capita *(current dollar)*[a]	Economic Vulnerability Index[b] (EVI)	Human Assets Index[c] (HAI)	Income level	Human Development Index (HDI)		Multi-dimensional Poverty Index (MPI)[e]
					Value	*Rank*	*Value*
	2010	*CDP 2009 review*		*July 2011*	*2010*		*2008*
Afghanistan	457[d]	39.5	15.2	Low income	0.35	155	..
Angola	3,960	49.8	26.0	Lower middle income	0.40	146	0.452
Bangladesh	640	23.2	53.3	Low income	0.47	129	0.291
Benin	750	42.5	41.1	Low income	0.44	134	0.412
Bhutan	1920	52.9	58.6	Lower middle income	..	..	..
Burkina Faso	550	43.8	33.2	Low income	0.31	161	0.536
Burundi	160	56.8	22.1	Low income	0.28	166	0.53
Cambodia	760	55.6	57.8	Low income	0.49	124	0.263
Central African Republic	460	45.1	27.2	Low income	0.32	159	0.512
Chad	600	53.5	20.0	Low income	0.29	163	0.344
Comoros	820	56.9	48.2	Low income	0.43	140	0.408
Dem. Rep. of the Congo	180	49.3	22.6	Low income	0.24	168	0.393
Djibouti	1,280[d]	51.2	44.5	Lower middle income	0.40	147	0.139
Equatorial Guinea	14,680	60.5	49.5	High income: non-OECD	0.54	117	..
Eritrea	340	55.5	36.2	Low income	..	..	..
Ethiopia	380	32.0	28.4	Low income	0.33	157	0.582
Gambia	440	56.3	42.6	Low income	0.39	151	0.324
Guinea	380	27.9	37.4	Low income	0.34	156	0.505
Guinea-Bissau	540	60.5	33.8	Low income	0.29	164	..
Haiti	650	52.2	39.8	Low income	0.40	145	0.306
Kiribati	2,010	75.3	87.6	Lower middle income	..	..	..
Lao People's Democratic Republic	1,000	59.9	62.3	Lower middle income	0.50	122	0.267
Lesotho	1,080	49.9	61.9	Lower middle income	0.43	141	0.22
Liberia	190	65.5	30.6	Low income	0.30	162	0.484
Madagascar	440	37.2	45.5	Low income	0.43	135	0.413
Malawi	330	55.9	46.2	Low income	0.38	153	0.384
Maldives	4,270	58.2	87.5	Upper middle income	0.60	107	..
Mali	600	42.3	32.6	Low income	0.31	160	0.564
Mauritania	1,060	47.1	54.6	Lower middle income	0.43	136	0.352
Mozambique	440	48.7	27.5	Low income	0.28	165	0.481
Myanmar	380[d]	37.4	66.0	Low income	0.45	132	0.088
Nepal	490	33.6	58.3	Low income	0.43	138	0.35
Niger	360	45.8	22.8	Low income	0.26	167	0.642
Rwanda	540	55.0	33.0	Low income	0.39	152	0.443
Samoa	2,930	64.3	92.2	Lower middle income	..	..	..
Sao Tome and Principe	1,200	55.0	72.1	Lower middle income	0.49	127	0.236
Senegal	1,050	37.6	40.7	Lower middle income	0.41	144	0.384
Sierra Leone	340	50.7	20.4	Low income	0.32	158	0.489
Solomon Islands	1,030	58.0	64.1	Lower middle income	0.49	123	..
Somalia	2,11d	62.6	9.4	Lower middle income	..	..	0.514
Sudan	1,270	52.9	51.4	Lower middle income	0.38	154	..
Timor-Leste	2,220	56.7	54.0	Lower middle income	0.50	120	..
Togo	440	42.8	42.6	Low income	0.43	139	0.284
Tuvalu	2,749[d]	79.7	88.4	Lower middle income	..	..	..
Uganda	490	51.9	51.3	Low income	0.42	143	..
United Republic of Tanzania	530	31.0	40.6	Low income	0.40	148	0.367
Vanuatu	2,760	62.3	72.3	Lower middle income	..	..	..
Yemen	1,060	44.9	52.1	Lower middle income	0.44	133	0.283
Zambia	1,070	52.8	40.7	Lower middle income	0.39	150	0.325

Source: United Nations Committee for Development Policy (CDP) database, 2009 Review; World Bank, *World Development Indicators* database, May 2011; United Nations, Undata database, May 2011; UNDP *Human Development Report 2010*, May 2011; World Bank economies income classification, July 2011.

a GNI current $ Atlas method, World Bank, *World Development Indicators* database, August 2011.

b EVI:higher values indicate higher vulnerablity. See explanotory notes at http://www.un.org/en/development/desa/policy/cdp/cdp_publications/2008cdphandbook.pdf

c HAI: lower values indicate weaker human asset development. See explanotory notes at http://www.un.org/en/development/desa/policy/cdp/cdp_publications/2008cdphandbook.pdf

d 2009 data for Afghanistan, Djibouti, Myanmar, Somalia and Tuvalu. Source: Undata, National accounts main aggregates database, August 2011.

e MPI : higher values indicate population multidimensionally poor. See explanotory notes for HDR composite indices at http://hdrstats.undp.org/images/explanations/PSE.pdf

2. Real GDP per capita and population: Levels and growth

Country	Real GDP per capita						Annual average growth rates of real GDP per capita			Population			
	Constant 2005 dollars						*Percentage*			*Level (Millions)*	*Annual average growth rates (%)*		
	1990	*2000*	*2005*	*2008*	*2009*	*2010*[a]	*1980–1990*	*1990–2000*	*2000–2010*	*2010*	*1980–1990*	*1990–2000*	*2000–2010*
Afghanistan	280	120	248	303	362	382	-0.3	-7.2	12.3	31.4	-1.3	5.8	3.1
Angola	1 037	873	1 206	1 779	1 723	1 702	0.3	-0.8	8.8	19.1	3.1	3.0	3.2
Bangladesh	265	341	410	477	501	525	1.1	2.6	4.5	148.7	2.7	2.1	1.3
Benin	480	547	571	595	593	591	0.5	1.4	0.7	8.8	2.8	3.2	3.1
Bhutan	608	979	1 221	1 533	1 603	1 682	7.6	5.4	5.7	0.7	2.8	0.0	2.4
Burkina Faso	258	325	382	400	400	411	-0.1	2.5	2.3	16.5	2.6	2.8	3.0
Burundi	204	152	148	153	154	156	1.0	-3.8	0.2	8.4	3.2	1.2	2.9
Cambodia	219	324	471	593	571	598	2.3	3.6	7.1	14.1	4.1	2.7	1.2
Central African Republic	323	333	336	394	393	398	-1.6	0.6	2.0	4.4	2.6	2.4	1.7
Chad	348	358	600	555	532	544	3.1	0.2	4.5	11.2	2.8	3.2	3.1
Comoros	673	600	602	570	562	559	-0.2	-1.3	-0.9	0.7	2.9	2.5	2.7
Dem. Rep. of the Congo	287	118	126	138	138	144	-1.4	-7.8	2.5	66.0	3.0	3.1	2.9
Djibouti	974	846	878	964	994	1 019	-4.5	-1.2	2.0	0.9	5.3	2.6	1.9
Equatorial Guinea	881	4 149	11 856	16 259	16 652	16 061	-3.4	19.7	13.2	0.7	5.6	3.4	3.0
Eritrea[b]	_	264	245	201	202	201	_	3.8	-3.4	5.3	_	1.8	3.6
Ethiopia[c]	_	137	165	212	228	241	_	2.2	6.3	82.9	_	3.0	2.3
Gambia	427	440	419	463	471	484	-1.0	0.0	0.8	1.7	4.5	2.9	2.9
Guinea	291	299	325	331	340	339	0.6	0.6	1.1	10.0	2.6	3.8	1.8
Guinea-Bissau	466	419	419	418	422	428	0.5	-1.6	0.1	1.5	1.9	2.0	2.0
Haiti	638	474	426	436	443	415	-2.0	-2.7	-0.9	10.0	2.3	2.0	1.4
Kiribati	962	1 190	1 148	1 162	1 137	1 139	-1.9	2.1	-0.3	0.1	2.8	1.5	1.7
Lao People's Dem. Rep.	261	379	476	628	665	706	2.4	4.0	6.8	6.2	2.7	2.4	1.5
Lesotho	486	592	641	708	711	720	1.6	2.2	2.1	2.2	2.3	1.9	1.0
Liberia	243	227	161	176	176	178	-6.0	0.6	-2.5	4.0	1.0	3.2	3.6
Madagascar	336	293	282	308	284	271	-1.5	-1.1	0.1	20.7	2.7	3.1	3.0
Malawi	193	210	215	251	262	270	-2.1	1.2	3.3	14.9	4.4	1.7	2.9
Maldives	1 304	2 168	2 540	3 369	3 196	3 406	8.1	5.5	5.2	0.3	3.5	2.2	1.4
Mali	311	356	416	437	443	449	2.0	1.9	2.0	15.4	1.8	2.7	3.1
Mauritania	530	533	572	717	692	707	-1.1	0.1	3.9	3.5	2.8	2.9	2.7
Mozambique	173	237	317	367	374	391	-1.8	4.0	5.0	23.4	1.0	3.1	2.5
Myanmar	83	145	258	352	366	383	-1.2	5.6	10.9	48.0	1.8	1.4	0.6
Nepal	224	285	303	320	335	344	2.2	2.4	1.8	30.0	2.4	2.5	2.0
Niger	266	245	259	270	258	268	-4.3	-0.2	0.7	15.5	2.8	3.5	3.6
Rwanda	241	220	281	338	348	359	-1.7	-1.1	5.3	10.6	3.6	1.3	2.5
Samoa	1 624	1 909	2 416	2 498	2 445	2 436	0.6	1.8	2.6	0.2	0.4	0.9	0.3
Sao Tome and Principe	739	707	861	1 010	1 033	1 061	-3.1	-0.3	4.5	0.2	2.0	2.0	1.6
Senegal	708	729	801	820	816	828	0.1	0.6	1.4	12.4	3.0	2.7	2.7
Sierra Leone	452	197	289	317	323	332	0.1	-8.9	4.8	5.9	2.4	0.2	3.5
Solomon Islands	1 042	945	874	1 040	993	1 024	-0.9	0.2	2.1	0.5	3.2	2.9	2.6
Somalia	395	267	277	280	281	282	1.6	-4.3	0.5	9.3	0.0	1.1	2.3
Sudan	473	739	916	1 094	1 115	1 142	-2.6	4.7	4.5	43.6	2.8	2.6	2.5
Timor-Leste[d]	_	_	346	389	410	425	0.0	0.0	2.8	1.1	_	_	2.6[d]
Togo	495	415	390	397	401	406	-1.4	-0.9	0.0	6.0	3.3	2.7	2.3
Tuvalu	1 401	2 059	2 366	2 463	2 507	2 507	5.5	3.2	1.9	0.0	1.2	0.4	0.4
Uganda	211	301	353	405	419	427	0.1	4.1	3.8	33.4	3.4	3.2	3.3
United Rep. of Tanzania	269	303	373	421	434	448	-0.4	1.0	4.1	44.8	3.1	2.9	2.8
Vanuatu	1 849	2 084	1 925	2 168	2 233	2 228	3.1	0.7	1.5	0.2	2.4	2.3	2.7
Yemen[e]	609	801	866	896	903	946	0.8	3.7	1.5	24.1	3.7 e	4.0	3.1
Zambia	685	564	634	703	707	727	-2.1	-2.1	2.7	13.1	3.1	2.6	2.5
LDCs	**301**	**329**	**404**	**473**	**484**	**497**	**-0.4**	**1.2**	**4.5**	**832.6**	**2.6**	**2.6**	**2.3**
African LDCs and Haiti	*334*	*334*	*403*	*472*	*476*	*484*	*-1.0*	*0.4*	*4.1*	*526.1*	*2.8*	*2.8*	*2.7*
Asian LDCs	*246*	*315*	*398*	*467*	*489*	*513*	*1.0*	*2.7*	*5.2*	*303.1*	*2.3*	*2.4*	*1.6*
Island LDCs[f]	*1 090*	*1 226*	*979*	*1 110*	*1 091*	*1 117*	*0.8*	*1.4*	*-0.8*	*3.4*	*2.6*	*2.3*	*6.2*
Other developing countries	**1 416**	**1 943**	**2 362**	**2 786**	**2 822**	**3 000**	**1.6**	**3.3**	**4.8**	**4 712.5**	**2.1**	**1.6**	**1.2**
All developing countries	**1 276**	**1 722**	**2 080**	**2 445**	**2 474**	**2 624**	**1.5**	**3.1**	**4.7**	**5 545.1**	**2.1**	**1.7**	**1.4**

Source: UNCTAD, UNCTADstat database, August 2011.

a 2010, preliminary data; *b* Eritrea, data start in 1992; *c* Ethiopia, data start in 1992; *d* Timor-Leste, data start in 2003;

e Yemen, prior 1990 include Yemen (former Arab Republic) and Yemen (former Democratic).

f Timor-Leste, data start in 2003, thereby causing a break in the series.

3. Real GDP, total and per capita : Annual average growth rates
(2005 dollars, percentage)

Country	Real GDP							Real GDP per capita						
	1980–1990	*1990–2000*	*2000–2009*	*2007*	*2008*	*2009*	*2010[a]*	*1980–1990*	*1990–2000*	*2000–2009*	*2007*	*2008*	*2009*	*2010[a]*
Afghanistan	-1.6	-1.8	15.9	16.2	2.3	22.5	8.2	-0.3	-7.2	12.3	13.3	-0.1	19.6	5.4
Angola	3.4	2.2	12.3	20.3	13.2	-0.4	1.6	0.3	-0.8	8.8	16.7	10.0	-3.2	-1.2
Bangladesh	3.8	4.7	5.9	6.4	6.2	6.0	6.0	1.1	2.6	4.5	5.2	5.1	4.9	4.8
Benin	3.3	4.6	3.8	4.6	5.0	2.7	2.5	0.5	1.4	0.7	1.5	2.0	-0.2	-0.4
Bhutan	10.6	5.4	8.3	19.7	5.0	6.3	6.7	7.6	5.4	5.7	17.3	3.0	4.5	4.9
Burkina Faso	2.5	5.4	5.4	3.6	4.5	3.2	5.8	-0.1	2.5	2.3	0.6	1.4	0.2	2.7
Burundi	4.2	-2.6	3.1	3.2	4.3	3.5	3.9	1.0	-3.8	0.2	0.1	1.2	0.6	1.2
Cambodia	6.5	6.4	8.4	10.2	6.7	-2.7	6.0	2.3	3.6	7.1	9.0	5.5	-3.8	4.8
Central African Republic	1.0	3.0	3.8	8.7	5.5	1.7	3.3	-1.6	0.6	2.0	6.7	3.5	-0.2	1.4
Chad	6.0	3.4	7.8	0.1	0.3	-1.6	5.1	3.1	0.2	4.5	-2.6	-2.3	-4.1	2.3
Comoros	2.7	1.2	1.8	0.5	1.0	1.1	2.1	-0.2	-1.3	-0.9	-2.2	-1.7	-1.5	-0.5
Dem. Rep. of the Congo	1.6	-4.9	5.5	6.3	6.2	2.8	7.2	-1.4	-7.8	2.5	3.3	3.3	0.0	4.4
Djibouti	0.6	1.3	4.0	4.8	5.8	5.1	4.5	-4.5	-1.2	2.0	2.8	3.8	3.1	2.6
Equatorial Guinea	2.0	23.7	16.6	23.2	15.2	5.3	-0.8	-3.4	19.7	13.2	19.7	12.0	2.4	-3.5
Eritrea[b]	_	5.7	0.2	1.4	-9.8	3.6	2.2	_	3.8	-3.4	-1.8	-12.5	0.5	-0.8
Ethiopia[c]	_	5.3	8.8	11.1	11.3	9.9	8.0	_	2.2	6.3	8.7	8.9	7.5	5.7
Gambia	3.5	3.0	3.7	6.3	6.1	4.6	5.7	-1.0	0.0	0.8	3.3	3.2	1.7	2.9
Guinea	3.2	4.4	2.9	1.8	4.7	4.9	1.9	0.6	0.6	1.1	-0.1	2.7	2.7	-0.3
Guinea-Bissau	2.4	0.4	2.1	0.3	3.5	3.0	3.5	0.5	-1.6	0.1	-1.7	1.4	0.9	1.3
Haiti	0.2	-0.8	0.6	3.3	0.8	2.9	-5.1	-2.0	-2.7	-0.9	2.0	-0.5	1.6	-6.3
Kiribati	0.8	3.7	1.4	-0.5	3.4	-0.7	1.8	-1.9	2.1	-0.3	-2.0	1.8	-2.2	0.2
Lao People's Dem. Rep.	5.1	6.5	8.5	18.2	7.8	7.5	7.7	2.4	4.0	6.8	16.4	6.2	5.9	6.2
Lesotho	3.9	4.0	3.1	2.3	4.4	1.4	2.4	1.6	2.2	2.1	1.3	3.3	0.4	1.4
Liberia	-5.0	3.9	0.9	9.4	7.1	4.6	5.1	-6.0	0.6	-2.5	4.3	1.8	-0.3	1.0
Madagascar	1.2	2.0	3.2	6.3	7.1	-5.0	-2.0	-1.5	-1.1	0.1	3.2	4.0	-7.8	-4.8
Malawi	2.2	2.9	6.3	8.6	9.0	7.5	6.6	-2.1	1.2	3.3	5.5	5.8	4.3	3.3
Maldives	11.9	7.8	6.7	6.1	6.3	-3.9	8.0	8.1	5.5	5.2	4.7	4.9	-5.1	6.6
Mali	3.8	4.6	5.2	4.3	5.0	4.4	4.5	2.0	1.9	2.0	1.1	1.8	1.3	1.3
Mauritania	1.6	3.0	6.8	1.0	3.7	-1.1	4.7	-1.1	0.1	3.9	-1.6	1.1	-3.5	2.2
Mozambique	-0.8	7.2	7.7	7.3	6.7	4.3	7.0	-1.8	4.0	5.0	4.7	4.2	1.9	4.6
Myanmar	0.6	7.0	11.6	12.0	10.1	4.8	5.3	-1.2	5.6	10.9	11.3	9.4	4.1	4.5
Nepal	4.6	4.9	3.9	3.2	4.7	6.5	4.6	2.2	2.4	1.8	1.2	2.8	4.6	2.7
Niger	-1.6	3.3	4.3	3.3	5.9	-0.9	7.5	-4.3	-0.2	0.7	-0.3	2.2	-4.4	3.8
Rwanda	1.8	0.1	8.0	7.7	11.6	6.0	6.5	-1.7	-1.1	5.3	4.7	8.3	2.8	3.4
Samoa	0.9	2.8	2.9	6.4	-3.0	-1.8	0.0	0.6	1.8	2.6	6.1	-3.3	-2.1	-0.4
Sao Tome and Principe	-1.1	1.6	6.2	5.2	5.8	4.0	4.5	-3.1	-0.3	4.5	3.6	4.2	2.3	2.7
Senegal	3.1	3.3	4.2	4.9	3.3	2.2	4.2	0.1	0.6	1.4	2.1	0.6	-0.5	1.5
Sierra Leone	2.6	-8.8	8.6	6.4	4.3	4.4	5.0	0.1	-8.9	4.8	3.4	1.8	2.1	2.7
Solomon Islands	2.3	3.0	4.7	11.8	7.3	-2.2	5.6	-0.9	0.2	2.1	9.0	4.7	-4.5	3.1
Somalia	1.6	-3.2	2.9	2.6	2.6	2.6	2.6	1.6	-4.3	0.5	0.4	0.4	0.4	0.3
Sudan	0.1	7.4	7.1	10.2	6.8	4.5	5.1	-2.6	4.7	4.5	7.4	4.2	1.9	2.5
Timor-Leste[d]	_	_	5.4	16.2	6.8	7.4	6.0	_	_	2.8	13.8	4.9	5.4	3.7
Togo	1.8	1.8	2.3	2.1	2.4	3.3	3.4	-1.4	-0.9	0.0	-0.1	0.2	1.1	1.2
Tuvalu	6.7	3.6	2.4	2.0	2.0	2.0	0.2	5.5	3.2	1.9	1.7	1.7	1.8	0.0
Uganda	3.5	7.4	7.2	8.1	9.2	7.1	5.2	0.1	4.1	3.8	4.6	5.7	3.7	1.9
United Rep. of Tanzania	2.8	4.0	7.0	7.1	7.4	6.2	6.2	-0.4	1.0	4.1	4.2	4.3	3.2	3.1
Vanuatu	5.5	3.1	4.2	6.7	6.3	5.6	2.2	3.1	0.7	1.5	4.0	3.7	3.0	-0.3
Yemen[e]	4.6	7.9	4.7	4.4	4.7	3.9	8.0	0.8	3.7	1.5	1.2	1.5	0.7	4.8
Zambia	1.0	0.5	5.3	6.3	6.0	3.4	5.7	-2.1	-2.1	2.7	3.6	3.2	0.6	2.8
LDCs	**2.2**	**3.9**	**6.9**	**8.6**	**7.0**	**4.6**	**5.1**	**-0.4**	**1.2**	**4.5**	**6.2**	**4.7**	**2.3**	**2.8**
African LDCs and Haiti	*1.7*	*3.2*	*7.0*	*9.1*	*7.6*	*3.7*	*4.3*	*-1.0*	*0.4*	*4.1*	*6.2*	*4.8*	*0.9*	*1.6*
Asian LDCs	*3.4*	*5.2*	*6.9*	*7.7*	*6.1*	*6.2*	*6.3*	*1.0*	*2.7*	*5.2*	*6.2*	*4.7*	*4.7*	*4.8*
Island LDCs[f]	*3.4*	*3.7*	*5.9*	*7.1*	*4.5*	*0.3*	*4.5*	*0.8*	*1.4*	*-0.8*	*4.9*	*2.5*	*-1.7*	*2.4*
Other developing countries	**3.7**	**4.9**	**6.1**	**8.0**	**5.3**	**2.5**	**7.5**	**1.6**	**3.3**	**4.8**	**6.7**	**4.0**	**1.3**	**6.3**
All developing countries	**3.7**	**4.9**	**6.1**	**8.0**	**5.3**	**2.5**	**7.4**	**1.5**	**3.1**	**4.7**	**6.5**	**3.9**	**1.2**	**6.0**

Source: UNCTAD, UNCTADstat database, August 2011.
a 2010, preliminary data; *b* Eritrea, data start in 1992; *c* Ethiopia, data start in 1992; *d* Timor-Leste, data start in 2003;
e Yemen, prior to 1990 include Yemen (former arab republic) and Yemen (former democratic);
f Timor-Leste, data start in 2003, thereby causing a break in the series.

4 . Agricultural sector: Shares and production, total and per capita
(Annual average growth rates)

Country	Percentage share of agriculture in:				Total agricultural production[a]					Per capita agricultural production[a]				
	Total labour force		*Share of GDP*		*Annual average growth rates*					*Annual average growth rates*				
	1990	*2009*	*1990*	*2009*	*1990-1999*	*2000-2009*	*2007*	*2008*	*2009*	*1990-1999*	*2000-2009*	*2007*	*2008*	*2009*
Afghanistan	68.0	60.1	35.7	37.3	5.2	2.6	9.5	-12.0	20.3	-0.3	-1.0	5.7	-15.1	16.5
Angola	74.5	69.5	18.0	8.6	4.1	6.6	6.9	1.5	20.7	1.1	3.6	4.0	-0.8	17.8
Bangladesh	65.0	46.3	31.5	18.6	2.3	3.5	5.1	7.6	-2.9	0.3	1.9	3.7	6.3	-5.0
Benin	63.2	45.3	35.4	35.0	6.5	0.4	-5.3	10.5	-0.1	3.1	-2.9	-8.0	7.5	-3.5
Bhutan	93.1	93.0	39.0	20.6	3.0	7.4	-2.1	-0.6	-0.6	3.3	4.8	-3.8	-2.3	-2.4
Burkina Faso	92.4	92.1	28.8	34.6	4.2	4.1	-18.4	24.4	-3.0	1.4	0.6	-21.4	20.7	-6.3
Burundi	92.0	89.4	61.9	45.5	-1.7	1.1	1.0	-2.3	0.0	-3.0	-1.7	-2.1	-4.3	-3.4
Cambodia	73.7	66.3	56.5	32.7	5.1	8.2	5.2	9.0	4.6	2.2	6.4	3.6	7.0	3.3
Central African Republic	80.1	64.2	47.6	58.4	3.9	1.7	3.9	2.0	2.3	1.3	-0.2	2.0	0.0	1.0
Chad	82.9	66.8	39.2	20.6	4.9	1.9	-8.3	11.0	0.6	1.7	-1.3	-10.6	8.3	-2.2
Comoros	77.3	69.9	40.4	48.2	2.1	1.4	3.9	0.0	0.0	-0.8	-1.1	1.1	-2.1	-2.2
Dem. Rep. of the Congo	67.5	57.8	31.8	41.9	-2.7	-0.1	0.6	-0.4	-0.4	-5.9	-3.1	-2.5	-2.5	-3.9
Djibouti	81.9	74.7	3.1	3.7	-0.5	4.5	11.8	0.0	0.0	-3.0	2.6	9.4	-1.6	-1.6
Equatorial Guinea	74.1	65.1	61.9	3.2	-0.1	-0.9	1.4	-1.4	-2.2	-3.4	-3.6	-1.3	-3.9	-4.1
Eritrea[b]	_	74.1	_	24.2	6.3	5.0	8.0	0.7	0.0	4.4	1.2	4.4	-2.1	-3.2
Ethiopia[c]	_	77.9	41.1	46.7	4.9	4.7	0.6	5.5	3.8	1.8	2.0	-2.6	2.7	1.7
Gambia	82.1	76.2	15.4	27.7	1.8	0.8	-29.5	44.7	18.5	-2.0	-2.2	-31.3	41.8	15.4
Guinea	87.1	80.2	19.5	24.7	3.4	3.3	3.1	4.0	1.4	0.0	1.2	0.9	1.9	-0.9
Guinea-Bissau	85.4	79.7	44.6	44.9	3.2	2.6	1.4	0.2	0.5	0.6	0.2	-1.0	-1.9	-2.0
Haiti	68.5	59.3	35.8	26.8	-0.6	1.7	9.9	-3.8	0.0	-2.6	0.0	8.3	-5.8	-1.0
Kiribati	30.3	23.4	28.0	27.1	4.2	3.6	2.2	-2.9	0.0	2.7	1.8	1.8	-5.3	-0.9
Lao People's Dem. Rep.	78.3	75.1	61.2	31.6	3.5	4.1	9.0	9.7	1.4	0.8	2.4	7.2	7.6	0.0
Lesotho	44.4	39.5	18.6	8.5	2.0	-2.4	2.5	-20.2	0.0	0.4	-3.4	1.2	-20.7	0.0
Liberia	72.3	62.7	53.4	63.7	3.8	2.1	10.2	0.9	0.1	1.6	-1.5	5.9	-4.4	-3.5
Madagascar	78.8	70.6	31.8	26.8	1.0	2.2	-4.6	1.7	0.0	-2.0	-0.6	-7.1	-1.1	-2.2
Malawi	86.9	79.6	41.6	29.1	5.1	4.1	12.6	2.9	0.0	3.1	1.2	9.1	0.0	-2.8
Maldives	33.3	15.9	14.3	4.9	3.5	-0.1	-2.8	-1.9	-4.0	1.0	-1.5	-4.2	-3.3	-5.6
Mali	85.1	75.6	47.8	39.2	3.5	5.2	4.4	10.9	11.3	1.5	2.8	1.9	8.3	8.5
Mauritania	54.9	50.4	37.0	18.4	1.6	1.6	1.0	0.2	1.4	-1.1	-1.0	-1.0	-2.1	-1.1
Mozambique	84.4	80.8	37.1	27.9	7.5	2.8	-6.3	6.8	0.0	4.2	0.3	-8.6	4.2	-2.0
Myanmar	73.4	67.4	57.3	48.0	4.6	6.0	3.6	-0.7	-0.5	3.2	5.2	3.4	-1.9	-1.3
Nepal	93.4	93.0	48.4	32.6	2.7	2.8	-0.6	6.2	3.4	0.2	0.7	-2.9	4.9	0.9
Niger	88.4	83.2	34.0	43.6	5.1	7.3	4.4	25.7	-0.1	1.7	3.4	0.9	20.9	-4.3
Rwanda	92.0	89.6	43.1	36.1	-2.0	3.1	0.1	3.3	0.6	-1.9	0.7	-2.7	0.9	-2.8
Samoa	42.9	28.1	20.5	11.7	2.0	1.4	3.1	-0.3	0.6	1.1	1.3	2.8	0.0	0.0
Sao Tome and Principe	68.6	58.2	27.6	16.7	6.0	1.0	5.5	-3.5	2.2	4.1	-0.7	4.2	-5.0	0.0
Senegal	76.4	70.6	19.1	18.5	1.4	3.6	-12.4	56.7	6.9	-1.3	0.9	-14.3	53.0	4.0
Sierra Leone	70.9	60.6	46.9	58.2	-1.3	9.5	-1.8	-0.1	0.1	-1.2	5.8	-4.9	-2.6	-2.0
Solomon Islands	75.2	68.1	45.5	35.6	3.2	2.5	2.4	0.8	0.4	0.4	-0.1	0.0	-2.0	-2.1
Somalia	74.1	66.1	69.3	60.2	2.0	0.4	-0.5	0.0	0.0	1.1	-1.9	-2.2	-2.3	-2.3
Sudan	68.7	52.5	40.6	28.8	5.9	1.6	0.1	-0.7	2.1	3.3	-0.6	-2.9	-3.0	0.0
Timor-Leste[d]	_	79.8	_	30.5	_	0.5	-5.2	2.6	0.0	_	-3.3	-8.0	-1.2	-2.5
Togo	65.6	54.0	37.9	47.2	4.6	1.4	3.9	3.0	0.0	1.7	-1.2	1.1	1.1	-3.3
Tuvalu	33.3	25.0	25.6	17.5	0.1	1.6	3.0	0.0	0.0	0.0	1.6	2.8	0.0	0.0
Uganda	84.5	75.4	42.5	23.0	2.3	0.8	2.6	2.9	1.0	-0.9	-2.3	0.0	-1.2	-2.4
United Republic of Tanzania	84.5	76.4	33.1	30.2	1.2	3.7	1.8	1.0	-0.2	-1.9	1.0	-0.9	-1.8	-2.8
Vanuatu	43.7	31.2	22.5	21.3	1.3	1.9	1.9	-0.7	-1.0	-1.1	-0.8	-1.1	-3.3	-3.4
Yemen	56.3	39.8	23.7	10.0	3.6	4.2	9.4	4.5	3.1	-0.5	1.3	6.8	0.9	0.9
LDCs	**75.4**	**65.7**	**34.8**	**26.3**	**2.8**	**3.5**	**2.0**	**4.5**	**1.5**	**0.2**	**1.1**	**-0.3**	**2.1**	**-0.8**
African LDCs and Haiti	*79.7*	*71.5*	*34.0*	*27.7*	*2.5*	*2.9*	*0.1*	*5.3*	*2.3*	*-0.3*	*0.1*	*-2.5*	*2.5*	*-0.4*
Asian LDCs	*69.7*	*57.0*	*36.6*	*24.0*	*3.4*	*4.4*	*4.5*	*3.5*	*0.5*	*1.0*	*2.6*	*2.7*	*1.8*	*-1.1*
Island LDCs	*68.8*	*60.2*	*29.7*	*22.7*	*2.0*	*1.6*	*0.9*	*0.1*	*0.0*	*-0.2*	*-5.6*	*-1.5*	*-2.2*	*-2.3*
Other developing countries	**58.8**	**46.6**	**13.3**	**9.2**	**3.9**	**3.3**	**3.4**	**3.0**	**0.4**	**2.3**	**1.9**	**2.1**	**1.8**	**-0.8**
All developing countries	**60.8**	**49.3**	**14.2**	**9.7**	**3.8**	**3.3**	**3.2**	**3.1**	**0.5**	**2.0**	**1.8**	**1.8**	**1.7**	**-0.9**

Source: FAO, *FAOSTAT* database, online, May 2011; UNCTAD, UNCTADstat database, August 2011.

a Based on Agricultural Production Index total and per capita, base year =1999–2001; *b* Eritrea, data start in 1992; *c* Ethiopia, data start in 1992; *d* Timor Leste, data start in 2003; Agricultural Production Index data, base year 1999–2001, estimated.

5 . Food production, total and per capita: Annual average growth rates
(Percentage)

Country	Total food production[a]					Net per capita food production[a]				
	1990-1999	*2000-2009*	*2007*	*2008*	*2009*	*1990-1999*	*2000-2009*	*2007*	*2008*	*2009*
Afghanistan	5.3	2.6	10.1	-12.5	21.0	-0.2	-0.9	6.8	-16.0	17.7
Angola	4.3	6.7	6.6	1.9	20.7	1.2	3.7	4.0	-0.8	17.7
Bangladesh	2.4	3.7	5.9	7.9	-2.9	0.4	2.0	3.7	6.3	-4.2
Benin	5.7	1.2	-7.0	9.4	0.0	2.3	-2.0	-9.7	7.1	-3.3
Bhutan	3.1	7.5	-1.9	-0.6	-0.6	3.3	4.8	-3.8	-2.3	-1.6
Burkina Faso	3.7	3.5	-10.2	20.2	-0.7	0.8	0.1	-12.5	15.4	-3.8
Burundi	-1.5	1.3	2.7	-2.7	0.0	-2.7	-1.6	0.0	-5.4	-2.3
Cambodia	5.2	8.3	5.2	8.6	4.5	2.2	6.5	3.6	6.9	3.2
Central African Republic	4.0	2.1	4.4	1.7	1.7	1.4	0.2	2.0	0.0	0.0
Chad	4.9	2.5	-9.0	11.7	0.8	1.7	-0.7	-11.1	9.1	-2.1
Comoros	2.1	1.4	3.7	0.0	0.0	-0.8	-1.0	2.2	-3.2	-2.2
Dem. Rep. of the Congo	-2.7	0.0	1.0	-1.0	1.0	-5.8	-3.0	-2.5	-2.5	-2.6
Djibouti	-0.5	4.5	12.2	0.0	0.0	-3.0	2.6	9.4	-1.6	-1.6
Equatorial Guinea	0.6	-0.9	1.1	-1.1	-3.3	-2.7	-3.6	0.0	-5.2	-4.1
Eritrea[b]	6.5	5.0	7.8	0.8	0.0	4.6	1.2	4.4	-2.1	-3.2
Ethiopia[c]	5.0	4.8	-0.7	6.7	4.9	2.1	2.1	-3.4	3.5	1.7
Gambia	2.0	0.8	-29.9	45.6	18.2	-1.8	-2.1	-31.3	41.8	15.4
Guinea	3.3	3.6	2.5	4.8	1.5	0.0	1.5	0.9	2.8	-0.9
Guinea-Bissau	3.2	2.6	0.8	0.8	0.0	0.8	0.2	-1.0	-1.9	-2.0
Haiti	-0.5	1.6	8.5	-2.6	0.0	-2.4	-0.2	7.4	-3.9	-2.0
Kiribati	4.2	3.6	2.4	-2.3	0.0	2.7	1.8	1.8	-5.3	-0.9
Lao People's Dem. Rep.	4.2	4.1	6.3	8.1	1.4	1.5	2.3	3.5	6.7	0.0
Lesotho	2.5	-2.9	3.4	-21.7	0.0	0.8	-3.9	1.2	-22.4	0.0
Liberia	2.1	3.6	12.0	8.3	0.0	0.0	-0.1	8.0	3.2	-4.1
Madagascar	1.2	2.4	-5.1	1.8	0.0	-1.8	-0.5	-7.1	-1.1	-2.2
Malawi	6.8	3.6	15.8	-2.3	0.0	4.6	0.7	12.5	-4.6	-2.9
Maldives	3.5	0.0	-1.9	-2.0	-4.0	1.0	-1.5	-4.2	-3.3	-5.6
Mali	2.5	7.4	9.8	13.7	10.2	0.4	4.8	7.8	10.5	8.0
Mauritania	1.6	1.6	0.9	0.0	1.8	-1.1	-1.0	-1.0	-2.1	-1.1
Mozambique	7.4	0.7	-8.2	1.0	0.0	4.2	-1.9	-10.6	-1.2	-2.4
Myanmar	4.6	6.1	3.8	-1.2	0.0	3.2	5.3	2.6	-1.3	-1.3
Nepal	2.7	2.8	-0.8	6.8	3.2	0.2	0.7	-2.9	3.9	1.9
Niger	5.1	7.4	4.2	25.7	0.0	1.6	3.5	0.9	20.7	-4.3
Rwanda	-1.9	3.1	0.0	3.1	0.0	-1.8	0.7	-1.8	0.0	-2.8
Samoa	2.0	1.4	3.7	-0.9	0.9	1.2	1.3	2.8	0.0	0.0
Sao Tome and Principe	6.1	1.0	5.7	-3.6	2.8	4.1	-0.7	4.2	-5.0	0.0
Senegal	1.8	3.8	-12.2	57.0	8.1	-1.0	1.1	-15.6	55.4	5.0
Sierra Leone	-1.2	9.8	-2.0	0.0	0.0	-1.1	6.1	-4.8	-2.5	-2.0
Solomon Islands	3.2	2.5	2.6	0.9	0.8	0.4	-0.1	0.0	-2.0	-2.1
Somalia	2.1	0.4	0.0	0.0	0.0	1.1	-1.9	-2.2	-2.3	-2.3
Sudan	6.4	1.7	0.0	0.9	1.7	3.6	-0.5	-2.0	-2.0	0.0
Timor-Leste[d]	_	0.9	-6.1	3.7	0.0	_	-2.9	-8.8	0.0	-3.6
Togo	4.5	3.9	3.3	5.6	0.0	1.4	1.3	1.0	2.9	-2.8
Tuvalu	0.1	1.6	2.7	0.0	0.0	0.0	1.6	2.8	0.0	0.0
Uganda	1.9	0.9	1.9	1.9	1.8	-1.4	-2.4	-2.3	-1.2	-1.2
United Republic of Tanzania	1.3	3.6	0.0	1.5	0.0	-1.7	0.8	-2.7	-0.9	-2.8
Vanuatu	1.4	1.9	1.9	-0.9	-0.9	-1.1	-0.8	-1.1	-3.3	-3.4
Yemen	3.4	4.1	9.0	5.3	2.9	-0.7	1.2	6.9	1.8	0.0
Zambia	1.1	3.0	-2.5	0.0	14.4	-1.7	0.7	-4.8	-2.0	11.2
LDCs	**3.8**	**3.6**	**2.2**	**4.4**	**1.7**	**1.1**	**1.2**	**-0.2**	**2.0**	**-0.6**
African LDCs and Haiti	*4.0*	*3.0*	*0.3*	*5.2*	*2.7*	*1.2*	*0.2*	*-2.4*	*2.4*	*0.0*
Asian LDCs	*3.5*	*4.5*	*4.6*	*3.4*	*0.5*	*1.1*	*2.7*	*2.8*	*1.7*	*-1.1*
Island LDCs	*1.9*	*1.7*	*0.9*	*0.1*	*0.0*	*-0.3*	*-5.5*	*-1.5*	*-2.2*	*-2.3*
Other developing countries	**4.2**	**3.2**	**3.4**	**3.3**	**0.4**	**2.5**	**1.9**	**2.1**	**2.0**	**-0.8**
All developing countries	**4.2**	**3.3**	**3.3**	**3.4**	**0.5**	**2.3**	**1.8**	**1.8**	**1.9**	**-0.9**

Source: FAO, *FAOSTAT* database, May 2011.
Notes: Country groups: weighted averages;
a based on Food Production Index total and per capita, base year =1999–2001;
b Eritrea, data start in 1993; *c* Ethiopia, data start in 1993;
d Timor Leste, data start in 2003; Food Production Index data, base year 1999–2001, estimated.

6. The manufacturing sector: Shares in GDP and annual average growth rates
(Percentage)

Country	Share in GDP (current dollar)				Annual average growth rate (constant 2005 dollar)					
	1980	*1990*	*2000*	*2009*	*1980–1990*	*1990–2000*	*2000–2009*	*2007*	*2008*	*2009*
Afghanistan	21.4	20.3	16.9	17.0	-3.7	-4.8	14.7	5.1	4.5	40.0
Angola	9.4	4.9	3.0	0.9	-3.3	-0.3	12.2	17.1	13.8	0.1
Bangladesh	17.0	13.4	15.2	17.9	2.8	7.0	7.8	9.7	7.2	5.9
Benin	7.3	7.5	8.9	8.1	5.3	5.6	2.0	2.6	3.3	4.5
Bhutan	2.9	8.4	8.4	8.4	12.9	8.9	9.3	25.1	12.9	-0.1
Burkina Faso	12.7	14.3	13.1	12.0	2.0	3.9	7.3	4.5	2.5	4.2
Burundi	5.2	10.2	10.4	9.7	14.0	-4.4	2.1	0.5	-1.5	8.4
Cambodia	6.2	5.3	16.9	18.2	6.7	13.8	11.7	8.9	3.1	0.0
Central African Republic	11.3	11.3	7.0	7.0	0.6	0.7	-1.5	-7.4	1.5	10.5
Chad	13.4	14.6	9.1	5.8	7.9	0.2	3.2	-4.7	4.4	-2.5
Comoros	3.9	4.1	4.5	4.1	4.8	1.2	1.4	0.5	1.0	1.1
Dem. Rep. of the Congo	15.2	9.1	4.8	5.7	-2.4	-8.8	4.6	5.1	2.7	5.5
Djibouti	9.7	3.6	2.6	2.7	3.1	-2.0	3.5	5.3	5.6	5.0
Equatorial Guinea	1.3	1.6	0.2	0.2	2.8	4.7	9.3	16.5	22.5	11.0
Eritrea[a]	_	_	11.2	5.8	_	9.8	-8.5	-6.1	-0.7	-0.2
Ethiopia[b]	_	_	5.5	4.4	_	7.9	7.3	8.3	7.1	13.7
Gambia	9.0	7.6	6.6	5.8	3.3	1.3	3.3	1.4	12.1	2.4
Guinea	3.0	3.0	3.0	7.1	3.1	3.7	2.9	-0.1	4.0	3.2
Guinea-Bissau	11.1	7.4	9.7	11.9	-1.3	2.8	5.4	-8.7	0.5	8.5
Haiti	19.1	15.5	7.2	7.3	-1.6	-6.3	0.8	1.3	-0.1	3.7
Kiribati	5.4	9.6	4.9	5.8	4.3	1.9	4.5	17.1	4.4	-4.6
Lao People's Dem. Rep.	9.6	10.0	7.8	10.5	6.6	11.7	11.2	21.6	9.4	6.8
Lesotho	4.6	9.6	13.7	19.8	10.1	7.8	6.5	1.2	3.2	5.1
Liberia	9.2	11.2	0.3	7.2	-2.0	-37.9	23.9	25.0	1.7	6.5
Madagascar	16.1	12.2	12.2	14.5	0.7	2.4	3.6	8.2	6.4	-5.2
Malawi	17.3	19.5	11.4	10.0	3.6	0.1	9.7	3.6	12.2	7.2
Maldives	7.5	8.8	7.7	6.6	11.9	4.9	3.6	3.4	2.8	-2.5
Mali	4.3	8.1	7.2	5.6	8.8	7.1	0.2	-12.0	-14.4	1.0
Mauritania	5.6	8.9	7.4	5.4	4.3	4.9	2.8	2.0	0.4	0.7
Mozambique	24.4	12.7	12.0	14.7	-3.8	8.6	8.3	3.1	1.0	9.7
Myanmar	9.5	7.8	7.2	11.8	-0.1	7.9	17.4	21.2	17.8	-2.2
Nepal	4.5	6.0	9.2	6.8	9.3	8.9	0.9	2.6	0.2	-2.1
Niger	3.6	6.4	6.4	5.5	-1.8	1.0	1.1	-7.2	-7.3	3.2
Rwanda	15.8	12.1	7.4	6.8	2.7	-2.4	8.2	0.8	5.6	3.1
Samoa	19.2	19.2	15.0	8.4	0.9	0.2	-1.5	17.5	-17.5	-20.4
Sao Tome and Principe	7.1	7.1	6.9	6.4	-0.8	1.5	4.5	4.7	7.9	2.8
Senegal	14.2	17.3	14.7	13.0	4.6	3.1	1.9	6.6	-1.8	-1.0
Sierra Leone	8.3	4.6	3.5	1.8	-4.3	-14.1	3.0	2.1	1.2	-6.9
Solomon Islands	3.8	3.7	6.3	5.3	3.8	6.3	-0.1	15.7	5.9	-2.4
Somalia	4.7	2.0	2.5	2.5	-1.8	0.6	4.2	3.3	3.0	2.1
Sudan	8.5	8.7	5.6	6.4	2.9	7.5	6.8	6.0	7.0	5.8
Timor-Leste[c]	_	_	_	2.5	_	_	-1.3	10.1	24.6	-1.1
Togo	8.0	10.5	9.2	8.8	3.5	0.4	2.9	2.2	8.1	-6.5
Tuvalu	1.0	3.1	3.2	3.6	24.4	-2.3	3.8	3.4	2.0	0.9
Uganda	5.8	5.3	7.5	7.5	2.9	13.4	6.3	7.6	6.9	8.8
United Rep. of Tanzania	13.2	12.0	9.2	8.4	-0.7	3.7	8.8	8.5	9.9	10.8
Vanuatu	4.0	5.2	4.8	3.9	11.8	0.6	1.2	-0.6	14.0	3.3
Yemen[d]	7.6	7.8	5.6	7.5	7.0	16.4	5.9	6.2	3.5	4.0
Zambia	18.3	36.1	10.8	9.3	4.1	0.8	4.5	3.0	3.6	0.7
LDCs	**12.7**	**11.0**	**9.8**	**9.5**	**1.1**	**4.3**	**7.3**	**7.7**	**6.1**	**5.5**
African LDCs and Haiti	*12.1*	*10.7*	*7.4*	*6.6*	*0.6*	*2.1*	*5.6*	*4.9*	*4.8*	*4.5*
Asian LDCs	*14.2*	*11.8*	*12.7*	*14.4*	*2.0*	*7.2*	*8.9*	*10.1*	*7.3*	*6.4*
Island LDCs	*7.3*	*8.7*	*11.1*	*7.1*	*4.0*	*2.7*	*1.8*	*9.2*	*-1.4*	*-6.2*
Other Developing countries	**21.1**	**22.1**	**23.0**	**24.8**	**5.5**	**6.7**	**7.6**	**10.5**	**5.6**	**2.5**
All Developing countries	**20.7**	**21.7**	**22.6**	**24.3**	**5.4**	**6.7**	**7.6**	**10.5**	**5.6**	**2.5**

Source: UNCTAD, UNCTADstat database, May 2011.
a Eritrea, data start in 1992;
b Ethiopia, data start in 1992;
c Timor-Leste, data start in 2003;
d Yemen: prior to 1990, include Yemen (former arab republic) and Yemen (former democratic).

7. Gross fixed capital formation: Share in GDP and annual average growth rates
(Percentage)

Country	Share in GDP (current dollar)				Annual average growth rate (constant 2005 dollar)					
	1980	*1990*	*2000*	*2009*	*1980–1990*	*1990–2000*	*2000–2009*	*2007*	*2008*	*2009*
Afghanistan	13.2	13.4	14.3	24.6	-1.6	-1.1	12.1	2.9	-9.9	9.0
Angola	18.5	11.0	12.1	16.6	-6.3	8.6	16.3	48.7	28.1	9.9
Bangladesh	21.3	20.2	23.0	24.2	3.1	9.2	7.8	8.5	1.8	5.7
Benin	21.9	13.4	18.0	24.4	-4.7	6.3	6.6	6.0	8.3	23.8
Bhutan	32.5	31.8	50.0	41.7	6.5	9.5	-0.4	3.9	0.0	15.5
Burkina Faso	19.2	17.7	19.2	21.4	4.9	4.1	9.0	29.9	2.2	9.0
Burundi	10.7	13.8	8.3	13.7	4.9	-10.5	10.1	-5.4	0.2	3.5
Cambodia	9.3	8.3	18.3	15.0	5.4	15.3	9.8	10.1	-3.6	-16.4
Central African Republic	6.9	11.8	11.1	11.8	6.9	-2.2	5.9	6.6	27.3	-0.3
Chad	8.1	7.2	15.2	19.3	6.0	4.4	7.8	-1.7	-4.7	25.7
Comoros	28.5	12.2	10.1	13.4	-6.6	-1.6	3.9	12.9	29.1	-4.8
Dem. Rep. of the Congo	19.6	13.6	3.5	19.4	0.0	-8.8	10.3	7.0	6.2	2.8
Djibouti	12.9	27.2	12.2	16.0	3.1	-9.4	27.8	35.7	29.1	-15.2
Equatorial Guinea	13.0	58.1	61.9	25.7	11.6	54.3	3.7	24.4	86.7	-11.6
Eritrea[a]	_	_	22.0	9.1	_	14.1	-23.0	-45.3	-0.5	-36.9
Ethiopia[b]	_	_	20.3	22.4	_	5.7	12.2	24.6	-3.4	15.0
Gambia	23.6	29.7	36.7	34.1	10.8	4.7	-0.1	2.6	-2.0	12.9
Guinea	20.1	34.3	35.4	24.3	8.1	2.6	12.3	-4.1	34.5	19.9
Guinea-Bissau	25.1	14.7	11.3	11.0	1.7	-10.4	6.3	75.2	2.7	30.7
Haiti	17.9	14.3	12.9	12.9	-0.1	4.1	1.5	3.1	2.8	3.2
Kiribati	44.0	92.4	47.9	82.6	5.9	1.2	9.6	-3.0	3.1	-1.0
Lao People's Dem. Rep.	7.4	11.3	28.3	31.1	10.7	14.8	13.4	51.1	-2.7	-11.6
Lesotho	37.4	55.7	43.2	29.9	3.8	1.4	0.9	23.0	5.9	10.8
Liberia	21.4	10.5	7.3	20.0	-13.8	3.2	18.9	9.4	7.1	4.6
Madagascar	22.8	17.0	16.2	23.5	4.9	3.4	13.8	25.7	56.0	-28.5
Malawi	31.6	24.4	17.5	22.6	-3.0	-2.6	13.0	7.8	23.6	4.2
Maldives	31.5	31.5	26.3	57.4	11.9	8.0	15.0	12.2	11.4	-37.9
Mali	17.4	20.0	18.9	19.8	4.2	2.1	6.8	15.2	-0.8	11.5
Mauritania	20.5	13.1	22.4	24.9	-2.8	3.4	7.6	-9.2	25.2	-10.1
Mozambique	7.6	14.7	31.0	21.1	2.3	10.1	3.7	5.8	11.2	2.0
Myanmar	18.7	14.7	11.8	15.4	-2.7	15.2	20.9	27.2	18.8	2.1
Nepal	15.9	16.6	19.5	21.3	4.5	6.4	4.1	1.9	6.0	-0.3
Niger	25.3	12.8	15.1	29.1	-10.1	3.0	10.3	4.2	19.8	3.6
Rwanda	10.8	10.9	14.2	21.6	5.0	1.1	15.6	25.3	32.1	2.7
Samoa	25.9	22.4	13.9	9.0	0.3	-4.6	-2.6	-0.6	-8.1	4.3
Sao Tome and Principe	11.4	31.3	35.8	65.0	3.1	3.6	15.5	7.5	9.2	6.8
Senegal	16.3	16.1	22.4	23.7	4.3	6.2	6.4	7.7	7.3	-7.3
Sierra Leone	14.0	9.6	8.0	6.2	-3.7	-11.6	11.8	-4.1	-3.5	4.4
Solomon Islands	18.8	17.4	18.3	12.7	4.2	3.0	-0.6	0.0	13.1	-1.9
Somalia	9.8	23.0	20.4	20.0	1.8	-4.7	1.5	1.4	2.2	3.3
Sudan	19.7	10.4	9.7	19.2	-1.6	12.7	20.6	7.4	5.9	6.0
Timor-Leste[c]	_	_	_	24.0	_	_	4.4	57.8	-12.0	11.2
Togo	29.4	14.6	15.1	16.4	-1.3	1.3	4.8	-12.3	12.2	21.8
Tuvalu	61.5	53.0	52.0	8.2	5.6	1.5	-21.3	1685.6	-15.4	-35.5
Uganda	6.2	13.5	17.8	21.1	11.7	9.5	12.3	15.4	6.7	9.7
United Rep. of Tanzania	22.0	41.1	16.3	27.0	1.1	-1.2	11.6	14.7	3.7	-6.6
Vanuatu	23.7	32.3	23.8	26.1	6.2	3.9	11.4	1.6	48.6	-13.1
Yemen[d]	31.1	11.8	0.0	0.0	-6.8	14.1	1.6	9.5	-6.2	-8.7
Zambia	18.2	13.5	17.2	22.7	-9.0	5.7	26.3	16.2	12.1	-3.1
LDCs	**18.4**	**16.5**	**18.6**	**21.4**	**0.6**	**6.2**	**9.9**	**12.9**	**9.0**	**1.9**
African LDCs and Haiti	*17.6*	*15.9*	*17.1*	*21.0*	*0.5*	*4.4*	*11.2*	*14.4*	*14.0*	*2.5*
Asian LDCs	*20.2*	*17.6*	*20.5*	*21.8*	*0.7*	*9.2*	*7.9*	*10.7*	*1.1*	*1.8*
Island LDCs	*24.3*	*26.3*	*22.5*	*32.1*	*3.3*	*3.1*	*11.5*	*11.5*	*11.9*	*-19.8*
Other Developing countries	**25.2**	**23.1**	**23.4**	**29.7**	**2.0**	**6.1**	**9.0**	**11.5**	**7.4**	**7.1**
All Developing countries	**24.9**	**22.8**	**23.3**	**29.4**	**2.0**	**6.1**	**9.1**	**11.6**	**7.4**	**7.0**

Source: UNCTAD, UNCTADstat database, May 2011.

a Eritrea, data start in 1992;
b Ethiopia, data start in 1992;
c Timor-Leste, data start in 2003;
d Yemen: prior to 1990, include Yemen (former Arab Republic) and Yemen (former Democratic) .

8. Indicators on area and population, 2009

Country	Area			Population				
	Land area	Arable land and land under permanent crops	Land area covered by forest	Density	Urban	Labour participation rate		
	('000 km²)	(%)		(pop./km²)	(%)	Male	Female	Total
Afghanistan	652.2	12.1	2.1	43	24.4	84.5	33.1	59.8
Angola	1,246.7	3.4	47.0	15	57.6	88.4	74.5	81.3
Bangladesh	130.2	65.7	11.1	1,127	27.6	82.5	58.7	70.7
Benin	110.6	24.9	41.7	79	41.6	77.9	67.4	72.7
Bhutan	38.4	2.6	84.3	18	35.7	70.6	53.4	62.7
Burkina Faso	273.6	21.8	20.9	57	20.0	90.8	78.2	84.4
Burundi	25.7	48.7	6.8	298	10.7	87.5	91.0	89.3
Cambodia	176.5	23.0	57.9	82	22.2	85.6	73.6	79.3
Central African Republic	623.0	3.3	36.3	7	38.7	86.7	71.6	79.0
Chad	1,259.2	3.4	9.2	9	27.1	78.2	62.7	70.4
Comoros	1.9	75.2	1.8	467	28.0	85.4	73.7	79.6
Democratic Republic of the Congo	2,267.1	3.3	68.1	28	34.6	85.6	56.5	70.8
Djibouti	23.2	0.1	0.2	37	87.7	78.7	61.5	70.1
Equatorial Guinea	28.1	7.2	58.4	24	39.5	92.0	39.7	65.5
Eritrea	101.0	6.9	15.2	43	21.1	83.4	62.5	72.6
Ethiopia	1,000.0	15.0	12.4	75	17.2	90.3	80.7	85.4
Gambia	10.0	40.5	47.8	151	57.4	85.2	70.6	77.8
Guinea	245.7	14.4	26.8	41	34.8	89.2	79.2	84.2
Guinea-Bissau	28.1	19.6	72.3	45	29.9	83.8	59.6	71.5
Haiti	27.6	49.0	3.7	362	48.3	82.9	57.5	69.9
Kiribati	0.8	42.0	15.0	121	43.9	..	..	..
Lao People's Democratic Republic	230.8	6.4	68.6	27	32.0	78.9	77.7	78.3
Lesotho	30.4	11.2	1.4	68	26.1	77.7	70.8	74.0
Liberia	96.3	6.3	45.3	36	60.8	75.8	66.6	71.1
Madagascar	581.5	6.1	21.7	33	29.8	88.7	84.2	86.4
Malawi	94.3	39.5	34.7	129	19.3	78.8	75.0	76.8
Maldives	0.3	23.3	3.0	1,030	39.2	77.0	57.1	67.1
Mali	1,220.2	5.3	10.3	10	32.7	67.0	37.6	51.9
Mauritania	1,030.7	0.4	0.2	3	41.2	81.0	59.0	70.0
Mozambique	786.4	6.7	49.9	29	37.6	86.9	84.8	85.8
Myanmar	653.5	18.6	49.1	74	33.2	85.1	63.1	73.8
Nepal	143.4	17.6	25.4	199	17.7	80.3	63.3	71.5
Niger	1,266.7	11.8	1.0	12	16.6	87.5	38.9	62.7
Rwanda	24.7	64.0	17.2	380	18.6	85.1	86.7	86.0
Samoa	2.8	22.6	60.4	63	22.9	75.4	37.9	57.5
Sao Tome and Principe	1.0	57.3	28.1	170	61.3	76.0	44.5	59.8
Senegal	192.5	20.3	44.2	64	42.6	88.6	64.8	76.4
Sierra Leone	71.6	17.0	38.3	79	38.0	67.5	65.4	66.4
Solomon Islands	28.0	2.7	79.3	18	18.2	50.0	24.2	37.5
Somalia	627.3	1.6	10.9	14	37.0	84.7	56.5	70.3
Sudan	2,376.0	8.6	29.5	17	44.4	73.9	30.8	52.3
Timor-Leste	14.9	15.1	50.7	76	27.7	82.8	58.9	71.0
Togo	54.4	43.8	5.6	117	42.7	85.7	63.6	74.4
Tuvalu	0.03	60.0	33.3	333	50.0	..	..	..
Uganda	199.8	44.3	15.4	136	13.1	90.6	78.3	84.5
United Republic of Tanzania	885.8	13.0	38.2	46	25.9	90.6	86.3	88.4
Vanuatu	12.2	11.9	36.1	20	25.0	88.3	79.3	83.9
Yemen	528.0	2.8	1.0	45	31.2	73.5	19.9	46.8
Zambia	743.4	4.6	66.8	17	35.5	79.2	59.5	69.2
LDCs	**20,166.3**	**8.5**	**29.9**	**40**	**29.0**	**83.9**	**63.3**	**73.5**
African LDCs and Haiti	*17,551.5*	*7.9*	*30.3*	*29*	*30.0*	*85.1*	*68.0*	*76.4*
Asian LDCs	*2,553.0*	*15.0*	*26.8*	*121*	*27.4*	*82.4*	*56.7*	*69.5*
Island LDCs	*61.8*	*12.1*	*58.7*	*56*	*29.0*	*76.8*	*55.9*	*66.5*
Other Developing countries	**56,592.5**	**13.3**	**28.4**	**81**	**47.4**	**79.6**	**49.3**	**64.6**
All Developing countries	**76,758.8**	**12.1**	**28.8**	**70**	**44.6**	**80.1**	**51.2**	**65.8**

Source: FAO, *FAOSTAT*, August 2011; World Bank, *World Development Indicators,* June 2011.
Note: Land area: country area excluding inland water.

9. Indicators on demography

Country	Under-5 mortality rate		Infant mortality rate		Average life expectancy at birth						Crude birth rate		Crude death rate	
	(Per 1,000 live births)				Male		Female		Total		(Per 1,000 population)			
	1990	*2009*	*1990*	*2009*	*1990*	*2009*	*1990*	*2009*	*1990*	*2009*	*1990*	*2008*	*1990*	*2009*
Afghanistan	250	199	167	134	41.4	44.3	41.2	44.3	41.3	44.3	51.5	46.1	22.8	19.2
Angola	258	161	153	98	40.2	45.6	43.8	49.6	42.0	47.6	52.7	42.3	22.7	16.5
Bangladesh	148	52	102	41	53.4	65.5	54.8	67.7	54.1	66.6	34.6	21.0	12.1	6.5
Benin	184	118	111	75	52.5	60.7	55.0	63.0	53.8	61.8	45.5	39.0	14.5	8.9
Bhutan	148	79	91	52	51.1	64.7	54.2	68.4	52.6	66.5	38.6	21.1	13.9	7.0
Burkina Faso	201	166	110	91	46.6	52.0	48.2	54.7	47.4	53.3	47.7	46.8	17.5	12.7
Burundi	189	166	114	101	44.7	49.4	48.0	52.4	46.3	50.9	46.5	34.3	18.7	13.7
Cambodia	117	88	85	68	53.2	59.7	56.6	63.4	54.9	61.5	43.6	24.7	12.3	8.2
Central African Republic	175	171	115	112	46.8	45.9	51.9	48.8	49.3	47.3	41.2	34.9	16.7	16.7
Chad	201	209	120	124	49.5	47.7	53.1	50.2	51.2	48.9	47.5	45.3	16.2	16.5
Comoros	128	104	90	75	54.5	63.6	58.4	68.1	56.4	65.8	36.8	31.9	10.9	6.5
Dem. Rep. of the Congo	199	199	126	126	46.0	46.2	49.6	49.4	47.7	47.8	50.6	44.3	17.9	16.8
Djibouti	123	94	95	75	49.4	54.4	52.4	57.2	50.8	55.7	42.0	28.0	14.3	10.9
Equatorial Guinea	198	145	120	88	45.2	49.5	48.4	51.8	46.7	50.6	49.0	37.9	19.9	14.7
Eritrea	150	55	92	39	46.0	57.6	50.3	62.2	48.1	59.9	40.5	36.4	15.8	8.3
Ethiopia	210	104	124	67	45.5	54.3	48.5	57.1	46.9	55.7	48.1	37.7	18.3	11.6
Gambia	153	103	104	78	49.8	54.6	52.7	58.0	51.2	56.2	43.9	36.3	15.1	11.1
Guinea	231	142	137	88	46.9	56.4	49.7	60.4	48.3	58.3	46.6	39.2	17.9	10.7
Guinea-Bissau	240	193	142	115	42.4	46.7	45.3	49.8	43.8	48.2	42.1	40.8	20.3	16.9
Haiti	152	87	105	64	53.5	59.7	56.3	63.2	54.9	61.4	37.3	27.3	12.9	9.0
Kiribati	89	46	65	37	54.6	58.9	59.1	63.1	56.8	60.9	32.2	26.6	10.5	8.7
Lao People's Dem. Rep.	157	59	108	46	53.1	64.0	55.6	66.9	54.3	65.4	41.4	27.1	13.1	6.9
Lesotho	93	84	74	61	57.4	45.0	61.0	45.7	59.2	45.4	36.4	28.6	10.7	16.8
Liberia	247	112	165	80	46.7	57.3	50.4	60.1	48.5	58.7	46.7	37.8	17.5	10.2
Madagascar	167	58	102	41	49.7	59.2	52.1	62.5	50.9	60.8	45.2	35.3	15.5	8.9
Malawi	218	110	129	69	48.1	52.9	50.5	54.7	49.2	53.8	50.1	39.7	17.4	11.8
Maldives	113	13	80	11	60.9	70.4	59.7	73.6	60.3	72.0	40.0	18.8	9.3	4.5
Mali	250	191	139	101	42.5	48.1	43.5	49.5	43.0	48.8	46.7	42.3	21.3	15.4
Mauritania	129	117	81	74	53.9	55.0	57.4	59.0	55.6	57.0	39.9	33.1	11.5	10.2
Mozambique	232	142	155	96	41.8	47.4	44.9	48.8	43.3	48.1	43.4	38.3	20.5	15.7
Myanmar	118	71	84	54	57.0	59.9	60.8	64.4	58.9	62.1	26.9	20.3	10.5	9.6
Nepal	142	48	99	39	54.2	66.4	53.7	67.8	54.0	67.1	38.5	24.9	12.9	6.3
Niger	305	160	144	76	41.3	51.1	41.9	52.9	41.6	52.0	55.7	53.2	23.6	14.5
Rwanda	171	111	103	70	30.8	48.8	34.7	52.5	32.7	50.6	45.4	41.0	32.2	14.2
Samoa	50	25	40	21	61.8	68.9	68.4	75.2	65.0	72.0	34.3	22.8	6.8	5.3
Sao Tome and Principe	95	78	62	52	60.8	63.9	63.6	67.7	62.2	65.8	37.8	31.5	10.1	7.3
Senegal	151	93	73	51	50.8	54.4	53.4	57.5	52.0	55.9	44.2	38.0	13.9	10.6
Sierra Leone	285	192	166	123	38.3	46.7	41.7	49.2	40.0	47.9	42.4	39.9	23.7	15.4
Solomon Islands	38	36	31	30	56.4	65.7	57.1	67.7	56.7	66.7	39.7	29.8	11.5	6.0
Somalia	180	180	109	109	43.0	48.7	46.1	51.5	44.5	50.1	45.5	43.7	19.6	15.5
Sudan	124	108	78	69	51.1	57.0	54.1	60.1	52.5	58.5	41.1	30.7	13.8	10.1
Timor-Leste	184	56	138	48	45.0	60.7	46.6	62.5	45.8	61.6	43.0	40.1	18.0	8.5
Togo	150	98	89	64	55.7	61.2	59.9	64.6	57.7	62.9	42.4	32.4	11.4	8.0
Tuvalu	53	35	42	29	..	..	..	..	..	..	..	..	..	..
Uganda	184	128	111	79	46.1	52.8	49.8	54.1	47.9	53.4	49.5	45.8	16.7	12.3
United Republic of Tanzania	162	108	99	68	49.0	55.5	52.7	57.1	50.8	56.3	44.1	41.3	14.8	11.0
Vanuatu	40	16	33	14	61.8	68.7	64.7	72.6	63.2	70.6	36.8	29.8	7.3	4.9
Yemen	125	66	88	51	53.7	61.8	55.0	65.1	54.3	63.4	51.3	36.4	12.7	7.0
Zambia	179	141	108	86	49.4	45.8	52.8	46.9	51.1	46.3	44.0	42.4	14.7	16.6
LDCs	**179**	**121**	**112**	**78**	**49.9**	**54.7**	**52.4**	**57.5**	**51.1**	**56.1**	**42.2**	**34.2**	**15.6**	**10.7**
African LDCs and Haiti	*195*	*137*	*117*	*85*	*46.9*	*52.1*	*50.0*	*54.8*	*48.4*	*53.4*	*46.4*	*39.9*	*17.6*	*12.9*
Asian LDCs	*149*	*81*	*103*	*60*	*52.1*	*60.8*	*54.0*	*63.5*	*53.0*	*62.1*	*36.4*	*25.0*	*12.9*	*8.3*
Island LDCs	*121*	*57*	*89*	*45*	*50.6*	*51.3*	*53.1*	*54.2*	*51.8*	*52.7*	*39.3*	*31.5*	*12.6*	*6.6*
Other developing countries	**85**	**51**	**61**	**38**	**61.7**	**62.2**	**66.4**	**66.6**	**64.0**	**64.2**	**27.2**	**19.4**	**8.1**	**7.3**
All developing countries	**103**	**67**	**71**	**48**	**55.8**	**58.5**	**59.4**	**62.1**	**57.5**	**60.1**	**29.2**	**21.7**	**9.1**	**7.8**

Source: UNICEF, *Child info*, September 2010, *Child Mortality* database; World Bank, *World Development Indicators*, June 2011; UNSD, Population Division, *World Population Prospect*, Rev. 2008.

10. Indicators on health, 2009[a]

Country	Infants with low birthweight	Births with skilled attendant at delivery	1-year-old children immunized against:			Estimated number of children living with HIV	Estimated number of people living with HIV	Estimated adult HIV prevalence rate
			TB	DPT3	Measles	(0–14 years)	(0+ years)	(15+ years)
	(%)					(Thousands)		(%)
Afghanistan	..	14.3	82	83	76	..	..	..
Angola	12	47.3	83	73	77	22	200	2.0
Bangladesh	22	24.4	99	94	89	..	6.3	<0.1
Benin	15	74	99	83	72	5.4	60	1.2
Bhutan	9	71.4	96	96	98	..	<1.0	0.2
Burkina Faso	16	53.5	92	82	75	17	110	1.2
Burundi	11	33.6	98	92	91	28	180	3.3
Cambodia	9	43.8	98	94	92	..	63	0.5
Cape Verde	6	77.5	99	99	96	..	..	..
Central African Republic	13	43.7	74	54	62	17	130	4.7
Chad	22	14.4	40	23	23	23	210	3.4
Comoros	25	61.8	80	83	79	..	<0.5	0.1
Dem. Rep. of the Congo	10	74	80	77	76	..	..	..
Djibouti	10	92.9	90	89	73	..	14	2.5
Equatorial Guinea	13	64.6	73	33	51	1.6	20	5.0
Eritrea	14	28.3	99	99	95	3.1	25	0.8
Ethiopia	20	5.7	76	79	75	..	..	..
Gambia	20	56.8	94	98	96	..	18	2.0
Guinea	12	46.1	81	57	51	9	79	1.3
Guinea-Bissau	24	38.8	89	68	76	2.1	22	2.5
Haiti	25	26.1	75	59	59	12	120	1.9
Kiribati	5	63	76	86	82	..	..	..
Lao People's Dem. Rep.	11	20.3	67	57	59	..	8.5	0.2
Lesotho	13	61.5	96	83	85	28	290	23.6
Liberia	14	46.3	80	64	64	6.1	37	1.5
Madagascar	16	43.9	73	78	64	..	24	0.2
Malawi	13	53.6	95	93	92	120	920	11.0
Maldives	22	84	99	98	98	..	<0.1	<0.1
Mali	19	49	86	74	71	..	76	1.0
Mauritania	34	60.9	81	64	59	..	14	0.7
Mozambique	15	55.3	87	76	77	130	1400	11.5
Myanmar	15	63.9	93	90	87	..	240	0.6
Nepal	21	18.7	87	82	79	..	64	0.4
Niger	27	32.9	78	70	73	..	61	0.8
Rwanda	6	52.1	93	97	92	22	170	2.9
Samoa	4	100	94	72	49	..	..	..
Sao Tome and Principe	8	81.7	99	98	90	..	..	..
Senegal	19	51.9	97	86	79	..	59	0.9
Sierra Leone	14	42.4	95	75	71	2.9	49	1.6
Solomon Islands	13	70.1	81	81	60	..	..	..
Somalia	..	33	29	31	24	..	34	0.7
Sudan	31	49.2	82	84	82	..	260	1.1
Timor-Leste	12	18.4	71	72	70	..	..	..
Togo	12	62	91	89	84	11	120	3.2
Tuvalu	5	97.9	99	89	90	..	..	..
Uganda	14	41.9	90	64	68	150	1200	6.5
United Rep. of Tanzania	10	43.4	93	85	91	160	1400	5.6
Vanuatu	10	74	81	68	52	..	..	..
Yemen	32	35.7	58	66	58	..	..	..
Zambia	11	46.5	92	81	85	120	980	13.5
LDCs	**16**	**41**	**84**	**79**	**77**	**1100**	**9700**	**2.0**
All Developing countries	**15**	**64**	**88**	**81**	**80**	**2500**	**29800**	**0.9**

Source: UNICEF, *The State of World's Children 2011*; UNICEF, *Child Info, Monitoring the situation of children and women*, 2011, http://www.unicef.org/sowc2011/statistics.php

a 2009 or latest year available.

11. Indicators on nutrition and sanitation

Country	Total Food Supply (Kcal/capita/day)		% of population using improved drinking water sources			% of population using adequate sanitation facilities		
			Total	*Urban*	*Rural*	*Total*	*Urban*	*Rural*
	1990	*2007*	*2008*					
Afghanistan	..	..	48	78	39	37	60	30
Angola	1,590	1,973	50	60	38	57	86	18
Bangladesh	1,960	2,281	80	85	78	53	56	52
Benin	2,214	2,533	75	84	69	12	24	4
Bhutan	..	..	92	99	88	65	87	54
Burkina Faso	2,400	2,677	76	95	72	11	33	6
Burundi	1,864	1,685	72	83	71	46	49	46
Cambodia	1,810	2,268	61	81	56	29	67	18
Cape Verde	2,352	2,572	84	85	82	54	65	38
Central African Republic	1,887	1,986	67	92	51	34	43	28
Chad	1,606	2,056	50	67	44	9	23	4
Comoros	1,887	1,884	95	91	97	36	50	30
Dem. Rep. of the Congo	2,206	1,605	46	80	28	23	23	23
Djibouti	1,734	2,291	92	98	52	56	63	10
Equatorial Guinea	..	..	..	..	..	..	..	..
Eritrea	..	1,605	61	74	57	14	52	4
Ethiopia	1,556[a]	1,980	38	98	26	12	29	8
Gambia	2,521	2,385	92	96	86	67	68	65
Guinea	2,384	2,568	71	89	61	19	34	11
Guinea-Bissau	2,239	2,306	61	83	51	21	49	9
Haiti	1,735	1,870	63	71	55	17	24	10
Kiribati	2,592	2,899	..	..	..	..	..	..
Lao People's Dem. Rep.	2,036	2,240	57	72	51	53	86	38
Lesotho	2,325	2,476	85	97	81	29	40	25
Liberia	2,072	2,204	68	79	51	17	25	4
Madagascar	2,268	2,160	41	71	29	11	15	10
Malawi	1,914	2,172	80	95	77	56	51	57
Maldives	2,349	2,685	91	99	86	98	100	96
Mali	2,201	2,614	56	81	44	36	45	32
Mauritania	2,551	2,841	49	52	47	26	50	9
Mozambique	1,829	2,067	47	77	29	17	38	4
Myanmar	1,865	2,465	71	75	69	81	86	79
Nepal	2,158	2,360	88	93	87	31	51	27
Niger	2,116	2,376	48	96	39	9	34	4
Rwanda	1,709	2,085	65	77	62	54	50	55
Samoa	2,619	2,886	..	..	..	100	100	100
Sao Tome and Principe	2,227	2,684	89	89	88	26	30	19
Senegal	2,231	2,348	69	92	52	51	69	38
Sierra Leone	1,942	2,170	49	86	26	13	24	6
Solomon Islands	2,081	2,422	..	..	..	..	98	..
Somalia	..	..	30	67	9	23	52	6
Sudan	1,890	2,282	57	64	52	34	55	18
Timor-Leste	–	2,066	69	86	63	50	76	40
Togo	2,010	2,161	60	87	41	12	24	3
Tuvalu	..	..	97	98	97	84	88	81
Uganda	2,331	2,211	67	91	64	48	38	49
United Republic of Tanzania	2,121	2,032	54	80	45	24	32	21
Vanuatu	2,561	2,740	83	96	79	52	66	48
Yemen	1,961	2,068	62	72	57	52	94	33
Zambia	2,042	1,873	60	87	46	49	59	43
LDCs	**1,892**	**2,063**	**62**	**80**	**54**	**36**	**50**	**31**
All Developing countries	**2,406**	**2,610**	**84**	**94**	**76**	**52**	**68**	**40**

Source: FAO, *FAOSTAT* database, online, June 2011; UNICEF, *The State of World's Children, 2011.*

a Former Ethiopia: includes Eritrea.

12. Indicators on education and literacy

Country	Adult literacy rate			Youth literacy rate			School enrolment ratio (%)								
	(%)						Primary			Secondary			Tertiary		
	2009[a]			2009[a]			2010[b]			2010[b]			2010[b]		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Afghanistan	..	..	..	..	..	..	..	..	..	38.2	14.6	26.8	5.7	1.4	3.6
Angola	82.9	57.6	70.0	80.8	65.5	73.1	..	..	..	..	..	..	..	..	2.8
Bangladesh	60.7	51.0	55.9	74.1	76.8	75.5	82.9	89.9	86.3	40.4	42.6	41.5	10.0	5.6	7.9
Benin	54.2	29.1	41.7	64.9	43.4	54.3	97.0	86.4	91.8	..	..	..	..	..	5.8
Bhutan	65.0	38.7	52.8	80.0	68.0	74.4	86.3	88.5	87.4	46.0	49.0	47.5	8.2	4.8	6.6
Burkina Faso	36.7	21.6	28.7	46.7	33.1	39.3	67.1	59.4	63.3	18.1	14.1	16.1	4.6	2.2	3.4
Burundi	72.6	60.9	66.6	76.9	76.3	76.6	98.2	99.6	98.9	10.1	8.1	9.1	3.2	1.4	2.7
Cambodia	85.1	70.9	77.6	89.4	85.5	87.5	90.4	86.7	88.6	36.2	31.7	34.0	9.1	4.9	7.0
Central African Republic	69.1	42.1	55.2	72.2	57.3	64.7	79.0	59.1	69.0	11.8	7.1	9.4	3.5	1.5	2.5
Chad	44.5	23.1	33.6	53.5	39.0	46.3	..	..	..	..	..	..	3.4	0.6	2.0
Comoros	79.7	68.7	74.2	85.8	84.7	85.3	90.7	83.8	87.3	..	..	..	3.0	2.3	5.2
Dem. Rep. of the Congo	77.4	56.6	66.8	69.1	61.7	65.4	..	..	..	..	..	..	7.5	2.7	6.0
Djibouti	..	..	..	..	..	..	46.8	42.1	44.4	28.4	20.4	24.4	4.1	2.8	3.5
Equatorial Guinea	97.0	89.8	93.3	97.7	98.2	97.9	54.3	53.8	54.1	..	..	..	..	..	..
Eritrea	77.9	56.0	66.6	91.6	85.8	88.7	38.1	33.2	35.7	31.6	23.1	27.4	3.0	1.0	2.0
Ethiopia	41.9	18.0	29.8	55.9	33.3	44.6	85.2	80.1	82.7	..	..	..	5.5	1.7	3.6
Gambia	57.6	35.8	46.5	71.0	60.0	65.5	66.1	68.2	67.2	..	..	..	2.0	-	4.6
Guinea	50.8	28.1	39.5	68.1	53.8	61.1	77.9	67.8	72.9	35.4	21.7	28.7	13.7	4.6	9.2
Guinea-Bissau	66.9	38.0	52.2	78.2	63.6	70.9	..	..	..	..	..	..	..	..	2.9
Haiti	53.4	44.6	48.7	74.4	70.5	72.3	..	..	..	..	..	..	..	..	..
Kiribati	..	..	..	..	..	..	..	..	..	64.4	70.7	67.5	..	..	..
Lao People's Dem. Rep.	82.5	63.2	72.7	89.2	78.7	83.9	84.1	80.7	82.4	38.5	33.5	36.0	15.0	11.7	13.4
Lesotho	82.9	95.3	89.7	85.7	98.1	92.0	71.2	75.0	73.1	21.9	35.7	28.8	3.3	3.9	3.6
Liberia	63.7	54.5	59.1	70.4	80.9	75.6	..	..	..	..	..	..	..	..	..
Madagascar	67.4	61.6	64.5	65.9	64.0	64.9	98.1	98.9	98.5	23.3	24.4	23.8	3.8	3.4	3.6
Malawi	80.6	67.0	73.7	86.9	86.0	86.5	88.5	93.2	90.8	25.7	24.4	25.0	0.7	..	..
Maldives	98.4	98.4	98.4	99.2	99.4	99.3	97.3	95.1	96.2	..	..	69.4	..	..	..
Mali	34.9	18.2	26.2	47.4	30.8	38.8	81.0	68.6	74.9	38.8	26.1	32.5	8.5	3.5	6.0
Mauritania	64.5	50.3	57.5	70.9	64.3	67.7	73.9	78.8	76.3	17.3	15.2	16.3	5.3	2.2	3.8
Mozambique	70.1	41.5	55.1	78.1	63.7	70.9	95.0	89.7	92.3	17.0	15.3	16.1	1.9	1.0	1.5
Myanmar	94.7	89.5	92.0	96.1	95.3	95.7	..	..	..	49.2	50.0	49.6	9.1	12.4	10.7
Nepal	72.0	46.9	59.1	86.9	76.7	82.0	..	..	..	..	..	..	7.8	3.1	5.6
Niger	42.9	15.1	28.7	52.4	23.2	36.5	63.3	51.3	57.4	12.5	7.7	10.1	2.2	0.8	1.4
Rwanda	75.0	66.8	70.7	77.0	77.4	77.2	94.7	97.0	95.9	..	..	..	5.5	4.1	4.8
Samoa	99.0	98.5	98.8	99.4	99.6	99.5	89.6	89.4	89.5	60.4	68.3	64.2	..	..	..
Sao Tome and Principe	93.7	84.0	88.8	94.9	95.8	95.3	97.1	99.7	98.4	30.4	34.6	32.5	4.5	4.3	4.4
Senegal	61.8	38.7	49.7	74.2	56.2	65.0	71.7	74.4	73.1	23.6	18.0	20.8	10.2	5.9	8.0
Sierra Leone	52.7	30.1	40.9	67.6	48.1	57.6	..	..	..	..	..	..	..	..	..
Solomon Islands	..	..	..	..	..	..	81.2	80.0	80.6	31.7	28.6	30.2	..	..	..
Somalia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sudan	79.6	60.8	70.2	89.1	82.7	85.9	..	..	..	..	..	..	..	..	..
Timor-Leste	58.5	42.5	50.6	..	..	..	83.3	80.6	82.0	..	..	..	17.7	12.5	15.2
Togo	70.3	44.4	56.9	84.9	67.9	76.5	97.4	88.4	92.9	..	..	..	..	..	5.3
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	81.4	62.1	71.4	87.3	81.1	84.1	90.9	93.6	92.2	21.8	20.5	21.2	4.5	3.6	4.1
United Rep. of Tanzania	79.0	66.9	72.9	78.5	76.4	77.4	95.8	97.0	96.4	..	..	..	2.0	0.9	1.4
Vanuatu	83.7	80.3	82.0	93.9	94.1	94.0	98.2	96.3	97.3	40.7	35.3	38.1	5.9	3.5	4.8
Yemen	79.9	44.7	62.4	95.6	72.2	84.1	79.4	65.7	72.7	..	..	..	14.3	6.0	10.2
Zambia	80.6	61.3	70.9	81.8	67.3	74.6	89.6	91.8	90.7	..	..	..	..	..	..
LDCs[c]	**67.9**	**51.6**	**59.6**	**75.4**	**67.8**	**71.6**	**85.5**	**84.3**	**84.9**	**33.3**	**30.9**	**32.2**	**7.2**	**4.0**	**5.6**
All Developing countries[c]	**85.4**	**73.4**	**79.4**	**90.8**	**84.9**	**87.8**	**88.2**	**85.4**	**87.4**	**54.4**	**53.9**	**54.1**	**20.9**	**20.5**	**20.6**

Source: UNESCO Institute for Statistics(UIS) database, June 2011.

a 2009 or latest year available;

b 2010 or latest year available;

c LDCs and All Developing economies weighted averages (weighted by group age population or by school age population (primary, secondary or tertiary)).

13. Indicators on communication and media

Country	Post Offices open to the public	Radio receivers	Television sets	Telephone mainlines	Mobile users	Personal computer	Internet users
	(Per 100,000 inhabitants)	(Per 1,000 inhabitants)					
	2008[a]	*2009[b]*					
Afghanistan	1.7	129	80	4	426	3	36
Angola	0.3	81	140	6	438	7	33
Bangladesh	6.1	64	106	7	323	24	4
Benin	1.8	357	45	10	563	7	22
Bhutan	13.5	118	12	51	486	6	72
Burkina Faso	0.5	111	19	7	243	7	11
Burundi	0.6	166	36	4	101	8	19
Cambodia	0.5	..	8	2	423	4	5
Central African Republic	0.6	111	10	2	136	3	5
Chad	0.4	103	9	1	204	2	15
Comoros	3.4	159	31	27	181	7	36
Dem. Rep. of the Congo	0.2	379	5	0	143	0	0
Djibouti	1.3	93	67	13	149	24	30
Equatorial Guinea	1.4	..	0	16	296	18	21
Eritrea	1.4	433	67	8	28	8	0
Ethiopia	1.3	171	7	8	49	6	5
Gambia	1.6	147	14	29	840	33	76
Guinea	0.9	81	18	3	347	5	9
Guinea-Bissau	0.8	41	39	7	348	2	23
Haiti	0.6	208	104	15	364	52	100
Kiribati	25.9	89	41	46	10	10	80
Lao People's Dem. Rep.	5.7	..	57	15	512	17	60
Lesotho	7.7	75	44	24	320	3	37
Liberia	0.5	0	0	0	213	0	5
Madagascar	2.9	121	37	5	320	5	16
Malawi	2.3	268	11	8	157	2	47
Maldives	70.7	102	131	110	1479	201	279
Mali	0.7	131	49	6	342	8	19
Mauritania	1.0	132	46	14	663	44	23
Mozambique	0.5	246	21	3	261	14	27
Myanmar	2.8	63	7	10	10	9	2
Nepal	..	..	21	18	191	5	20
Niger	0.3	62	12	2	170	1	8
Rwanda	0.2	143	8	3	243	3	45
Samoa	19.6	1025	122	109	844	23	50
Sao Tome and Principe	2.5	312	127	47	393	38	164
Senegal	1.3	106	44	24	551	21	145
Sierra Leone	0.9	278	13	5	204	0	3
Solomon Islands	32.1	132	12	16	57	46	19
Somalia	..	65	26	12	70	9	12
Sudan	0.5	443	370	15	363	115	0
Timor-Leste	0.3	..	0	2	291	0	2
Togo	0.9	352	26	10	330	30	54
Tuvalu	..	1456	0	91	201	80	0
Uganda	1.1	155	22	3	287	17	98
United Rep. of Tanzania	0.8	398	41	4	399	9	16
Vanuatu	26.5	..	13	32	527	14	71
Yemen	2.8	..	344	43	353	28	100
Zambia	3.0	145	64	8	341	11	63

Source: UPU online, June 2011; ITU, *World Telecom Indicators*, May 2011.
a 2008 or latest year available.
b 2009 or latest year available.

14. Indicators on transport and transport network

Country	Road networks 2008[a]			Railways 2009[a]				Civil aviation 2009[a]	
	Total (km.)	*Paved (%)*	*Density (km/ 1000 km2)*	*Network (km.)*	*Density (km./ 1000 km2)*	*Freight (million tons per km.)*	*Passenger (million pass. per km.)*	*Freight (million tons per km.)*	*Passenger (thousands)*
Afghanistan	42,150	29.3	64.6	..	..	..	..	8	..
Angola	51,429	10.4	41.3	..	..	..	..	64	275
Bangladesh	239,226	9.5	1,661.3	2,835	19.7	870	5,609	0	1,409
Benin	19,000	9.5	168.7	758	6.7	36	..	..	..
Bhutan	8,050	62.0	209.7	..	..	..	..	0	49
Burkina Faso	92,495	4.2	337.3	622	2.3	..	..	..	79
Burundi	12,322	10.4	442.8	..	..	..	..	..	..
Cambodia	38,257	6.3	211.3	650	3.6	92	45	1	184
Central African Republic	24,307	..	39.0	..	..	..	..	..	..
Chad	40,000	..	31.2	..	..	..	..	..	..
Comoros	880	76.5	472.9	..	..	..	..	..	..
Dem. Rep. of the Congo	153,497	1.8	65.5	3,641	1.7	182	35	7	..
Djibouti	3,065	45.0	132.1	781	33.7	97	82	..	..
Equatorial Guinea	2,880	..	102.7	..	..	..	..	..	..
Eritrea	4,010	21.8	34.1	..	..	..	..	..	..
Ethiopia	44,359	12.8	38.4	..	..	..	..	424	2,914
Gambia	3,742	19.3	331.2	..	..	..	..	..	..
Guinea	44,348	9.8	180.4	..	..	..	..	..	..
Guinea-Bissau	3,455	27.9	95.6	..	..	..	..	..	..
Haiti	4,160	24.3	149.9	..	..	..	..	..	..
Kiribati	670	..	827.2	..	..	..	..	..	..
Lao People's Dem. Rep.	34,994	13.4	125.9	..	..	..	..	2	303
Lesotho	5,940	18.3	195.7	..	..	..	..	..	..
Liberia	10,600	6.2	95.2	..	..	..	..	..	..
Madagascar	49,827	11.6	84.9	854	1.5	12	10	14	500
Malawi	15,451	45.0	130.4	797	6.7	33	44	1	157
Maldives	88	..	290.0	..	..	..	..	0	85
Mali	18,912	18.0	15.1	734	0.6	..	208	..	..
Mauritania	11,066	26.8	10.7	728	0.7	7,566	47	0	142
Mozambique	30,331	18.7	38.0	3,116	3.9	695	114	6	490
Myanmar	27,000	11.9	39.9	..	..	885	4,163	3	1,527
Nepal	17,782	56.9	117.4	..	..	..	..	6	484
Niger	18,948	20.7	15.0	..	..	..	..	7	..
Rwanda	14,008	19.0	531.8	..	..	..	..	..	..
Samoa	790	14.2	820.0	..	..	..	..	2	271
Sao Tome and Principe	320	68.1	333.3	..	..	..	..	0	51
Senegal	14,805	29.3	69.0	906	..	384	129	7	573
Sierra Leone	11,300	8.0	157.5	..	..	..	..	8	22
Solomon Islands	1,391	2.4	48.1	..	..	..	..	1	94
Somalia	22,100	11.8	34.7	..	..	..	..	..	..
Sudan	11,900	36.3	4.7	4,508	1.8	766	34	42	607
Timor-Leste	0	..	..	..	..	..	..	..	..
Togo	11,652	31.6	132.4	..	..	..	..	7	..
Tuvalu	0	..	..	..	..	..	..	..	..
Uganda	70,746	23.0	293.5	259	0.3	218	..	27	64
United Rep. of Tanzania	87,524	8.6	83.3	2,600	174.8	728	475	1	684
Vanuatu	1,070	23.9	87.8	..	..	..	..	2	112
Yemen	71,300	8.7	135.0	..	..	..	..	26	1,050
Zambia	66,781	22.0	88.7	1,273	1.7	..	..	0	62

Source: World Bank, *World Development Indicators*, May 2011.
a Or latest year available.

15. Indicators on energy, environment and natural disasters

Country	Electrification rate (%)	Population without electricity (thousand people)	Total electricity net consumption per capita (kilowatt-hours)			Total net installed electricity capacity (kilowatt per 1000 inhabitants)			Renewable net installed electricity capacity (share of total net installed electricity capacity, %)			Carbon Dioxide emissions per capita (metric tons of carbon dioxide)			Forest area (% change)	Number of natural disasters[c]		
	2008[a]	2008[a]	1990	2000	2008	1990	2000	2008	1990	2000	2008	1990	2000	2009	1990-2009	1990	2000	2010
Afghanistan	14.4	23,300	76	24	32	37	18	18	59.1	71.7	76.5	0.5	0.1	0.0	0.0	1	6	5
Angola	26.2	12,900	115	115	269	74	56	92	66.8	49.5	43.1	0.9	1.3	1.9	-3.9	1	6	3
Bangladesh	41.0	94,900	45	94	207	22	27	36	9.1	6.4	4.2	0.1	0.2	0.4	-3.3	8	15	6
Benin	24.8	7,000	35	59	77	3	8	7	0.0	1.9	1.7	0.1	0.2	0.4	-20.0	0	3	4
Bhutan	..	..	77	478	1,286	586	703	2,206	96.9	97.2	98.9	0.2	0.5	0.5	6.7	0	1	0
Burkina Faso	10.0	13,800	19	26	45	8	10	17	14.3	26.4	12.7	0.1	0.1	0.1	-16.6	1	0	2
Burundi	..	..	21	18	30	8	8	6	74.4	78.2	98.1	0.1	0.1	0.0	-39.9	0	5	4
Cambodia	24.0	11,200	15	31	112	5	11	28	22.2	7.7	4.7	0.0	0.2	0.3	-21.0	0	1	1
Central African Republic	..	..	28	25	32	14	10	10	51.2	47.2	54.3	0.1	0.1	0.1	-2.4	0	3	1
Chad	..	..	14	10	9	5	4	3	0.0	0.0	0.0	0.1	0.0	0.0	-11.5	0	2	5
Comoros	..	..	33	31	66	12	9	8	20.0	20.0	16.7	0.2	0.2	0.2	-71.7	0	0	0
Dem. Rep. of the Congo	11.1	57,000	113	88	91	73	48	37	97.9	98.7	98.7	0.1	0.1	0.0	-3.7	1	2	6
Djibouti	..	..	313	250	367	170	164	166	0.0	0.0	0.0	3.5	2.8	2.4	0.0	0	1	1
Equatorial Guinea	..	..	43	79	139	13	24	50	20.0	16.7	3.2	0.3	4.2	7.3	-11.9	0	0	0
Eritrea	32.0	3,400	..	38	41	0	14	30	0.0	0.0	0.0	--	0.2	0.1	-4.4	0	1	0
Ethiopia	15.3	68,700	21	23	41	8	8	11	92.1	90.4	85.2	0.1	0.1	0.1	-15.3	2	10	4
Gambia	..	..	65	75	118	18	21	31	0.0	0.0	0.0	0.2	0.2	0.2	8.2	0	1	2
Guinea	..	..	75	83	87	30	42	34	23.1	40.1	37.2	0.2	0.2	0.1	-9.4	0	2	2
Guinea-Bissau	..	..	35	40	43	11	16	14	0.0	0.0	0.0	0.3	0.3	0.3	-8.3	0	0	1
Haiti	38.5	6,000	67	34	22	20	28	25	39.4	25.8	25.8	0.1	0.2	0.2	-12.2	1	2	7
Kiribati	..	..	91	142	211	28	47	62	0.0	0.0	0.0	0.3	0.3	0.4	0.0	0	0	0
Lao People's Dem. Rep.	55.0	2,700	69	-25	181	61	118	118	89.8	97.3	93.1	0.1	0.2	0.2	-8.6	0	3	0
Lesotho	16.0	1,700	113	146	123	0	40	40	0.0	0.0	0.0	0.1	0.1	0.1	9.5	1	1	0
Liberia	..	..	131	110	91	117	72	58	0.0	0.0	0.0	0.3	0.2	0.2	-11.6	1	2	1
Madagascar	19.0	16,400	46	46	52	19	14	12	48.2	46.3	50.4	0.1	0.1	0.2	-7.9	1	3	2
Malawi	9.0	13,000	69	95	107	19	21	22	78.9	91.3	92.1	0.1	0.1	0.1	-16.1	1	2	1
Maldives	..	..	99	304	627	65	120	158	0.0	0.0	0.0	0.5	1.6	2.3	0.0	0	0	0
Mali	..	..	27	35	35	10	18	21	51.7	47.4	55.4	0.1	0.1	0.1	-10.7	0	1	3
Mauritania	..	..	64	85	167	55	58	83	58.1	56.6	38.3	0.5	1.3	0.9	-40.5	0	0	2
Mozambique	11.7	19,300	55	227	478	186	131	114	88.1	91.5	89.7	0.1	0.1	0.1	-9.6	2	7	3
Myanmar	13.0	42,800	43	70	89	27	24	35	23.5	29.3	32.6	0.1	0.2	0.2	-18.2	0	0	2
Nepal	43.6	16,100	41	58	90	14	16	25	84.7	85.9	92.1	0.0	0.1	0.1	-24.5	2	3	4
Niger	..	..	43	34	42	8	13	10	0.0	0.0	0.0	0.1	0.1	0.1	-37.5	1	4	5
Rwanda	..	..	24	24	23	5	5	6	88.2	83.3	55.2	0.1	0.1	0.1	33.6	0	2	2
Samoa	..	..	274	464	520	117	167	216	31.6	42.2	29.3	0.8	0.8	0.8	31.5	1	0	0
Sao Tome and Principe	..	..	120	185	226	52	101	83	33.3	43.9	42.9	0.6	0.7	0.9	0.0	0	0	0
Senegal	42.0	7,400	100	99	151	31	30	47	0.0	0.4	0.4	0.3	0.5	0.5	-8.9	0	1	2
Sierra Leone	..	..	46	22	11	30	14	10	1.6	7.3	7.7	0.3	0.2	0.3	-11.9	0	1	2
Solomon Islands	..	..	87	124	136	37	32	26	0.0	0.0	0.0	0.5	0.4	0.5	-4.5	0	0	0
Somalia	..	..	34	30	31	10	8	7	0.0	0.0	7.7	0.2	0.1	0.1	-17.6	0	8	3
Sudan	31.4	27,000	48	61	91	19	23	30	45.0	39.9	43.4	0.2	0.2	0.3	-8.4	2	2	3
Timor-Leste	22.0	900	..	..	..	0	0	0	0.0	0.0	0.0	--	--	0.3	-22.0	0	0	0
Togo	20.0	5,400	108	103	108	26	18	14	69.1	72.8	78.8	0.2	0.3	0.5	-55.2	0	0	3
Tuvalu	..	..	..	..	..	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
Uganda	9.0	29,100	35	54	62	9	12	16	95.7	98.6	61.2	0.0	0.1	0.1	-35.3	3	6	2
United Rep. of Tanzania	11.5	36,800	54	57	85	20	26	24	65.0	65.0	60.5	0.1	0.1	0.2	-18.5	3	7	0
Vanuatu	..	..	145	191	186	71	63	56	0.0	0.0	0.0	0.8	0.4	0.7	0.0	3	0	0
Yemen	38.2	14,200	110	130	209	50	51	55	0.0	0.0	0.0	0.9	0.8	1.1	0.0	0	1	2
Zambia	18.8	9,900	770	594	600	216	163	132	98.2	99.1	99.5	0.3	0.2	0.2	-6.0	1	3	2
LDCs	**23.9[b]**	**540,900[b]**	**64**	**78**	**123**	**33**	**30**	**34**	**60.6**	**56.7**	**51.5**	**0.2**	**0.2**	**0.3**	**-6.7**	**38**	**118**	**98**
African LDCs and Haiti	..	..	*73*	*77*	*102*	*37*	*31*	*30*	*77.2*	*73.8*	*67.2*	*0.1*	*0.2*	*0.2*	*-5.4*	*22*	*88*	*78*
Asian LDCs	..	..	*49*	*78*	*157*	*27*	*29*	*41*	*28.2*	*29.4*	*32.8*	*0.2*	*0.2*	*0.3*	*-15.3*	*11*	*30*	*20*
Island LDCs	..	..	*102*	*168*	*163*	*47*	*60*	*45*	*13.0*	*17.1*	*12.3*	*0.5*	*0.6*	*0.8*	*-7.3*	*5*	*0*	*0*
All developing countries	**72.0**	**1,453,000**	**538**	**825**	**1,340**	**538**	**825**	**1,340**	**31.5**	**46.8**	**75.0**	**1.6**	**1.9**	**3.2**	**-5.6**	**170**	**381**	**327**

Source: OECD/IEA, *World Energy Outlook, 2010*; EIA, *International Energy Annual 2010*,May 2011; EM-DAT, OFDA/CRED International Disaster database, Université catholique de Louvain accessed July 2011; and FAO, *FAOSTAT*, June 2011.

a Household electrification rate, 2008 or latest year available; *b* Includes 25 LDCs;

c Natural disaster include: Drought, earthquake, epidemic, extreme temperature, flood, mass movement wet, storm, wildfire.

16. Status of women in LDCs

Country	Adult Literacy rate	School enrolment ratio: Primary (net)	School enrolment ratio: secondary (net)	School enrolment ratio: Tertiary (gross)	Health, fertility and mortality: Fertility rate (biths per woman)	Health, fertility and mortality: Maternal Mortality (maternal deaths per 100'000 live births)	Economic activity, employment: Labour Force	Economic activity, employment: Female labour force: Agriculture/ Total labour force	Political Participation: Women in parliaments	Gender Inequality Index[c]
	Female-male gaps[a] (%)						(%)		(% of total)	
	2009[b]				2009	2008	2010	2010	end-June 2011	2008
Afghanistan		..	38.2	23.9	6.5	1400	23.4	82.0	27.7	0.797
Angola	72.7	..	..	..	5.6	610	47.3	80.6	38.6	..
Bangladesh	82.7	108.4	105.3	56.1	2.3	340	40.3	57.4	18.6	0.734
Benin	53.4	89.1	..	..	5.4	410	40.8	43.0	8.4	0.759
Bhutan	51.4	102.5	106.7	58.6	2.6	200	33.1	97.2	8.5	..
Burkina Faso	61.0	88.6	77.6	48.7	5.8	560	47.1	93.3	15.3	..
Burundi	89.6	101.4	80.6	43.3	4.5	970	51.4	97.3	32.1	0.627
Cambodia	91.0	96.0	87.5	53.6	2.9	290	48.3	69.8	21.1	0.672
Central African Republic	64.3	74.7	59.8	43.0	4.7	850	44.9	70.3	13.0	0.768
Chad	53.4	..	..	17.2	6.1	1200	49.0	76.2	12.8	..
Comoros	86.7	92.4	..	77.0	3.9	340	43.7	82.8	3.0	..
Dem. Rep. of the Congo	75.7	..	..	35.3	5.9	670	38.5	72.6	10.4	0.814
Djibouti	..	90.0	71.7	69.4	3.8	300	43.3	79.4	13.8	..
Equatorial Guinea	95.7	99.0	..	..	5.3	280	32.5	87.4	10.0	..
Eritrea	77.1	87.0	73.1	32.9	4.5	280	40.9	78.5	22.0	..
Ethiopia	44.1	94.1	..	31.1	5.2	470	47.9	73.5	27.8	..
Gambia	64.6	103.2	..	..	5	400	46.8	86.5	7.5	0.742
Guinea	54.9	87.1	61.3	33.5	5.3	680	47.1	84.3	..	..
Guinea-Bissau	58.9	..	..	..	5.7	1000	38.2	94.4	10.0	..
Haiti	88.8	..	..	..	3.4	300	33.1	44.0	11.1	0.739
Kiribati	..	..	109.9	..	..	..	43.8	14.3	4.3	..
Lao People's Dem. Rep.	79.6	95.9	86.8	77.6	3.4	580	50.3	77.8	25.0	0.650
Lesotho	139.3	105.4	162.9	118.7	3.3	530	52.3	50.6	24.2	0.685
Liberia	88.5	..	..	..	5	990	40.3	68.6	12.5	0.766
Madagascar	93.2	100.8	104.7	90.3	4.6	440	49.1	76.4	12.5	..
Malawi	86.4	105.3	95.1	..	5.5	510	49.8	94.0	20.8	0.758
Maldives	98.1	97.8	..	..	2	37	42.0	14.3	6.5	0.533
Mali	55.5	84.7	67.3	40.8	5.4	830	38.4	73.6	10.2	0.799
Mauritania	77.3	106.5	88.0	41.4	4.4	550	43.2	62.6	22.1	0.738
Mozambique	65.6	94.4	89.7	49.4	5	550	55.8	94.0	39.2	0.718
Myanmar	101.0	..	101.7	137.1	2.3	240	46.3	70.0	4.3	..
Nepal	68.5	..	..	40.3	2.8	380	45.7	97.8	33.2	0.716
Niger	36.6	81.1	61.2	36.1	7.1	820	31.3	97.0	13.1	0.807
Rwanda	98.1	102.5	..	75.0	5.3	540	53.1	96.1	56.3	0.638
Samoa	91.0	99.8	113.0	..	3.9	..	33.8	27.3	4.1	..
Sao Tome and Principe	93.9	102.7	113.6	97.7	3.7	..	40.4	69.6	18.2	..
Senegal	65.4	103.8	76.3	58.5	4.9	410	43.2	77.2	22.7	0.727
Sierra Leone	62.2	..	..	..	5.2	970	51.1	72.6	13.2	0.756
Solomon Islands	..	98.5	90.2	..	3.8	100	38.7	80.2	0.0	..
Somalia	..	..	..	..	6.4	1200	39.2	76.7	6.8	..
Sudan	76.4	..	..	..	4.1	750	31.3	65.1	25.6	0.708
Timor-Leste	70.6	96.7	..	70.9	6.4	370	40.6	88.2	29.2	..
Togo	65.5	90.8	..	..	4.2	350	38.1	57.8	11.1	0.731
Tuvalu	..	..	..	..	..	..	50.0	0.0	0.0	..
Uganda	77.2	103.0	94.1	80.0	6.3	430	47.8	77.5	34.9	0.715
United Rep. of Tanzania	86.7	101.2	..	48.0	5.5	790	49.7	84.0	36.0	..
Vanuatu	93.3	98.0	86.7	59.4	3.9	..	46.5	30.0	3.8	..
Yemen	55.3	82.7	..	42.1	5.1	210	25.1	61.9	0.3	0.853
Zambia	77.5	102.5	..	..	5.7	470	43.3	68.0	14.0	0.752
LDCs	**78.0**	**98.6**	**92.9**	**56.4**	**4.3**	**590**	**43.4**	**73.8**	**19.8**	**0.746**
All Developing countries	**84.2**	**96.8**	**99.0**	**98.1**	**2.7**	**290**	**39.1**	**54.1**	**18.2**	**..**

Source: UNESCO Institute for Statistics, UIS, online data, July 2011; UNICEF, *The State of World Children 2011*; Maternal Mortality Estimates developed by WHO, UNICEF and UNFPA and the World Bank, *Maternal Mortality,* September, 2010; FAO, FAOSTAT database, August 2011; IPU database, August 2011; UNDP, *Human Development Report*, November, 2010.

a Females as percentage of males; *b* 2009 or latest year available; *c* Gender Inequality Index: higher values indicate high inequality for women. See explanatory notes for HDR composite indices at http://hdrstats.undp.org/images/explanations/PSE.pdf

17. Leading merchandise exports of all LDCs in 2008-2010

SITC Rev.3	Item	LDCs main merchandise exports[a]				Share in LDCs total exports			
		2008	*2009*	*2010[b]*	*2008-2010*	*2008*	*2009*	*2010[b]*	*2008-2010*
		($ million)				*(%)*			
	Total all products	178,042	130,010	159,854	155,968	100.0	100.0	100.0	100.0
333	Petroleum oils, crude and crude oils from bitumin. materials	102,549	61,900	73,584	79,344	57.6	47.6	46.0	50.9
845	Articles of apparel, of textile fabrics	8,155	7,589	9,321	8,355	4.6	5.8	5.8	5.4
682	Copper	4,532	4,050	7,677	5,420	2.5	3.1	4.8	3.5
841	Men's clothing of textile fabrics, not knitted	5,064	4,884	5,931	5,293	2.8	3.8	3.7	3.4
334	Petroleum products, refined	3,364	2,317	4,003	3,228	1.9	1.8	2.5	2.1
343	Natural gas, whether or not liquefied	5,415	4,474	3,842	4,577	3.0	3.4	2.4	2.9
971	Gold, non-monetary (excluding gold ores and concentrates)	2,362	2,994	3,757	3,038	1.3	2.3	2.4	1.9
842	Women's clothing, of textile fabrics, not knitted	2,700	2,409	3,024	2,711	1.5	1.9	1.9	1.7
844	Women's clothing, of textile, knitted or crocheted	1,854	1,622	2,358	1,944	1.0	1.2	1.5	1.2
263	Cotton	1,884	1,753	2,015	1,884	1.1	1.3	1.3	1.2
054	Vegetables	1,336	1,474	1,877	1,562	0.8	1.1	1.2	1.0
247	Wood in the rough or roughly squared	1,597	1,294	1,859	1,583	0.9	1.0	1.2	1.0
843	Men's or boy's clothing, of textile, knitted, crocheted	1,538	1,344	1,851	1,577	0.9	1.0	1.2	1.0
287	Ores and concentrates of base metals	1,385	1,046	1,804	1,412	0.8	0.8	1.1	0.9
071	Coffee and coffee substitutes	1,460	1,289	1,754	1,501	0.8	1.0	1.1	1.0
036	Crustaceans, mollusks and aquatic invertebrates	1,422	1,250	1,613	1,428	0.8	1.0	1.0	0.9
034	Fish, fresh (live or dead), chilled or frozen	1,376	1,259	1,557	1,397	0.8	1.0	1.0	0.9
283	Copper ores and concentrates	1,603	1,147	1,509	1,420	0.9	0.9	0.9	0.9
121	Tobacco, unmanufactured	1,153	1,359	1,187	1,233	0.6	1.0	0.7	0.8
684	Aluminium	1,486	582	1,154	1,074	0.8	0.4	0.7	0.7

SITC Rev.3	Item	Share of LDCs in developing countries' exports				Share of LDCs in world exports			
		2008	*2009*	*2010[b]*	*2008-2010*	*2008*	*2009*	*2010[b]*	*2008-2010*
		(%)							
	Total all products	2.8	2.6	2.5	2.6	1.1	1.0	1.0	1.1
333	Petroleum oils, crude and crude oils from bitumin. Materials	9.1	9.2	8.4	8.9	6.5	6.6	6.0	6.4
845	Articles of apparel, of textile fabrics	9.2	9.9	10.3	9.8	6.3	6.7	7.3	6.8
682	Copper	7.7	9.0	10.8	9.3	3.7	4.6	5.8	4.7
841	Men's clothing of textile fabrics, not knitted	12.0	13.2	13.7	13.0	7.7	8.7	9.5	8.6
334	Petroleum products, refined	1.0	1.0	1.4	1.1	0.4	0.5	0.6	0.5
343	Natural gas, whether or not liquefied	5.3	5.6	4.0	4.9	1.8	2.2	1.7	1.9
971	Gold, non-monetary (excluding gold ores and concentrates)	4.3	4.0	4.7	4.3	2.1	2.4	2.5	2.4
842	Women's clothing, of textile fabrics, not knitted	5.4	5.5	5.8	5.6	3.4	3.5	3.9	3.6
844	Women's clothing, of textile, knitted or crocheted	6.0	5.7	6.4	6.1	4.5	4.3	5.0	4.6
263	Cotton	33.7	36.2	23.9	30.0	14.5	16.5	10.6	13.3
054	Vegetables	7.9	8.2	8.4	8.2	2.7	3.0	3.2	3.0
247	Wood in the rough or roughly squared	39.1	38.0	42.5	40.0	11.2	12.6	14.3	12.7
843	Men's or boy's clothing, of textile, knitted, crocheted	7.7	7.8	8.7	8.1	6.3	6.4	7.3	6.7
287	Ores and concentrates of base metals	7.0	8.8	8.9	8.2	4.3	5.4	5.6	5.0
071	Coffee and coffee substitutes	8.6	8.5	8.8	8.6	5.3	5.1	5.5	5.4
036	Crustaceans, mollusks and aquatic invertebrates	10.0	8.9	9.3	9.4	6.1	5.6	6.0	5.9
034	Fish, fresh (live or dead), chilled or frozen	7.2	6.7	6.3	6.7	3.1	2.8	2.7	2.9
283	Copper ores and concentrates	6.0	4.6	4.0	4.8	4.6	3.6	3.2	3.7
121	Tobacco, unmanufactured	17.5	17.1	15.5	16.7	11.1	11.5	10.5	11.0
684	Aluminium	4.4	2.5	3.1	3.4	1.2	0.7	1.0	1.0

Source: UNCTAD, UNCTADstat database, August 2011.
a Sorted in descending order of LDCs 2008–2010 export values; *b* 2010 preliminary data.

18. Total merchandise exports: Levels and annual average growth rates

Country	Total merchandise exports ($ million)						Annual average growth rates (%)					
	1995	*2000*	*2007*	*2008*	*2009*	*2010[a]*	*1995–2000*	*2000–2009*	*2007*	*2008*	*2009*	*2010[a]*
Afghanistan	166	137	497	540	403	400	-0.2	20.2	21.8	8.7	-25.3	-0.9
Angola	3,723	7,887	44,396	72,179	40,985	46,437	10.3	27.4	39.3	62.6	-43.2	13.3
Bangladesh	3,501	6,389	12,453	15,380	15,073	19,239	11.6	13.0	5.5	23.5	-2.0	27.6
Benin	420	392	1,047	1,282	1,225	1,188	-2.9	14.7	42.3	22.5	-4.5	-3.0
Bhutan	103	103	674	519	496	540	1.0	23.4	62.6	-22.9	-4.5	8.9
Burkina Faso	276	206	623	693	900	1,050	-2.5	18.2	5.9	11.3	29.9	16.6
Burundi b	106	50	62	54	62	100	-8.5	7.9	6.9	-13.3	14.6	62.0
Cambodia	855	1,389	4,088	4,708	4,302	5,500	12.8	15.0	10.7	15.2	-8.6	27.9
Central African Republic	171	161	178	150	124	161	-1.1	0.4	12.8	-15.7	-17.6	30.3
Chad	243	183	3,668	4,328	2,633	3,071	-3.5	41.5	9.4	18.0	-39.2	16.6
Comoros	11	14	14	7	12	13	6.3	-5.9	32.5	-52.8	83.2	8.0
Dem. Rep. of the Congo	1,649	824	2,600	3,950	3,200	4,937	-14.4	19.2	12.1	51.9	-19.0	54.3
Djibouti	14	32	58	69	77	85	12.0	11.3	3.7	18.5	12.4	10.1
Equatorial Guinea	90	1,097	10,210	14,930	8,822	10,400	60.6	27.6	24.4	46.2	-40.9	17.9
Eritrea	86	19	13	11	11	12	-31.0	-6.7	7.7	-15.3	-2.7	10.1
Ethiopia	423	486	1,277	1,602	1,618	2,580	2.9	19.2	22.5	25.4	1.0	59.4
Gambia	16	15	13	14	15	15	-5.0	2.9	13.4	7.1	7.7	0.0
Guinea	702	666	1,203	1,342	1,050	1,105	-1.6	7.1	16.5	11.5	-21.8	5.3
Guinea-Bissau	24	62	107	128	119	123	18.6	9.1	44.4	19.8	-6.8	2.9
Haiti	110	318	522	480	576	560	31.7	8.0	5.6	-8.1	20.1	-2.9
Kiribati	7	4	10	15	15	15	-4.9	19.7	55.3	53.4	0.0	0.0
Lao People's Dem. Republic	311	330	923	1,092	1,005	1,550	0.6	19.0	4.6	18.3	-7.9	54.2
Lesotho	160	221	804	882	716	849	3.9	13.8	14.9	9.8	-18.9	18.6
Liberia	820	329	187	234	155	200	-14.5	0.5	22.0	25.1	-33.6	28.9
Madagascar	507	862	1,343	1,667	1,096	1,275	9.3	5.6	33.2	24.1	-34.3	16.4
Malawi	405	379	869	879	1,188	1,066	-2.1	12.2	30.4	1.2	35.1	-10.2
Maldives	85	109	228	331	169	200	4.9	8.1	1.2	45.2	-49.0	18.3
Mali	442	545	1,556	2,097	1,782	1,954	5.5	13.7	0.4	34.8	-15.0	9.7
Mauritania	488	355	1,402	1,788	1,370	2,040	-7.3	23.6	2.5	27.5	-23.4	48.9
Mozambique	169	364	2,412	2,653	2,147	2,243	14.0	19.1	1.3	10.0	-19.1	4.5
Myanmar	860	1,646	6,317	6,950	6,731	8,590	14.3	17.2	37.8	10.0	-3.2	27.6
Nepal	345	804	868	939	823	950	17.8	3.1	3.6	8.1	-12.4	15.5
Niger	288	283	650	912	861	926	-0.7	15.1	24.8	40.3	-5.7	7.6
Rwanda	52	53	177	256	192	238	-0.7	17.0	19.9	45.1	-25.2	23.9
Samoa	9	14	97	72	46	60	13.6	5.5	49.6	-26.1	-36.1	29.4
Sao Tome and Principe	5	3	7	11	8	6	-15.1	11.0	-12.6	58.0	-23.7	-21.4
Senegal	993	920	1,652	2,206	2,017	2,161	-0.6	9.3	6.2	33.5	-8.6	7.1
Sierra Leone	42	13	245	216	208	340	-30.7	32.7	5.8	-11.8	-3.6	63.7
Solomon Islands	168	69	166	210	163	227	-14.5	16.3	38.0	27.2	-22.4	38.6
Somalia	170	193	346	415	422	450	2.3	7.7	21.4	19.9	1.7	6.6
Sudan	556	1,807	8,879	11,671	7,834	10,500	20.7	23.5	57.0	31.4	-32.9	34.0
Timor-Leste[c]	_	_	7	13	8	11	_	4.5	-22.2	85.7	-34.7	29.6
Togo	378	364	690	853	818	923	-1.6	9.8	12.7	23.6	-4.0	12.8
Tuvalu	0	0	0	0	0	0	-23.5	28.9	78.5	64.5	100.0	0.0
Uganda	461	450	1,776	2,208	2,327	2,164	-1.7	21.7	49.6	24.3	5.4	-7.0
United Republic of Tanzania	682	734	2,219	3,040	2,982	4,051	-2.8	18.2	15.5	37.0	-1.9	35.8
Vanuatu	28	26	50	56	57	49	-2.7	11.4	2.1	13.6	0.7	-14.4
Yemen	1,945	4,079	6,299	7,584	6,259	8,500	8.7	9.7	-5.3	20.4	-17.5	35.8
Zambia	1,032	892	4,617	5,099	4,312	7,200	-1.5	25.9	22.5	10.4	-15.4	67.0
LDCs	**24,098**	**36,276**	**128,499**	**176,715**	**127,416**	**156,253**	**6.4**	**19.2**	**24.2**	**37.5**	**-27.9**	**22.6**
African LDCs and Haiti	*15,697*	*21,160*	*95,801*	*138,288*	*91,845*	*110,404*	*3.9*	*22.4*	*30.0*	*44.3*	*-33.6*	*20.2*
Asian LDCs	*8,086*	*14,878*	*32,120*	*37,711*	*35,092*	*45,269*	*10.9*	*13.0*	*9.7*	*17.4*	*-6.9*	*29.0*
Island LDCs	*314*	*238*	*578*	*715*	*479*	*580*	*-4.7*	*9.8*	*17.4*	*23.7*	*-33.0*	*21.1*
Other developing countries	**1,410,857**	**2,019,745**	**5,147,977**	**6,111,364**	**4,822,583**	**6,239,372**	**5.7**	**14.2**	**16.0**	**18.7**	**-21.1**	**29.4**
All developing countries	**1,434,955**	**2,056,021**	**5,276,476**	**6,288,079**	**4,949,999**	**6,395,625**	**5.7**	**14.3**	**16.2**	**19.2**	**-21.3**	**29.2**

Source: UNCTAD, UNCTADstat database, August 2011.
a 2010 preliminary data; *b* Burundi: excluding gold exports.

19. Total merchandise imports: Levels and annual average growth rates

Country	Total merchandise imports ($ million)						Annual average growth rates (%)					
	1995	*2000*	*2007*	*2008*	*2009*	*2010[a]*	*1995–2000*	*2000–2009*	*2007*	*2008*	*2009*	*2010[a]*
Afghanistan	387.0	1,175.9	2,819.0	3,019.9	3,336.4	4,200.0	20.6	10.0	9.2	7.1	10.5	25.9
Angola	1,467.7	3,040.0	13,662.0	20,982.0	22,659.9	16,574.0	14.3	24.1	55.6	53.6	8.0	-26.9
Bangladesh	6,694.0	8,883.0	18,595.0	23,840.0	21,851.1	27,793.7	5.7	13.3	16.0	28.2	-8.3	27.2
Benin	745.7	613.0	2,037.1	2,289.4	2,064.2	2,189.8	-1.4	16.2	65.8	12.4	-9.8	6.1
Bhutan	112.3	175.2	525.9	540.1	529.9	760.0	9.8	15.6	25.3	2.7	-1.9	43.4
Burkina Faso	454.8	611.0	1,678.1	2,041.2	1,870.3	2,177.3	5.4	14.6	11.7	21.6	-8.4	16.4
Burundi	234.2	147.9	319.1	402.3	402.2	509.2	-6.2	15.8	-25.9	26.1	0.0	26.6
Cambodia	1,186.8	1,935.7	5,438.9	6,508.4	5,875.8	7,300.0	11.2	15.2	14.0	19.7	-9.7	24.2
Central African Republic	174.1	117.0	248.9	300.4	270.9	315.7	-6.0	12.7	22.6	20.7	-9.8	16.6
Chad	488.2	317.0	1,797.1	1,906.0	2,266.1	2,623.0	-5.3	17.6	33.2	6.1	18.9	15.8
Comoros	62.5	43.2	138.3	175.9	169.6	185.0	-5.4	17.2	20.0	27.2	-3.6	9.1
Dem. Rep. of the Congo	1,046.0	697.1	2,950.0	4,100.0	3,300.0	3,907.9	-9.8	19.7	7.7	39.0	-19.5	18.4
Djibouti	176.7	207.0	473.2	574.1	450.7	414.0	3.7	11.2	41.0	21.3	-21.5	-8.1
Equatorial Guinea	120.6	503.7	2,759.6	3,745.8	5,195.0	5,700.0	26.2	29.5	36.6	35.7	38.7	9.7
Eritrea	453.5	471.4	510.0	601.5	587.4	690.0	-0.2	3.6	3.0	17.9	-2.3	17.5
Ethiopia	1,145.2	1,261.8	5,808.6	8,680.3	7,973.9	9,692.2	3.1	24.0	11.5	49.4	-8.1	21.5
Gambia	182.4	187.0	305.0	329.4	303.9	300.0	-2.7	8.8	17.6	8.0	-7.7	-1.3
Guinea	818.5	612.0	1,190.0	1,600.0	1,400.0	1,363.0	-5.7	11.0	32.2	34.5	-12.5	-2.6
Guinea-Bissau	132.9	59.6	191.4	226.6	235.3	241.3	-15.7	17.8	32.2	18.4	3.8	2.6
Haiti	653.0	1,036.2	1,681.5	2,376.8	2,129.3	3,229.2	11.5	11.4	-2.4	41.3	-10.4	51.7
Kiribati	34.0	39.6	70.2	73.7	68.1	100.0	2.3	8.1	10.8	5.1	-7.6	46.9
Lao People's Dem. Rep.	588.8	535.3	1,066.9	1,403.2	1,413.5	1,750.0	-4.3	15.1	0.7	31.5	0.7	23.8
Lesotho	1,106.9	809.2	1,731.3	2,030.0	1,900.0	2,196.3	-7.0	11.9	18.1	17.3	-6.4	15.6
Liberia	510.0	668.0	529.6	849.0	563.0	650.0	2.6	10.4	13.5	60.3	-33.7	15.5
Madagascar	628.1	997.0	2,445.5	3,850.6	3,159.3	2,752.0	8.3	15.6	38.9	57.5	-18.0	-12.9
Malawi	474.7	532.3	1,380.0	2,203.7	2,021.7	2,173.0	1.1	16.6	14.1	59.7	-8.3	7.5
Maldives	267.9	388.6	1,096.3	1,387.5	967.3	1,095.1	8.1	14.2	18.3	26.6	-30.3	13.2
Mali	772.1	806.4	2,184.8	3,338.9	2,430.8	2,968.0	1.3	15.0	20.1	52.8	-27.2	22.1
Mauritania	431.3	454.2	1,595.5	1,941.2	1,429.8	1,972.1	-0.8	18.6	36.7	21.7	-26.3	37.9
Mozambique	704.0	1,162.3	3,049.7	4,007.8	3,764.2	3,564.2	11.4	14.6	6.3	31.4	-6.1	-5.3
Myanmar	1,347.9	2,401.5	3,280.1	4,299.1	4,392.6	4,650.0	14.5	7.4	27.9	31.1	2.2	5.9
Nepal	1,333.0	1,573.0	3,121.5	3,590.1	4,384.4	5,500.0	1.6	14.4	25.3	15.0	22.1	25.4
Niger	373.6	395.2	1,148.7	1,574.5	2,364.2	2,857.9	0.7	22.1	21.0	37.1	50.2	20.9
Rwanda	237.7	213.2	737.3	1,177.7	1,203.9	1,394.4	-1.8	22.8	34.5	59.7	2.2	15.8
Samoa	95.0	90.1	265.6	287.9	230.5	309.8	0.4	11.6	-3.5	8.4	-19.9	34.4
Sao Tome and Principe	29.3	29.8	79.1	114.0	103.3	112.2	5.0	17.3	11.6	44.2	-9.4	8.6
Senegal	1,412.2	1,552.8	4,871.4	6,527.6	4,712.9	4,782.2	2.6	14.4	32.7	34.0	-27.8	1.5
Sierra Leone	133.5	149.4	446.5	533.4	521.1	773.3	-6.3	15.3	14.7	19.5	-2.3	48.4
Solomon Islands	154.0	92.0	287.2	320.0	261.9	394.0	-10.1	18.9	32.4	11.4	-18.2	50.4
Somalia	268.0	343.0	887.0	1,131.0	931.0	955.0	4.5	11.6	11.9	27.5	-17.7	2.6
Sudan	1,218.8	1,552.7	8,775.5	9,351.5	9,690.9	9,960.0	3.3	22.1	8.7	6.6	3.6	2.8
Timor-Leste[b]	_	_	176.0	268.6	295.1	440.0	_	20.0	74.3	52.6	9.9	49.1
Togo	593.5	562.2	1,450.0	1,540.0	1,508.5	1,636.3	-1.9	13.4	9.0	6.2	-2.0	8.5
Tuvalu	5.7	5.2	15.3	26.5	14.0	16.0	2.6	14.9	21.0	72.9	-47.1	14.3
Uganda	1,056.1	1,538.1	3,493.4	4,525.9	4,247.4	4,782.4	6.8	15.8	36.6	29.6	-6.2	12.6
United Republic of Tanzania	1,674.5	1,523.5	5,337.1	7,081.1	6,296.3	7,706.3	-0.1	19.9	25.7	32.7	-11.1	22.4
Vanuatu	95.1	86.8	228.5	312.5	291.2	283.9	-1.3	16.1	5.3	36.7	-6.8	-2.5
Yemen	1,581.6	2,323.5	8,514.0	10,452.3	9,184.8	9,700.0	5.7	18.1	40.2	22.8	-12.1	5.6
Zambia	691.6	888.0	4,007.0	5,060.5	3,792.6	5,320.8	4.3	20.8	30.3	26.3	-25.1	40.3
LDCs	**34,554.9**	**43,807.5**	**125,399.8**	**163,499.9**	**155,016.3**	**170,960.6**	**4.6**	**16.6**	**23.3**	**30.4**	**-5.2**	**10.3**
African LDCs and Haiti	*20,579.9*	*24,029.1*	*79,682.0*	*106,880.2*	*101,646.8*	*106,370.9*	*2.9*	*18.6*	*25.1*	*34.1*	*-4.9*	*4.6*
Asian LDCs	*13,231.4*	*19,003.1*	*43,361.3*	*53,653.0*	*50,968.5*	*61,653.7*	*7.1*	*13.5*	*20.5*	*23.7*	*-5.0*	*21.0*
Island LDCs	*743.6*	*775.3*	*2,356.5*	*2,966.6*	*2,401.0*	*2,936.0*	*1.5*	*16.2*	*17.9*	*25.9*	*-19.1*	*22.3*
Other developing countries	**1,465,328.3**	**1,872,962.2**	**4,571,340.0**	**5,551,760.3**	**4,461,684.9**	**5,760,319.0**	**3.2**	**13.9**	**17.5**	**21.4**	**-19.6**	**29.1**
All developing countries	**1,499,883.2**	**1,916,769.7**	**4,696,739.8**	**5,715,260.2**	**4,616,701.2**	**5,931,279.6**	**3.2**	**13.9**	**17.7**	**21.7**	**-19.2**	**28.5**

Source: UNCTAD, UNCTADstat database, August 2011.
a 2010, preliminary data; *b* Timor-Leste: data since 2003.

20. Main markets for exports of LDCs: Percentage share in 2010

Country	Developed economies					Economies in transition	Developing countries							Unallocated
	Total	*EU*	*Japan*	*USA and Canada*	*Other developed countries*		*Total*	*China*	*India*	*Major petroleum exporters*	*Newly industrialized economies: 1st tier*	*Newly industrialized economies: 2nd tier*	*Other Developing economies*	
Afghanistan	21.9	9.9	0.1	11.8	0.2	12.2	65.9	0.6	21.0	14.8	0.2	0.0	29.2	0.0
Angola	40.5	8.5	0.2	31.8	0.0	0.0	59.5	52.3	0.0	0.7	0.0	0.2	6.3	0.0
Bangladesh	84.1	51.2	1.8	28.9	2.2	1.0	14.9	1.4	1.8	1.6	1.8	0.9	7.3	0.0
Benin	14.5	14.2	0.0	0.1	0.2	0.0	85.5	22.5	14.5	7.5	0.9	4.8	35.4	0.0
Bhutan	3.0	0.8	1.9	0.3	0.0	0.0	97.0	0.0	88.5	0.0	0.3	0.2	8.0	0.0
Burkina Faso	46.6	15.6	2.7	2.6	25.7	0.0	53.4	11.1	0.6	2.6	8.0	10.2	20.9	0.0
Burundi	54.6	37.9	0.1	2.0	14.6	0.8	44.6	2.0	0.4	8.8	5.7	0.1	27.6	0.0
Cambodia	76.5	21.8	3.3	50.0	1.4	0.7	22.9	1.4	0.1	0.2	12.1	3.8	5.2	0.0
Central African Republic	55.0	49.2	1.0	3.2	1.6	0.1	44.9	11.5	0.8	2.6	0.4	8.1	21.4	0.0
Chad	80.8	10.3	0.0	70.5	0.0	0.0	19.1	16.6	0.3	1.2	0.1	0.3	0.7	0.0
Comoros	39.8	36.4	0.7	2.7	0.1	0.2	60.1	0.0	9.1	10.4	7.8	0.0	32.8	0.0
Dem. Rep. of the Congo	23.6	12.5	0.0	10.8	0.2	0.1	76.4	49.0	0.0	1.3	0.0	0.0	26.0	0.0
Djibouti	11.9	7.1	2.9	1.8	0.1	0.1	88.0	0.4	1.6	12.3	0.2	0.2	73.4	0.0
Equatorial Guinea	80.8	26.5	5.9	48.3	0.1	0.0	19.2	9.8	0.0	0.0	0.0	0.0	9.4	0.0
Eritrea	40.4	37.2	0.0	2.8	0.4	0.0	59.6	8.0	1.3	7.8	0.1	0.8	41.6	0.0
Ethiopia	45.4	30.5	1.7	4.8	8.5	0.3	54.3	10.4	1.3	11.3	1.1	0.5	29.7	0.0
Gambia	27.0	24.1	0.2	2.4	0.3	0.0	73.0	8.6	35.2	0.4	2.7	1.7	24.4	0.0
Guinea	54.5	40.1	0.0	11.2	3.1	17.4	28.1	2.0	18.6	0.4	2.4	0.5	4.2	0.0
Guinea-Bissau	8.0	1.7	0.2	6.1	0.0	0.0	92.0	0.0	88.0	0.0	2.3	0.0	1.7	0.0
Haiti	82.2	6.0	0.2	75.1	0.8	0.0	17.8	1.0	0.2	1.2	1.9	2.4	11.1	0.0
Kiribati	21.4	0.5	15.7	3.7	1.6	0.0	78.5	0.0	0.0	0.0	18.9	34.2	25.4	0.0
Lao People's Dem. Rep.	19.5	12.7	2.3	4.2	0.2	0.1	80.4	34.4	0.0	0.0	0.0	45.8	0.2	0.0
Lesotho	93.4	11.7	0.1	81.7	0.0	0.0	6.6	0.0	0.0	0.0	0.1	0.0	6.5	0.0
Liberia	72.1	20.3	0.1	45.7	6.0	2.5	25.4	4.7	0.0	12.1	0.0	4.1	4.6	0.0
Madagascar	75.1	56.4	1.3	16.3	1.1	0.2	24.7	10.2	2.0	2.1	2.5	0.5	7.4	0.0
Malawi	55.6	36.7	0.2	17.0	1.7	2.0	42.2	3.1	1.2	0.5	1.6	2.1	33.7	0.2
Maldives	44.7	38.6	4.0	2.0	0.1	0.0	55.3	0.5	2.0	2.2	1.9	36.4	12.3	0.0
Mali	13.0	8.5	0.2	1.4	2.9	0.0	87.0	8.5	1.1	0.6	0.9	6.0	69.9	0.0
Mauritania	43.8	35.2	5.9	2.1	0.6	2.3	53.9	39.9	0.1	2.3	0.4	0.2	11.1	0.0
Mozambique	65.9	63.1	0.3	2.0	0.5	1.1	32.9	6.1	2.1	0.6	0.9	1.6	21.5	0.0
Myanmar	24.9	17.5	5.9	0.8	0.6	0.3	72.8	7.0	14.4	0.1	5.4	42.3	3.6	2.0
Nepal	18.4	9.8	0.8	6.7	1.2	0.1	69.2	1.5	57.5	0.5	1.1	0.2	8.4	12.2
Niger	61.3	39.3	3.9	14.3	3.8	0.8	37.9	0.5	0.2	22.9	0.5	0.9	12.9	0.0
Rwanda	21.5	15.1	0.2	5.8	0.4	0.5	78.1	9.6	0.3	1.1	4.4	3.0	59.7	0.0
Samoa	91.7	0.3	0.3	3.1	88.0	0.0	8.3	0.0	0.0	0.0	2.3	0.2	5.8	0.0
Sao Tome and Principe	50.1	46.4	0.2	2.6	0.9	0.4	49.5	0.1	0.0	2.0	0.0	3.3	44.2	0.0
Senegal	20.3	18.1	0.5	0.3	1.4	0.1	70.0	2.3	11.2	3.2	0.7	0.5	52.0	9.6
Sierra Leone	80.5	65.7	1.3	11.3	2.1	1.0	18.5	2.6	1.5	3.0	0.7	1.2	9.5	0.0
Solomon Islands	14.3	9.1	2.9	0.4	1.9	0.0	85.7	65.0	0.5	0.0	5.5	10.2	4.5	0.0
Somalia	0.9	0.8	0.0	0.0	0.1	0.0	99.1	0.5	0.0	94.8	0.0	0.1	3.6	0.0
Sudan	19.6	1.5	16.1	2.0	0.0	0.0	80.3	60.8	3.3	6.2	0.9	6.2	2.9	0.0
Timor-Leste	36.0	16.0	13.7	2.4	3.8	0.0	64.0	0.2	0.5	0.0	61.9	0.8	0.6	0.0
Togo	19.7	17.7	0.0	0.9	1.1	0.1	80.0	3.3	8.5	14.6	1.5	3.1	49.1	0.2
Tuvalu	56.8	9.5	33.6	0.3	13.4	0.6	42.6	0.0	1.5	0.2	0.0	28.2	12.7	0.0
Uganda	38.4	32.0	0.5	2.4	3.6	1.1	60.5	1.2	1.0	7.9	1.9	0.6	47.9	0.0
United Republic of Tanzania	32.9	17.3	6.1	1.8	7.7	1.5	65.7	16.7	8.4	8.9	1.6	2.5	27.6	0.0
Vanuatu	28.6	3.9	22.1	1.2	1.5	0.0	71.4	0.3	0.9	0.2	2.0	63.1	5.0	0.0
Yemen	9.1	2.1	4.3	1.0	1.8	0.0	90.5	27.1	15.8	11.2	7.6	21.3	7.5	0.4
Zambia	55.6	4.4	0.1	0.1	51.1	0.1	44.3	20.2	0.3	3.0	0.4	0.1	20.3	0.0
LDCs	**46.6**	**18.7**	**3.0**	**21.3**	**3.6**	**0.5**	**52.6**	**27.5**	**3.7**	**3.0**	**1.7**	**5.3**	**11.5**	**0.3**
African LDCs and Haiti	*44.0*	*14.3*	*2.9*	*22.5*	*4.4*	*0.4*	*55.4*	*35.4*	*1.6*	*3.0*	*0.5*	*1.3*	*13.6*	*0.2*
Asian LDCs	*52.9*	*29.2*	*3.2*	*18.8*	*1.6*	*0.7*	*45.7*	*8.3*	*8.9*	*2.9*	*4.6*	*14.6*	*6.4*	*0.7*
Island LDCs	*35.9*	*19.0*	*5.1*	*1.5*	*10.2*	*0.0*	*64.1*	*24.9*	*1.2*	*1.0*	*5.0*	*23.0*	*9.0*	*0.0*
Other developing countries	**44.6**	**16.4**	**7.4**	**18.0**	**2.8**	**1.7**	**53.6**	**12.0**	**3.7**	**4.9**	**13.6**	**6.1**	**13.3**	**0.2**
All developing countries	**44.7**	**16.5**	**7.3**	**18.1**	**2.8**	**1.6**	**53.5**	**12.3**	**3.7**	**4.9**	**13.3**	**6.1**	**13.3**	**0.2**

Source: UNCTAD, UNCTADstat database, August 2011.

21. Main sources of imports of LDCs: Percentage share in 2010

Country	Developed economies					Economies in transition	Developing countries							Unallocated
	Total	*EU*	*Japan*	*USA and Canada*	*Other developed economies*		*Total*	*China*	*India*	*Major petroleum exporters*	*Newly industrialized economies: 1st tier*	*Newly industrialized economies: 2nd tier*	*Other Developing economies*	
Afghanistan	38.6	11.6	3.3	23.5	0.2	11.2	50.2	4.3	6.6	9.8	1.8	2.7	25.0	0.0
Angola	60.1	43.2	1.0	11.8	4.1	0.2	39.7	16.0	0.0	4.9	0.0	3.1	15.8	0.0
Bangladesh	20.7	8.3	4.4	4.5	3.5	4.4	74.8	22.8	13.0	6.9	13.9	11.4	6.7	0.0
Benin	46.8	37.9	2.6	1.7	4.7	0.0	53.2	8.5	2.0	5.3	2.5	7.0	27.9	0.0
Bhutan	25.9	7.9	8.4	2.5	7.1	0.0	74.1	0.7	60.8	0.1	3.9	3.9	4.7	0.0
Burkina Faso	41.6	34.1	1.4	5.3	0.8	1.6	56.8	5.0	2.6	2.0	2.6	1.4	43.2	0.0
Burundi	34.9	25.7	5.6	3.0	0.6	0.4	64.7	9.8	4.9	11.4	0.6	1.0	37.0	0.0
Cambodia	6.5	2.3	1.9	1.9	0.4	0.2	93.3	14.7	0.6	0.1	36.5	28.7	12.8	0.0
Central African Republic	54.9	41.9	1.2	11.0	0.8	0.1	44.9	5.2	0.8	1.7	8.7	1.7	26.9	0.0
Chad	63.8	48.7	0.3	14.1	0.7	2.4	33.9	11.3	0.9	2.9	0.5	0.2	18.0	0.0
Comoros	30.9	29.8	0.6	0.5	0.1	0.0	69.0	4.8	6.3	20.6	4.0	3.8	29.6	0.0
Dem. Rep. of the Congo	33.0	27.4	1.0	3.4	1.1	2.6	64.4	15.2	0.0	4.5	0.0	0.4	44.2	0.0
Djibouti	20.5	11.1	2.4	6.6	0.5	1.7	77.8	20.9	15.5	7.2	3.3	13.4	17.6	0.0
Equatorial Guinea	37.7	25.8	1.0	10.6	0.3	0.5	61.8	17.5	0.0	37.5	0.0	0.5	6.3	0.0
Eritrea	24.2	21.1	0.1	1.4	1.6	2.2	73.6	10.9	9.2	18.4	3.8	1.1	30.2	0.0
Ethiopia	27.9	15.5	5.5	5.8	1.0	2.2	70.0	24.0	7.2	19.0	2.0	5.2	12.6	0.0
Gambia	46.4	36.8	1.8	6.3	1.5	0.2	53.5	11.2	2.8	4.1	3.4	5.8	26.2	0.0
Guinea	54.5	44.8	1.4	5.5	2.8	1.6	43.9	13.3	4.5	2.4	2.3	3.2	18.3	0.0
Guinea-Bissau	42.9	40.2	0.3	1.7	0.7	0.1	57.0	4.0	1.2	0.0	0.7	4.1	47.0	0.0
Haiti	75.6	8.3	3.2	63.2	0.9	0.1	23.8	2.2	0.9	0.7	1.9	3.6	14.4	0.6
Kiribati	60.2	3.0	29.0	8.5	19.7	0.0	39.8	10.2	0.3	0.0	0.6	3.6	25.0	0.0
Lao People's Dem. Rep.	8.0	4.5	2.2	0.5	0.8	0.3	91.7	16.8	0.0	0.0	0.0	74.9	0.1	0.0
Lesotho	25.3	11.9	0.8	12.1	0.5	0.1	74.6	62.9	0.0	0.5	0.0	2.3	9.0	0.0
Liberia	36.6	7.0	26.5	2.8	0.3	0.7	62.7	59.5	0.0	0.3	0.0	1.1	1.7	0.0
Madagascar	32.9	22.7	0.6	9.0	0.6	0.1	67.1	17.9	5.5	7.2	9.6	5.9	21.0	0.0
Malawi	19.3	12.5	2.0	3.1	1.8	0.4	80.4	6.8	7.2	4.1	3.3	1.7	57.3	0.0
Maldives	15.1	7.7	0.6	3.2	3.5	0.0	84.9	6.5	7.8	18.0	26.8	15.7	10.1	0.0
Mali	36.8	25.9	2.6	6.5	1.8	2.8	60.3	9.2	2.3	1.5	0.9	1.5	44.9	0.0
Mauritania	55.5	47.9	1.7	4.7	1.1	2.9	41.7	12.5	1.7	1.9	0.7	6.0	18.9	0.0
Mozambique	29.1	14.7	2.0	4.9	7.5	0.3	70.6	10.2	7.6	3.1	2.5	4.0	43.3	0.0
Myanmar	7.3	2.1	3.8	0.4	0.9	2.1	90.3	31.7	3.5	0.2	29.5	24.7	0.8	0.3
Nepal	9.8	4.1	1.7	1.6	2.4	0.8	89.4	10.5	57.0	9.7	4.4	5.3	2.5	0.0
Niger	45.4	35.9	1.6	5.0	2.9	0.4	54.1	17.7	2.4	13.9	0.7	2.0	17.5	0.0
Rwanda	24.9	19.4	0.7	3.4	1.4	0.4	74.7	5.3	3.2	12.0	3.6	0.4	50.1	0.0
Samoa	75.3	1.3	8.4	11.5	54.1	0.0	24.7	6.1	0.1	0.0	8.0	3.8	6.7	0.0
Sao Tome and Principe	69.3	66.8	2.3	0.2	0.0	0.0	29.8	2.2	0.3	17.1	1.5	0.6	8.2	0.8
Senegal	50.9	43.6	2.4	3.2	1.6	3.2	45.6	8.3	2.5	12.0	1.3	3.9	17.6	0.3
Sierra Leone	33.3	16.4	4.3	11.8	0.8	0.5	65.0	3.4	3.9	3.8	1.9	2.9	49.1	1.2
Solomon Islands	46.2	3.0	6.4	2.1	34.8	0.0	53.8	3.7	2.9	0.0	29.8	8.2	9.2	0.0
Somalia	3.3	2.8	0.0	0.4	0.1	0.0	96.7	8.2	0.0	40.0	0.0	2.1	46.4	0.0
Sudan	27.6	17.2	3.2	3.1	4.1	3.2	69.2	19.4	5.5	19.3	3.0	2.5	19.4	0.0
Timor-Leste	6.0	0.3	0.6	1.0	4.2	0.0	94.0	8.9	0.4	0.0	0.3	39.7	44.7	0.0
Togo	43.5	36.7	0.8	5.4	0.6	1.5	54.2	27.7	5.1	2.0	2.0	5.6	11.8	0.7
Tuvalu	60.9	0.1	55.6	0.7	4.4	0.0	39.1	10.2	0.3	0.0	0.1	4.2	24.4	0.0
Uganda	31.5	20.6	5.8	3.9	1.2	1.9	66.6	8.6	9.4	14.2	3.0	2.4	29.0	0.0
United Republic of Tanzania	33.4	14.4	7.1	2.4	9.5	2.1	64.5	10.9	11.2	12.1	7.8	3.8	18.8	0.0
Vanuatu	56.8	1.8	8.0	6.9	40.0	0.0	43.0	8.0	0.8	0.0	15.7	4.3	14.1	0.3
Yemen	25.4	14.1	3.2	4.4	3.7	2.3	72.3	13.2	7.8	26.3	1.7	6.2	17.1	0.0
Zambia	13.7	9.1	1.6	1.8	1.2	0.0	86.3	5.4	2.7	11.9	1.7	0.4	64.2	0.0
LDCs	**31.9**	**19.2**	**3.1**	**6.7**	**2.9**	**2.1**	**66.0**	**16.0**	**7.3**	**10.2**	**6.5**	**7.2**	**18.9**	**0.0**
African LDCs and Haiti	*39.2*	*25.8*	*2.8*	*7.9*	*2.8*	*1.4*	*59.3*	*15.0*	*3.9*	*11.0*	*2.2*	*2.9*	*24.3*	*0.1*
Asian LDCs	*18.7*	*7.8*	*3.6*	*4.8*	*2.6*	*3.4*	*77.9*	*18.2*	*13.4*	*8.8*	*13.7*	*14.4*	*9.4*	*0.0*
Island LDCs	*33.5*	*8.3*	*4.3*	*3.9*	*17.0*	*0.0*	*66.4*	*6.4*	*3.9*	*8.8*	*16.9*	*13.8*	*16.6*	*0.1*
Other developing countries	**41.2**	**14.8**	**9.5**	**12.5**	**4.5**	**2.4**	**56.2**	**14.9**	**2.2**	**9.3**	**11.7**	**7.7**	**10.3**	**0.1**
All developing countries	**41.0**	**14.9**	**9.3**	**12.3**	**4.4**	**2.4**	**56.5**	**15.0**	**2.3**	**9.4**	**11.6**	**7.7**	**10.6**	**0.1**

Source: UNCTAD, UNCTADstat database, August 2011.

22. Merchandise trade indices

Country	Number of products exported[a] (units)			Export Concentration Index[b]			Export Diversification Index[c]			Terms of trade[d] (2000=100)	
	1995	*2000*	*2009*	*1995*	*2000*	*2009*	*1995*	*2000*	*2009*	*1995*	*2009*
Afghanistan	187	51	231	0.359	0.366	0.180	0.800	0.817	0.608	..	107.6
Angola	31	41	72	0.898	0.885	0.955	0.860	0.818	0.820	80.8	170.8
Bangladesh	123	98	193	0.352	0.412	0.371	0.669	0.792	0.798	111.8	64.5
Benin	165	70	135	0.674	0.577	0.354	0.768	0.803	0.753	106.6	83.1
Bhutan	39	28	37	0.326	0.416	0.437	0.629	0.619	0.643	..	152.0
Burkina Faso	40	63	86	0.573	0.561	0.338	0.767	0.736	0.720	131.0	78.6
Burundi	26	12	66	0.597	0.703	0.585	0.757	0.737	0.802	163.6	137.9
Cambodia	173	61	115	0.384	0.376	0.415	0.785	0.774	0.807	..	85.0
Central African Republic	28	16	24	0.450	0.641	0.397	0.684	0.717	0.702	193.0	78.5
Chad	19	23	173	0.722	0.744	0.871	0.707	0.774	0.772	92.6	136.0
Comoros	70	99	5	0.641	0.770	0.514	0.667	0.753	0.751	86.2	65.7
Dem. Rep. of the Congo	67	184	216	0.532	0.605	0.353	0.811	0.811	0.824	79.8	112.0
Djibouti	185	181	171	0.130	0.129	0.327	0.537	0.532	0.648	..	77.0
Equatorial Guinea	56	16	96	0.558	0.810	0.730	0.610	0.674	0.739	36.8	150.8
Eritrea	99	20	24	0.373	0.311	0.218	0.600	0.602	0.632	101.7	73.3
Ethiopia	25	27	104	0.647	0.535	0.339	0.548	0.570	0.797	151.0	121.1
Gambia	99	102	38	0.314	0.461	0.262	0.582	0.709	0.628	100.0	85.5
Guinea	51	46	92	0.627	0.574	0.494	0.851	0.845	0.794	89.6	143.3
Guinea-Bissau	8	70	14	0.525	0.615	0.926	0.690	0.684	0.804	102.7	66.0
Haiti	123	137	63	0.232	0.472	0.513	0.632	0.724	0.748	113.2	70.6
Kiribati	12	10	18	0.637	0.644	0.326	0.487	0.479	0.563	..	60.9
Lao People's Dem. Rep.	124	141	90	0.326	0.313	0.321	0.708	0.745	0.778	..	103.9
Lesotho	38	27	34	0.323	0.479	0.501	0.764	0.570	0.860	100.0	78.3
Liberia	21	30	23	0.807	0.574	0.598	0.771	0.834	0.775	..	111.4
Madagascar	186	218	227	0.234	0.260	0.220	0.733	0.760	0.728	79.6	75.5
Malawi	70	70	111	0.663	0.585	0.625	0.821	0.805	0.809	105.7	94.2
Maldives	9	10	7	0.410	0.350	0.804	0.483	0.483	0.540	..	127.9
Mali	42	162	112	0.586	0.649	0.749	0.759	0.815	0.871	109.6	165.4
Mauritania	31	138	79	0.500	0.498	0.496	0.702	0.808	0.818	102.2	150.9
Mozambique	192	214	236	0.360	0.307	0.322	0.751	0.788	0.734	151.1	98.2
Myanmar	89	202	173	0.307	0.270	0.335	0.817	0.792	0.822	214.3	117.1
Nepal	53	89	113	0.440	0.307	0.150	0.485	0.559	0.658	..	80.7
Niger	32	50	71	0.552	0.395	0.509	0.748	0.833	0.792	121.4	185.2
Rwanda	116	121	212	0.599	0.457	0.404	0.717	0.726	0.821	110.1	155.3
Samoa	72	9	139	0.712	0.640	0.680	0.605	0.743	0.736	..	80.4
Sao Tome and Principe	79	36	53	0.519	0.902	0.699	0.549	0.573	0.564	100.0	165.4
Senegal	104	116	164	0.288	0.264	0.235	0.758	0.751	0.686	156.3	99.2
Sierra Leone	19	9	97	0.554	0.514	0.270	0.791	0.641	0.617	-	64.6
Solomon Islands	19	17	21	0.600	0.593	0.741	0.699	0.788	0.822	..	87.3
Somalia	119	32	36	0.716	0.666	0.467	0.794	0.801	0.783	..	101.3
Sudan	19	63	47	0.351	0.612	0.765	0.569	0.783	0.743	100.0	152.5
Timor-Leste	_	_	10	_	_	0.544	_	_	0.806	_	..
Togo	98	216	157	0.364	0.291	0.249	0.748	0.752	0.712	99.1	28.6
Tuvalu	8	45	..	0.382	0.227	0.481	0.544	0.454	0.523	..	-
Uganda	81	77	186	0.650	0.329	0.234	0.864	0.802	0.732	197.2	120.4
United Republic of Tanzania	179	85	247	0.275	0.258	0.294	0.750	0.734	0.768	98.0	121.1
Vanuatu	55	13	28	0.301	0.504	0.368	0.588	0.757	0.760	..	95.4
Yemen	70	83	145	0.891	0.896	0.796	0.763	0.790	0.784	..	126.6
Zambia	86	98	249	0.829	0.517	0.655	0.857	0.839	0.859	189.7	155.9
LDCs	**260**	**259**	**260**	**0.230**	**0.328**	**0.450**	**0.731**	**0.721**	**0.696**	**..**	**124.1**
African LDCs and Haiti	*241*	*258*	*260*	*0.255*	*0.384*	*0.586*	*0.765*	*0.749*	*0.724*	*..*	*136.7*
Asian LDCs	*244*	*244*	*247*	*0.277*	*0.313*	*0.230*	*0.758*	*0.759*	*0.711*	*..*	*95.0*
Island LDCs	*168*	*195*	*221*	*0.368*	*0.238*	*0.383*	*0.772*	*0.808*	*0.845*	*..*	*101.4*
Other developing countries	**261**	**261**	**260**	**0.091**	**0.127**	**0.115**	**0.276**	**0.260**	**0.224**	**..**	**100.6**
All Developing economies	**261**	**261**	**260**	**0.092**	**0.129**	**0.120**	**0.278**	**0.262**	**0.228**	**..**	**101.0**

Source: UNCTAD, UNCTADstat database, November 2010.

a The Number of products is based on SITC, Revision 3 commodity classification at 3-digit group level. This figure includes only those products that are greater than 100,000 dollars or more than 0.3 per cent of the country's or country group's total exports. The maximum number of products is 261.

b The Concentration index, also named Herfindahl-Hirschmann index, is a measure of the degree of market concentration. It has been normalized to obtain values ranking from 0 to 1. An index value close to 1 indicates a very concentrated market (maximum concentration), values closer to 0 reflect a more equal distribution of market shares among products.

c The Diversification index reveals the extent of the differences between the structure of trade of the country or country group and the world average exports. The index ranges from 0 to 1: a value closer to 1 indicates a bigger difference from the world average exports , values closer to 0 indicates closer similarity between the country or country group exports and world average exports. The Diversification index is computed by measuring absolute deviation of the country share from world structure.

d The "net barter" terms of trade is defined as the ratio of the export unit value index to the import unit value index.

23 . Total services exports: Levels and annual average growth rates

Country	Total services exports ($ million)						Annual average growth rates (%)				
	1995	*2000*	*2007*	*2008*	*2009*	*2010*	*1995–2000*[a]	*2000–2010*[a]	*2008*	*2009*	*2010*
Afghanistan	..	..	..	..	..	..	..	..	..	..	..
Angola	113	267	311	329	623	787	7.4	11.2	6.0	89.1	26.3
Bangladesh	698	815	1,617	1,996	1,976	2,414	4.6	12.5	23.4	-1.0	22.2
Benin	194	136	302	348	325	351	-1.6	11.0	15.4	-6.6	8.1
Bhutan	15	20	60	55	58	..	9.5	14.3	-9.2	5.9	..
Burkina Faso	65	31	88	120	77	98	-8.3	12.4	35.8	-35.7	27.2
Burundi	16	4	31	83	50	55	-24.5	35.1	170.6	-40.1	11.0
Cambodia	114	428	1,548	1,645	1,625	1,826	27.5	17.1	6.3	-1.2	12.4
Central African Republic	62	31	..	..	66	..	-14.5	15.3	..	..	..
Chad	74	51	176	184	156	166	-3.0	14.6	4.5	-15.2	6.4
Comoros	35	38	55	67	68	69	-2.8	10.6	22.6	1.3	0.9
Dem. Rep. of the Congo	..	71	392	522	651	628	..	27.9	33.0	24.7	-3.5
Djibouti	163	162	248	297	322	..	0.7	8.4	19.5	8.5	..
Equatorial Guinea	4	18	..	..	..	..	35.1	12.6	..	..	..
Eritrea	49	61	..	..	..	..	-5.3	4.4	..	..	..
Ethiopia	345	506	1,368	1,959	1,895	2,353	7.7	17.5	43.2	-3.3	24.2
Gambia	54	134	132	123	104	133	17.4	4.3	-7.0	-15.4	28.0
Guinea	117	68	49	168	72	80	-8.2	-1.0	244.7	-57.0	10.7
Guinea-Bissau	6	6	33	44	..	..	-3.9	30.1	31.1	..	..
Haiti	104	172	257	343	382	382	12.7	11.7	33.3	11.4	0.0
Kiribati	4	6	9	..	..	..	4.6	7.1	..	..	..
Lao People's Dem. Rep.	97	176	278	402	391	470	12.0	12.1	44.4	-2.5	20.0
Lesotho	39	43	76	67	73	92	0.1	8.4	-11.7	8.4	26.4
Liberia	..	..	346	510	274	315	..	7.8 b	47.2	-46.2	15.0
Madagascar	242	364	759	854	576	640	7.2	8.7	12.5	-32.6	11.1
Malawi	24	34	73	75	78	84	7.2	9.0	2.1	4.0	7.9
Maldives	233	348	649	705	660	0		14.1	8.6	-6.4	..
Mali	88	99	377	454	401	392	3.4	14.6	20.6	-11.8	-2.2
Mauritania	28	47	81	93	136	160	9.2	12.4	14.0	47.4	17.3
Mozambique	242	325	459	555	612	697	5.8	9.6	21.0	10.2	13.9
Myanmar	365	478	284	268	218	225	6.0	-6.4	-5.8	-18.4	2.8
Nepal	679	506	511	724	652	..	-6.4	6.2	41.5	-9.8	..
Niger	33	38	85	131	113	118	-0.6	11.4	54.6	-13.6	4.4
Rwanda	18	59	179	408	341	374	27.5	24.1	127.9	-16.5	9.7
Samoa	56	..	139	134	149	..	1.5 c	7.9 d	-3.3	11.2	..
Sao Tome and Principe	6	14	7	10	11	13	17.4	0.7	44.4	17.4	11.0
Senegal	512	387	1,202	1,294	1,132	1,111	-2.8	13.8	7.7	-12.5	-1.9
Sierra Leone	87	42	45	61	53	59	-18.6	1.9	35.5	-14.1	11.9
Solomon Islands	42	52	59	59	72	91	3.0	9.8	0.1	22.8	25.9
Somalia	..	..	..	..	..	..	..	..	..	..	..
Sudan	125	27	384	493	392	514	-17.8	41.5	28.2	-20.5	31.2
Timor-Leste	_	_	..	..	..	..	_	..	..	..	..
Togo	87	62	236	283	297	312	-9.4	19.2	19.9	5.0	5.0
Tuvalu	..	..	..	..	..	..	..	..	..	..	..
Uganda	104	213	593	799	967	1,310	13.9	20.9	34.7	21.0	35.5
United Republic of Tanzania	583	627	1,876	2,169	1,855	2,354	1.3	13.2	15.6	-14.5	26.9
Vanuatu	82	130	186	..	..	..	9.6	10.2	..	..	..
Yemen	179	211	724	1,205	1,237	1,250	1.7	25.4	66.5	2.6	1.0
Zambia	121	115	273	300	241	334	-2.0	10.8	9.6	-19.6	38.7
LDCs[e]	**6,453**	**7,477**	**17,019**	**21,233**	**20,320**	**23,462**	**2.8**	**13.6**	**24.8**	**-4.3**	**15.5**
African LDCs and Haiti[e]	3,849	4,201	10,679	13,330	12,515	14,655	1.8	14.4	24.8	-6.1	17.1
Asian LDCs[e]	2,147	2,634	5,174	6,622	6,501	7,348	4.0	13.0	28.0	-1.8	13.0
Island LDCs[e]	457	641	1,166	1,281	1,304	1,459	6.1	9.9	9.9	1.8	11.9
Other developing countries[e]	**271,635**	**340,925**	**870,115**	**1,013,964**	**916,547**	**1,086,202**	**3.5**	**14.1**	**16.5**	**-9.6**	**18.5**
All developing countries[e]	**278,087**	**348,401**	**887,134**	**1,035,196**	**936,866**	**1,109,664**	**3.5**	**14.1**	**16.7**	**-9.5**	**18.4**

Source: UNCTAD, UNCTADstat database, July 2011; and UNCTAD secretariat estimates.
a UNCTAD secretariat estimates; *b* 2004–2010; *c* 1995–1999; *d* 2001–2010; *e* Totals include estimates for missing countries.

24 . Total services imports: Levels and annual average growth rates

Country	Total services imports ($ million)						Annual average growth rates (%)					
	1995	2000	2007	2008	2009	2010	1995–2000[a]	2000–2010[a]	2007	2008	2009	2010
Afghanistan	..	..	..	..	..	..	..	..	..	..	..	..
Angola	2051.4	2699.5	13030.3	22139.3	19169.4	21750.0	4.6	26.8	73.5	69.9	-13.4	13.5
Bangladesh	1531.2	1620.2	2884.8	3664.4	3405.4	4352.5	2.3	11.8	23.3	27.0	-7.1	27.8
Benin	272.2	191.7	500.5	510.0	457.0	471.0	-3.5	11.7	42.1	1.9	-10.4	3.1
Bhutan	27.3	46.2	57.1	93.4	74.0	..	19.9	4.3	-6.3	63.5	-20.7	..
Burkina Faso	168.4	139.9	404.8	580.4	504.7	622.7	-1.8	17.7	3.1	43.4	-13.0	23.4
Burundi	83.3	42.6	178.9	258.8	176.6	203.0	-12.0	23.2	-11.6	44.7	-31.7	14.9
Cambodia	187.9	327.5	915.4	1035.8	1022.4	1176.0	11.6	15.3	13.9	13.1	-1.3	15.0
Central African Republic	149.8	114.7	..	..	157.6	..	-3.9	6.6	..	..	..	..
Chad	211.8	241.0	2126.9	2224.0	2286.0	2369.0	2.2	25.5	11.3	4.6	2.8	3.6
Comoros	49.9	23.0	64.3	80.1	81.9	93.3	-14.0	16.6	19.9	24.5	2.3	13.9
Dem. Rep. of the Congo	..	239.1	1617.7	2145.9	1863.0	2273.1	..	28.9	90.2	32.7	-13.2	22.0
Djibouti	74.9	71.2	107.7	129.5	127.6	..	-2.0	8.9	20.7	20.2	-1.5	..
Equatorial Guinea	75.5	566.7	..	..	..	..	44.4	13.9	..	..	..	..
Eritrea	44.7	28.4	..	..	..	..	1.0	4.9	..	..	..	..
Ethiopia	352.8	489.6	1752.1	2410.3	2226.9	2720.0	7.9	20.6	49.7	37.6	-7.6	22.1
Gambia	69.2	100.0	88.6	88.1	82.6	79.5	8.8	4.2	-5.9	-0.6	-6.2	-3.7
Guinea	389.3	284.9	296.1	920.4	330.7	390.0	-5.1	4.5	-1.3	210.8	-64.1	17.9
Guinea-Bissau	29.9	40.1	68.2	85.2	..	..	5.2	13.3	72.4	24.9	..	..
Haiti	284.5	282.0	680.2	746.0	780.6	889.9	-2.9	15.0	14.6	9.7	4.6	14.0
Kiribati	16.4	23.1	47.3	..	..	..	4.1	11.7	46.0	..	..	..
Lao People's Dem. Rep.	121.6	43.1	76.0	85.3	120.1	126.1	-20.4	15.1	22.2	12.2	40.8	5.0
Lesotho	61.1	42.5	110.2	111.1	124.3	143.9	-6.6	11.9	15.8	0.8	11.9	15.8
Liberia	..	..	1248.8	1411.1	1145.2	1260.0	..	7.9 b	-2.0	13.0	-18.8	10.0
Madagascar	358.8	522.1	1174.5	1579.4	1400.1	..	7.7	12.0	59.6	34.5	-11.4	..
Malawi	151.4	167.1	295.0	357.0	403.5	437.1	0.5	10.3	11.4	21.0	13.0	8.3
Maldives	76.7	109.7	269.3	348.3	284.6	..	7.3	14.1	16.5	29.3	-18.3	..
Mali	434.5	334.9	776.6	1024.3	937.5	985.9	-3.9	12.2	15.1	31.9	-8.5	5.2
Mauritania	217.0	168.4	585.5	768.8	616.1	771.6	-7.5	18.5	44.1	31.3	-19.9	25.2
Mozambique	350.0	445.8	855.6	965.3	1062.0	1220.0	6.2	9.4	12.9	12.8	10.0	14.9
Myanmar	246.2	328.1	591.0	615.0	636.2	665.0	3.2	8.3	5.0	4.1	3.4	4.5
Nepal	313.3	199.9	722.6	851.7	784.7	..	-7.6	19.4	46.6	17.9	-7.9	..
Niger	151.8	131.9	369.4	600.9	840.0	1053.0	-3.2	23.3	12.4	62.7	39.8	25.4
Rwanda	154.7	200.1	272.0	521.5	518.8	632.0	5.9	12.8	12.1	91.7	-0.5	21.8
Samoa	35.2	..	71.1	73.1	78.2	78.0	-8.5 c	12.1 d	25.2	2.8	6.9	-0.2
Sao Tome and Principe	11.9	12.5	18.7	21.4	20.7	21.8	-0.3	6.9	5.1	14.8	-3.6	5.6
Senegal	578.2	405.0	1238.4	1414.5	1162.0	1142.0	-3.9	13.8	47.1	14.2	-17.9	-1.7
Sierra Leone	91.8	112.8	98.0	125.4	115.9	119.2	1.8	1.6	14.1	28.0	-7.6	2.8
Solomon Islands	76.9	72.6	96.7	115.9	98.9	184.2	-2.5	9.0	42.3	19.8	-14.7	86.2
Somalia	..	..	..	..	..	..	..	..	..	..	..	..
Sudan	172.3	647.6	2938.8	2619.5	2684.0	3112.0	24.7	20.4	5.0	-10.9	2.5	15.9
Timor-Leste	_	_	..	..	..	..	-	14.2 f	..	..	..	..
Togo	164.3	117.5	305.5	359.2	382.3	390.1	-8.5	13.4	15.6	17.6	6.4	2.0
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	562.7	458.8	977.0	1256.8	1440.9	1835.1	-6.5	15.8	26.8	28.6	14.6	27.4
United Rep. of Tanzania	799.4	682.4	1415.4	1648.9	1709.1	1817.0	-3.2	12.8	13.3	16.5	3.6	6.3
Vanuatu	35.3	70.2	75.7	..	..	..	18.5	7.0	6.2	..	..	..
Yemen	639.3	809.4	1867.1	2347.6	2132.8	2463.0	5.8	13.4	0.6	25.7	-9.1	15.5
Zambia	315.0	334.6	914.8	911.1	705.4	810.6	2.2	11.1	55.5	-0.4	-22.6	14.9
LDCs[e]	12,768.4	14,014.6	44,745.6	60,678.4	55,584.9	63,567.0	1.8	18.6	32.4	35.6	-8.4	14.4
African LDCs and Haiti[e]	9,399.2	10,302.9	36,056.6	50,047.2	45,402.4	51,509.4	1.7	19.9	37.6	38.8	-9.3	13.5
Asian LDCs[e]	3,066.8	3,374.4	7,720.8	9,335.1	8,908.6	10,706.4	2.4	13.5	13.1	20.9	-4.6	20.2
Island LDCs[e]	302.3	337.3	968.3	1,296.0	1,273.9	1,351.2	1.9	17.3	26.7	33.8	-1.7	6.1
Other developing countries[e]	334,328.1	407,014.0	951,740.9	1,126,280.7	1,038,824.4	1,207,149.2	2.9	13.4	20.6	18.3	-7.8	16.2
All developing countries[e]	347,096.5	421,028.6	996,486.6	1,186,959.1	1,094,409.3	1,270,716.2	2.8	13.6	21.1	19.1	-7.8	16.1

Source: UNCTAD, UNCTADstat database, July 2011; and UNCTAD secretariat estimates.
a UNCTAD secretariat estimates; *b* 2004–2010; *c* 1995–1999; *d* 2001–2010; *e* Totals include estimates for missing countries.

25 . Indicators on tourism in LDCs

Country	Tourism in total exports (G & S)	Tourism in service exports	Gross tourism receipts[a]			Annual average growth rate	Tourist arrivals[b]			Annual average growth rate	Tourism employment[c]
	(%)	(%)	($ million)			(%)	('000)			(%)	('000)
	2009	2009	1995	2000	2009	2000-2009	1995	2000	2009	2000-2009	2010
Afghanistan	..	..	..	..	..	..	..	..	..	..	..
Angola	1.3	88.9	27	34	554	34.6	9	51	366	21.7	61.9
Bangladesh	0.4	3.8	25	50	76	5.7	156	199	267	5.7	1,470.3
Benin	15.8[f]	67.9[f]	85	77	236[f]	13.5[i]	138	96	190	10.4	40.9
Bhutan	9.2	88.1	5	10	51	27.3	5	8	23	20.0	..
Burkina Faso	13.4[f]	68.3[f]	18	23	82	15.7[i]	124	126	269	10.8	53.0
Burundi	0.8	3.4	2	1	2	5.3	34	29	201[d]	39.0[d]	33.5
Central African Republic	3.5	9.1	4	5	6	10.7	26	11	52	22.5	11.5
Cambodia	24.1	80.7	71	345	1,312	18.4	220	466	2,162	20.1	547.5
Chad	..	..	43	14	..	..	19	43	31	-6.8	17.2
Comoros	41.0	48.0	21	30	33	1.9	23	24	15[e]	-0.2[e]	2.8
Dem. Rep. of the Congo	..	..	..	..	..	..	35	103	53	-1.3	116.4
Djibouti	4.0	5.0	5	8	16	3.2	21	20	53[f]	12.5	..
Equatorial Guinea	..	..	1	5	..	..	..	..	..	..	..
Eritrea	16.6	18.3	58	36	26	-4.7	315	70	79	-2.1	..
Ethiopia	31.9	59.1	177	205	1,119	23.4	103	136	330[f]	12.9	884.1
Gambia	37.6	61.4	28	48	64	6.7	45	79	142	10.2	33.6
Guinea	0.5	6.8	1	8	5	..	..	33	30[e]	0.5[e]	54.0
Guinea-Bissau	22.6[f]	87.2[f]	..	..	..	..	..	..	30[e]	..	..
Haiti	32.7	82.5	90	128	315	11.9	145	140	423	12.8	54.7
Kiribati	23.2[e]	43.2[e]	2	3	4[e]	1.7[h]	4	5	4	-2.0	1.1
Lao People's Dem. Rep.	19.1	69.2	52	114	271	12.6	60	191	1,239	30.7	103.2
Lesotho	4.2	54.9	29	24	40	5.1	209	302	344	1.0	14.3
Liberia	..	..	..	..	..	..	..	..	..	..	..
Madagascar	31.0	89.9	106	152	518	21.7	75	160	163	10.8	173.0
Malawi	5.1[e]	65.3[e]	22	29	48[e]	..[h]	192	228	755	14.6	92.4
Maldives	84.2	92.2	211	321	608	8.5	315	467	656	4.5	35.1
Mali	12.1[f]	63.0[f]	26	47	..	20.3	42	86	160	9.4	81.9
Mauritania	..	..	11	..	..	..	..	30	..	..	..
Mozambique	7.9	35.5	..	74	217	16.0	..	..	2,224	..	239.5
Myanmar	1.1[d]	21.1[d]	169	195	59[d]	..[g]	117	208	243	1.4	..
Nepal	25.8	60.8	232	219	397	6.8	363	464	510	4.2	287.3
Niger	6.9[e]	65.7[f]	7	23	86[f]	14.7[i]	35	50	66	3.8	10.6
Rwanda	39.4	63.9	4	27	218	24.6	..	104	699	..	51.8
Samoa	59.6	77.9	36	41	116	14.7	68	88	129	5.0	..
Sao Tome and Principe	42.6	73.1	..	10	8	-1.2	6	7	15	8.3	2.0
Senegal	18.4[e]	49.2[f]	168	152	637[f]	19.4[h]	280	389	875[e]	14.9[e]	126.0
Sierra Leone	9.7	47.4	57	10	25	5.6	38	16	37	6.6	31.9
Solomon Islands	22.9	72.3	17	4	52	46.5	12	5	16[f]	..	3.3
Somalia	..	..	..	..	..	..	..	..	..	..	..
Sudan	3.2	76.3	8	5	299	64.8	29	38	420	39.1	80.2
Timor-Leste	..	..	_	_	..	..	..	..	..	..	..
Togo	4.0[f]	15.5[f]	13	11	44[f]	16.8[i]	53	60	150	8.4	15.7
Tuvalu	..	..	..	..	..	..	1	1	2	2.9	..
Uganda	25.4	70.6	78	165	683	17.0	160	193	817	19.3	171.3
United Rep. of Tanzania	24.6	64.3	502	381	1192	12.8	285	459	714	5.2	372.6
Vanuatu	61.0[e]	76.4[e]	45	69	142[e]	11.9[h]	44	58	101	7.7	10.9
Yemen	6.6	40.1	50	73	496	33.5	61	73	434	25.4	147.7
Zambia	2.2	40.7	..	67	98	7.7	163	457	710	7.5	21.6
LDCs	**5.9**	**43.4**	**2,507**	**3,243**	**8,817**	**14.1**	**4,030**	**5,773**	**14,649**	**12.7**	**5,480.5**
All developing countries	**5.5**	**34.6**	**115,135**	**143,368**	**323,542**	**11.8**	**160,534**	**217,204**	**352,303**	**6.7**	**179,964.3**

Source: UNdata based on UNWTO (World Tourism Organisation) database, May 2011; UNCTAD, UNCTADstat database, June 2011; World Travel and Tourism Council (WTTC), June 2011.

a Gross Tourism Receipts means Tourism expenditure in the country = Travel and passenger transport or travel only, according to data availability.
b Tourist Arrivals: overnight visitors;
c Tourism employment: Travel and tourism Total Direct contribution to Employment;
d 2006; *e* 2007; *f* 2008; *g* 2000–2006; *h* 2000–2007; *i* 2000–2008.

26. Financial flows to LDCs in current and constant dollars
(Net disbursements)

	Millions of dollars, current						Millions of dollars, 2009[e]					
	1985	1990	2000	2007	2008	2009	1985	1990	2000	2007	2008	2009
Concessional loans and grants[a]	**9,335**	**16,517**	**12,432**	**32,973**	**38,661**	**40,149**	**24,649**	**25,522**	**18,915**	**33,714**	**37,493**	**40,149**
DAC countries	8,689	15,942	12,259	32,547	37,976	39,601	23,024	24,647	18,665	33,283	36,849	39,601
of which: Bilateral	5,444	9,812	7,899	19,683	23,407	24,332	14,353	15,136	11,991	20,029	22,670	24,332
Multilateral	3,246	6,130	4,360	12,864	14,569	15,269	8,671	9,511	6,674	13,254	14,180	15,269
Non-DAC countries	646	575	173	427	685	548	1,625	875	250	431	644	548
ODA grants total	6,699	12,130	10,407	30,339	35,266	36,851	17,925	18,776	16,090	31,118	34,319	36,851
ODA loans total, net	2,636	4,387	2,025	2,634	3,395	3,298	6,724	6,746	2,825	2,596	3,174	3,298
Technical cooperation	2,124	3,232	2,653	3,611	4,115	4,419	5,686	4,993	3,927	3,724	3,978	4,419
Other[b]	7,212	13,285	9,779	29,362	34,546	35,730	18,963	20,529	14,988	29,990	33,515	35,730
Non-concessional flows	**429**	**741**	**1,047**	**1,223**	**7,223**	**6,986**	**1,279**	**1,145**	**1,741**	**1,236**	**7,027**	**6,986**
Total other official flows, net	**773**	**724**	**342**	**-629**	**1,703**	**1,722**	**2,185**	**1,120**	**671**	**-650**	**1,681**	**1,722**
DAC countries	744	727	342	-636	1,669	1,697	2,113	1,124	671	-657	1,650	1,697
of which: Bilateral	497	692	345	-342	1,322	948	1,474	1,072	658	-358	1,312	948
Multilateral	247	36	-3	-295	347	749	640	52	13	-299	338	749
Non-DAC Countries	28	-3	..	7	35	25	71	-4	..	7	31	25
Total private flows, net	**-344**	**17**	**705**	**1,853**	**5,520**	**5,264**	**-906**	**26**	**1,070**	**1,885**	**5,346**	**5,264**
of which: Export credits, net[c]	-64	250	8	1,366	861	2,486	-169	385	12	1,390	834	2,486
Direct investment	-329	-527	52	753	1,223	1,011	-868	-813	79	767	1,185	1,011
Other[d]	50	294	645	-266	3,435	1,767	131	454	979	-271	3,327	1,767
Total Financial flows	**9,764**	**17,258**	**13,479**	**34,197**	**45,884**	**47,135**	**25,927**	**26,668**	**20,656**	**34,950**	**44,520**	**47,135**

Source: UNCTAD secretariat calculations based on OECD/DAC, *International Development Statistics*, online data, 21 July 2011.
a Total net ODA;
b Grants (excluding technical assistance grants) and loans;
c Bank and non-bank net export credits;
d Portfolio investment corresponds to bonds and equities;
e Data for total net private flows in constant 2009 dollars has been calculated by applying an ad-hoc deflator, DAC countries in 2009=100.

27. Distribution of financial flows to LDCs and to all developing countries
(Percentage)

Country	To least developed countries						To developing countries					
	1985	*1990*	*2000*	*2007*	*2008*	*2009*	*1985*	*1990*	*2000*	*2007*	*2008*	*2009*
Concessional loans and grants[a]	**95.6**	**95.7**	**92.2**	**96.4**	**84.3**	**85.2**	**71.4**	**70.6**	**36.0**	**25.4**	**46.9**	**34.2**
DAC countries	89.0	92.4	90.9	95.2	82.8	84.0	64.7	63.3	35.5	24.5	44.2	32.7
of which: Bilateral	55.7	56.9	58.6	57.6	51.0	51.6	47.3	47.6	26.7	17.5	32.5	22.6
Multilateral	33.2	35.5	32.3	37.6	31.8	32.4	17.4	15.7	8.8	7.0	11.8	10.2
Non DAC countries	6.6	3.3	1.3	1.2	1.5	1.2	6.7	7.3	0.5	0.9	2.7	1.5
ODA grants total	68.6	70.3	77.2	88.7	76.9	78.2	53.0	55.0	29.3	25.1	44.3	30.7
ODA loans total, net	27.0	25.4	15.0	7.7	7.4	7.0	18.4	15.6	6.7	0.3	2.6	3.5
Technical cooperation	21.7	18.7	19.7	10.6	9.0	9.4	17.4	17.0	10.3	3.8	7.1	5.1
Other[b]	73.9	77.0	72.5	85.9	75.3	75.8	54.0	53.6	25.6	21.5	39.9	29.1
Non-concessional flows	**4.4**	**4.3**	**7.8**	**3.6**	**15.7**	**14.8**	**28.6**	**29.4**	**64.0**	**74.6**	**53.1**	**65.8**
Total other official flows, net	**7.9**	**4.2**	**2.5**	**-1.8**	**3.7**	**3.7**	**23.4**	**22.6**	**2.8**	**1.6**	**5.9**	**10.3**
DAC countries	7.6	4.2	2.5	-1.9	3.6	3.6	23.9	22.6	2.8	1.6	5.9	10.3
of which: Bilateral	5.1	4.0	2.6	-1.0	2.9	2.0	7.6	10.0	-3.9	-1.5	-0.4	2.3
Multilateral	2.5	0.2	0.0	-0.9	0.8	1.6	16.3	12.6	6.7	3.0	6.3	8.0
Non-DAC Countries	0.3	0.0	..	0.0	0.1	0.1	-0.6	-0.03	..	0.0	0.0	..
Total private flows, net	**-3.5**	**0.1**	**5.2**	**5.4**	**12.0**	**11.2**	**5.2**	**6.8**	**61.2**	**73.1**	**47.2**	**55.5**
of which: Export credits, net[c]	-3.4	-3.1	0.4	2.2	2.7	2.1	3.2	-1.0	4.2	3.1	3.0	0.8
Direct investment	-0.7	1.4	0.1	4.0	1.9	5.3	13.7	31.4	55.6	42.0	66.7	42.0
Other[d]	0.5	1.7	4.8	-0.8	7.5	3.7	-11.7	-23.6	1.4	28.0	-22.5	12.7
Total Financial flows	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

For source and notes, see table 26.

28. Share of LDCs in financial flows to all developing countries, by type of flow
(Percentage)

	1985	1990	2000	2007	2008	2009
Concessional loans and grants[a]	**29.5**	**29.1**	**26.9**	**31.9**	**31.5**	**32.6**
DAC countries	30.2	31.3	26.9	32.6	32.8	33.6
of which: Bilateral	25.9	25.6	23.1	27.5	27.6	29.9
Multilateral	42.1	48.7	38.5	45.3	47.3	41.7
Non DAC countries	21.8	9.8	28.0	12.1	9.8	10.2
ODA grants total	28.5	27.5	27.7	29.7	30.4	33.3
ODA loans total, net	32.3	35.0	23.7	241.4	50.0	26.5
Technical cooperation	27.6	23.6	20.0	23.1	22.3	23.9
Other[b]	30.1	30.9	29.7	33.5	33.2	34.1
Non-concessional flows	**3.4**	**3.1**	**1.3**	**0.4**	**5.2**	**2.9**
Total other official flows, net	**7.5**	**4.0**	**9.6**		**11.0**	**4.6**
DAC countries	7.0	4.0	9.6		10.8	4.6
of which: Bilateral	14.8	8.6	-6.9	5.8		11.6
Multilateral	3.4	0.4	0.0		2.1	2.6
Non-DAC Countries	..	12.7	..	..	..	..
Total private flows, net[c]	**..**	**0.3**	**0.9**	**0.6**	**4.5**	**2.6**
of which: export credits, net[d]	..	66.2	1.0	6.0	15.7	36.5
Direct investment	..	1.0	0.0	0.8	0.5	1.6
Other[e]	..	..	35.3	..	..	3.9
Total Financial flows	**22.0**	**21.5**	**10.5**	**8.4**	**17.6**	**13.1**

Note: No percentage is shown when either the net flow to all LDCs or the net flow to all developing countries in a particular year is negative.
For other notes and sources, see table 26.

29. Net ODA[a] from individual DAC member countries to LDCs

Donor Country[b]	Percentage of GNI						Millions of dollars						% change
	1985	*1990*	*2000*	*2007*	*2008*	*2009*	*1985*	*1990*	*2000*	*2007*	*2008*	*2009*	*2009/ 2000*
Luxembourg	0.00	0.08	0.22	0.35	0.38	0.41	0	10	39	146	164	153	292.2
Denmark	0.32	0.35	0.36	0.34	0.32	0.34	190	461	563	1,078	1,109	1,098	95.1
Sweden	0.28	0.32	0.22	0.29	0.31	0.34	298	765	541	1,373	1,555	1,398	158.4
Norway	0.38	0.46	0.27	0.35	0.33	0.33	242	530	443	1,347	1,478	1,258	183.9
Ireland	0.07	0.05	0.14	0.27	0.30	0.28	14	21	121	607	680	512	324.3
Netherlands	0.28	0.28	0.21	0.23	0.24	0.21	371	823	828	1,819	2,054	1,627	96.5
Belgium	0.27	0.18	0.11	0.17	0.19	0.20	227	363	253	776	954	957	278.0
Finland	0.17	0.23	0.10	0.15	0.15	0.19	92	317	117	365	410	451	284.6
United Kingdom	0.10	0.08	0.10	0.14	0.16	0.18	455	832	1,539	4,064	4,295	3,922	154.8
Switzerland	0.11	0.13	0.10	0.11	0.11	0.14	120	322	279	492	500	699	150.0
France	0.17	0.18	0.09	0.11	0.11	0.12	945	2,277	1,267	2,973	3,164	3,273	158.3
Spain	0.00	0.04	0.03	0.08	0.10	0.12	0	188	185	1,128	1,546	1,704	823.4
Canada	0.17	0.13	0.05	0.11	0.13	0.11	593	737	356	1,571	1,862	1,482	316.6
Germany	0.12	0.10	0.07	0.09	0.10	0.10	877	1,760	1,354	3,041	3,747	3,390	150.4
DAC Countries, Total	**0.09**	**0.09**	**0.06**	**0.08**	**0.09**	**0.10**	**8,021**	**15,096**	**13,793**	**32,294**	**37,839**	**37,443**	**171.5**
New Zealand	0.04	0.04	0.07	0.07	0.08	0.10	10	18	33	84	101	104	216.3
Portugal	0.00	0.11	0.13	0.09	0.10	0.09	0	85	153	206	232	211	37.5
Austria	0.06	0.06	0.06	0.07	0.07	0.09	42	102	115	255	292	348	202.9
Australia	0.08	0.05	0.07	0.07	0.08	0.08	148	171	294	690	765	728	147.6
United States	0.04	0.04	0.02	0.04	0.06	0.07	1,779	2,190	2,009	6,141	8,273	9,404	368.1
Japan	0.08	0.06	0.06	0.06	0.05	0.06	1,134	1,750	2,699	2,515	2,608	3,218	19.2
Italy	0.11	0.12	0.05	0.06	0.07	0.05	485	1,374	515	1,298	1,662	1,139	121.4
Greece	0.00	0.00	0.02	0.04	0.05	0.04	0	0	29	110	154	117	296.9
Korea	0.00	0.00	0.01	0.02	0.03	0.03	0	0	61	213	236	251	313.2

Source: UNCTAD secretariat calculations based on OECD/DAC, *International Development Statistics,* online data, 22 July 2011; UN DESA, *UNdata, UN National Account* database for GNI current dollars.

a Net disbursements including imputed flows through multilateral channels.

b Ranked in descending order of the ODA/GNI ratio in 2009.

30. Bilateral ODA from DAC, non-DAC member countries and multilateral agencies to LDCs
(Millions of dollars)

Country	Net disbursements						Commitments					
	1985	*1990*	*2000*	*2007*	*2008*	*2009*	*1985*	*1990*	*2000*	*2007*	*2008*	*2009*
Bilateral Donors: DAC												
Australia	58.2	104.5	205.8	526.3	646.7	587.7	59.1	97.0	217.3	521.0	852.4	400.5
Austria	10.6	57.5	60.7	50.2	106.7	98.0	10.7	127.6	56.1	49.4	114.7	97.3
Belgium	177.6	269.9	153.5	493.0	540.8	613.7	82.8	269.9	158.6	697.3	642.6	854.4
Canada	329.2	391.1	194.9	1,172.1	1,219.1	1,155.6	351.7	353.6	264.8	1,298.1	1,454.3	1,536.3
Denmark	126.0	294.9	373.4	716.3	745.6	796.0	148.6	260.6	598.4	580.5	645.5	769.3
Finland	60.5	194.6	65.6	208.0	232.6	268.0	125.4	129.8	44.6	285.9	330.8	452.3
France	717.8	1,850.6	841.7	1,409.8	1,307.8	1,104.7	894.8	1,475.7	888.0	1,643.9	1,695.4	1,183.3
Germany	578.6	1,154.5	662.9	1,267.5	1,758.4	1,641.8	834.9	1,317.4	496.0	1,416.6	2,076.5	1,707.2
Greece	..	..	1.8	27.3	26.0	29.0	..	..	1.8	27.3	26.0	29.0
Ireland	10.4	13.9	98.3	465.0	526.9	412.4	10.4	13.9	98.3	465.0	526.9	412.4
Italy	412.5	962.5	239.4	305.3	465.2	375.7	522.2	840.5	268.8	319.8	613.6	344.1
Japan	561.8	1,066.3	1,308.5	1,872.9	1,418.2	1,895.8	632.1	1,142.0	1262.1	2,828.7	2,349.3	2,779.0
Korea	..	0.2	21.2	121.0	144.2	161.2	..	0.3	38.3	311.5	479.2	434.9
Luxembourg	..	7.4	32.2	105.1	117.6	108.8	..	..	31.6	105.1	117.6	108.8
Netherlands	252.2	583.0	553.9	1,185.7	1,361.0	1,094.6	250.7	671.3	609.4	1,235.3	1,696.4	1,357.6
New Zealand	7.0	13.3	24.7	62.0	81.3	82.8	12.2	9.7	24.7	88.3	112.1	116.7
Norway	156.4	355.8	310.7	966.1	1,072.8	901.9	151.1	187.0	249.2	961.3	1,306.1	945.9
Portugal	..	84.1	124.9	130.8	134.5	136.4	..	..	270.2	125.8	135.0	165.6
Spain	..	91.0	65.6	436.1	707.9	991.1	..	..	90.3	478.8	883.5	910.7
Sweden	194.2	521.3	337.3	748.5	902.7	807.7	204.4	321.0	295.9	540.4	652.6	1,171.2
Switzerland	86.0	230.0	163.1	295.3	290.6	471.0	136.3	212.7	202.6	357.5	365.2	411.9
United Kingdom	281.5	472.9	1,015.3	2,318.1	2,572.8	2,564.6	232.2	479.9	1,026.7	2,319.9	2,595.3	4,174.2
United States	1,423.0	1,093.0	1,043.5	4,800.7	7,027.3	8,033.4	1,358.2	1,145.9	1,218.1	6,687.3	1,1015.9	9,883.1
Total	*5,443.6*	*9,812.3*	*7,898.7*	*19,682.9*	*23,406.8*	*24,331.7*	*6,017.9*	*9,055.5*	*8,411.5*	*23,344.7*	*30,686.8*	*30,245.6*
Bilateral Donors: non-DAC												
Czech Republic	..	..	0.4	17.6	52.4	39.2	..	..	0.4	..	..	..
Hungary	..	..	..	25.5	4.5	10.7	..	..	..	19.6	..	..
Iceland	..	..	2.2	15.1	15.9	12.1						
Israel	..	..	19.8	29.7	34.4	25.4	..	..	19.8	..	..	..
Poland	..	..	0.8	5.8	13.2	15.7	..	..	..	..	..	..
Slovak Republic	..	..	..	19.3	25.8	0.7	..	..	..	..	..	..
Thailand	..	..	..	49.2	161.2	29.8						
Turkey	..	..	0.4	100.8	195.1	136.7	..	..	..	100.8	..	..
United Arab Emirates	56.0	-4.9	-0.3	45.0	0.2	201.2	23.4	7.9	..	7.0	316.0	1,164.3
Arab Countries	590.2	575.7	149.8	92.4	169.7	68.9	806.7	533.1	199.6	..	..	..
Other Bilateral Donors	0.0	3.9	0.0	26.4	12.7	8.1	0.0	0.0	0.0	0.0	4.9	0.0
Total	*646.1*	*574.7*	*173.0*	*426.8*	*685.0*	*548.5*	*830.1*	*541.0*	*219.8*	*127.5*	*320.9*	*1,164.3*
Multilateral Donors												
AfDB + AfDF (African Dev. Bank & Fund)	169.6	557.7	199.8	1,117.1	1,190.9	1,604.1	344.4	831.3	391.1	1,064.7	1,624.2	1,565.9
Arab Agencies	76.9	9.6	5.6	234.7	214.4	317.0	191.5	216.6	239.0	348.2	341.4	618.0
AsDF (Asian Dev. Fund)	229.6	448.2	388.4	490.1	636.8	579.9	383.7	536.4	589.5	605.3	1,092.0	1,513.7
CarDB (Carribean Dev. Bank)	..	..	..	..	11.1	14.2	..	..	..	10.0	11.1	10.0
EU Institutions	551.8	1,158.5	1,012.3	3827.6	4511.3	3,929.3	578.9	787.5	2,027.9	3,521.9	6,351.7	4,444.3
GEF	..	..	..	73.5	64.6	92.5	..	..	..	73.5	64.6	92.5
GAVI	..	..	..	298.7	367.4	230.4	..	..	..	298.7	367.4	230.4
Global Fund	..	..	..	821.2	1,237.7	979.1	..	..	..	1,229.8	1,593.3	1,763.9
IAEA	..	..	..	9.9	10.2	9.8						
IBRD	0.6	..	..	..	..	..	..	..	..	..	..	..
IDA	1,177.6	2,136.0	1,658.1	4,477.0	4,124.0	4,569.3	1,580.4	2,986.0	3,232.6	6,459.3	5,563.9	6,119.1
IDB Spec. Fund	10.7	11.7	26.4	94.3	102.7	138.9	24.7	56.0	1.8	2.7	7.2	134.0
IFAD	107.8	120.6	78.1	200.6	200.5	130.8	83.2	66.1	152.1	256.5	220.2	347.4
Trust fund +SAF+ESAF+PRGF(IMF)	-108.8	297.9	57.7	47.6	599.1	1,357.7						
Nordic Dev. Fund	..	..	25.0	37.5	58.4	40.2	..	..	30.2	0.5	2.4	15.2
UNAIDS	..	..	..	29.6	18.1	20.4	..	..	..	..	18.1	20.4
UNDP	272.3	365.1	186.6	252.3	300.6	318.4	..	..	..	..	307.4	328.6
UNFPA	26.3	45.4	52.4	102.1	139.3	135.1	..	..	..	..	140.2	136.1
UNHCR	201.8	197.6	172.1	38.0	44.2	66.0						
UNICEF	126.5	231.7	170.7	443.3	472.0	465.3	..	..	..	443.9	473.4	474.6
UNTA	61.5	58.1	111.6	112.8	32.0	32.0						
WFP	341.5	491.7	215.9	155.9	199.7	198.1						
Total	*3,245.7*	*6,129.8*	*4,360.4*	*12,863.8*	*14,569.0*	*15,268.9*	*4,295.2*	*6,995.1*	*6,664.1*	*14,314.9*	*18,212.6*	*17,855.4*
Grand Total	**9,335.4**	**16,516.8**	**12,432.1**	**32,973.4**	**38,660.8**	**40,149.1**	**11,143.2**	**16,591.7**	**15,295.4**	**37,787.1**	**49,220.3**	**49,265.2**

Source: UNCTAD secretariat calculations based on OECD DAC, *International Development Statistics*, online, 22 July 2011.

31. Net ODA to LDCs from DAC member countries and multilateral agencies: Distribution by donor and shares allocated to LDCs in total ODA to all developing countries

(Percentage)

Country	Distribution by donor						Share of LDCs in ODA flows to all developing countries					
	1985	1990	2000	2007	2008	2009	1985	1990	2000	2007	2008	2009
Bilateral Donors: DAC												
Australia	0.6	0.6	1.7	1.6	1.7	1.5	10.9	13.9	27.4	23.2	24.4	25.4
Austria	0.1	0.3	0.5	0.2	0.3	0.2	6.2	96.4	29.9	4.4	9.8	25.7
Belgium	1.9	1.6	1.2	1.5	1.4	1.5	64.5	49.3	32.9	40.0	39.6	38.8
Canada	3.5	2.4	1.6	3.6	3.2	2.9	33.0	23.1	17.5	38.2	36.9	37.4
Denmark	1.3	1.8	3.0	2.2	1.9	2.0	55.1	42.4	37.7	44.1	41.6	42.5
Finland	0.6	1.2	0.5	0.6	0.6	0.7	47.4	39.3	33.6	36.8	35.4	35.4
France	7.7	11.2	6.8	4.3	3.4	2.8	30.1	33.1	30.5	23.1	20.2	15.8
Germany	6.2	7.0	5.3	3.8	4.5	4.1	29.7	26.1	28.3	17.1	21.1	26.0
Greece	..	..	0.0	0.1	0.1	0.1	..	..	11.4	18.5	14.5	16.8
Ireland	0.1	0.1	0.8	1.4	1.4	1.0	60.6	60.8	68.0	56.9	57.2	59.9
Italy	4.4	5.8	1.9	0.9	1.2	0.9	53.4	46.8	87.1	25.3	26.5	46.1
Japan	6.0	6.5	10.5	5.7	3.7	4.7	22.0	15.7	13.9	34.0	21.5	32.4
Korea	..	0.0	0.2	0.4	0.4	0.4	..	2.0	19.4	25.7	27.5	29.5
Luxembourg	..	0.0	0.3	0.3	0.3	0.3	..	49.6	36.6	44.1	44.9	43.7
Netherlands	2.7	3.5	4.5	3.6	3.5	2.7	33.4	31.8	26.9	26.0	27.0	23.3
New Zealand	0.1	0.1	0.2	0.2	0.2	0.2	16.3	16.4	29.2	25.1	29.3	36.6
Norway	1.7	2.2	2.5	2.9	2.8	2.2	47.7	46.9	39.6	35.1	36.6	29.7
Portugal	..	0.5	1.0	0.4	0.3	0.3	..	81.4	71.4	55.7	39.6	52.7
Spain	..	0.6	0.5	1.3	1.8	2.5	..	14.4	10.0	13.4	15.1	22.6
Sweden	2.1	3.2	2.7	2.3	2.3	2.0	33.5	37.8	29.0	27.4	30.8	28.9
Switzerland	0.9	1.4	1.3	0.9	0.8	1.2	37.8	41.8	31.1	26.4	21.3	30.1
United Kingdom	3.0	2.9	8.2	7.0	6.7	6.4	33.9	32.1	39.9	42.1	35.6	35.1
United States	15.2	6.6	8.4	14.6	18.2	20.0	17.6	13.1	15.9	26.5	31.1	33.5
Total	*58.3*	*59.4*	*63.5*	*59.7*	*60.5*	*60.6*	*25.9*	*25.6*	*23.6*	*28.0*	*28.1*	*30.4*
Bilateral Donors: non-DAC												
Czech Republic	..	..	0.0	0.1	0.1	0.1	..	..	7.2	30.3	57.7	61.0
Hungary	..	..	..	0.1	0.0	0.0	..	..		92.9	76.1	47.1
Iceland	..	..	0.0	0.0	0.0	0.0	..	..	58.0	41.0	45.5	48.6
Israel	..	..	0.2	0.1	0.1	0.1	..	..	17.6	36.2	37.0	32.7
Poland	..	..	0.0	0.0	0.0	0.0	..	..	10.6	5.5	32.2	28.8
Slovak Republic	..	..	..	0.1	0.1	0.0	..	..		83.0	74.9	4.5
Thailand	..	..	..	0.1	0.4	0.1	..	..		81.3	97.0	85.8
Turkey	..	..	0.0	0.3	0.5	0.3	..	..	3.7	36.9	43.6	37.9
United Arab Emirates	0.6	0.0	0.0	0.1	0.0	0.5	48.7	-0.5	-0.2	10.4	0.3	24.9
Arab Countries	6.3	3.5	1.2	0.3	0.4	0.2	20.7	11.7	56.2	5.7	3.2	2.2
Other Bilateral Donors	0.0	0.0	0.0	0.1	0.0	0.0		15.8		4.6	2.5	1.6
Total	6.9	3.5	1.4	1.3	1.8	1.4	21.8	9.8	31.8	12.9	10.2	10.8
Multilateral Donors												
AfDB + AfDF (African Dev. Bank & Fund)	1.8	3.4	1.6	3.4	3.1	4.0	80.7	92.5	66.5	80.6	66.1	58.3
Arab Agencies	0.8	0.1	0.0	0.7	0.6	0.8	60.5	12.9	17.9	56.4	51.3	50.2
AsDF (Asian Dev. Fund)	2.5	2.7	3.1	1.5	1.6	1.4	58.4	40.7	43.8	42.5	43.4	37.8
CarDB (Carribean Dev. Bank)	..	..	..	..	0.0	0.0					17.3	20.9
EU Institutions	5.9	7.0	8.1	11.6	11.7	9.8	42.0	45.3	30.4	37.2	40.0	35.1
GEF	..	..	..	0.2	0.2	0.2	..	..	..	7.1	8.3	13.8
GAVI	..	..	..	0.9	1.0	0.6	..	..	..	31.8	50.5	47.2
Global Fund	..	..	..	2.5	3.2	2.4	..	..	..	53.8	60.4	43.8
IAEA	..	..	..	0.0	0.0	0.0	..	..	..	17.7	17.5	19.2
IBRD	0.0	..	..	..	..	..	1.9	..	..	..	..	..
IDA	12.6	12.9	13.3	13.6	10.7	11.4	45.3	54.6	46.5	64.1	65.7	54.1
IDB Spec. Fund	0.1	0.1	0.2	0.3	0.3	0.3	3.0	7.6	17.2	36.7	33.2	36.6
IFAD	1.2	0.7	0.6	0.6	0.5	0.3	39.9	49.2	59.6	66.0	66.8	61.9
Trust fund +SAF+ESAF+PRGF(IMF)	-1.2	1.8	0.5	0.1	1.5	3.4	36.5	92.7	-59.7	-222.8	160.6	71.9
Nordic Dev. Fund	..	..	0.2	0.1	0.2	0.1	..	..	65.8	55.4	64.4	63.1
UNAIDS	..	..	..	0.1	0.0	0.1	..	..		15.7	8.8	8.5
UNDP	2.9	2.2	1.5	0.8	0.8	0.8	43.2	40.2	50.0	62.0	65.5	53.7
UNFPA	0.3	0.3	0.4	0.3	0.4	0.3	20.7	25.5	40.7	48.9	52.8	40.5
UNHCR	2.2	1.2	1.4	0.1	0.1	0.2	49.4	44.0	47.8	16.8	17.9	23.7
UNICEF	1.4	1.4	1.4	1.3	1.2	1.2	45.4	39.7	30.2	46.1	48.9	43.7
UNTA	0.7	0.4	0.9	0.3	0.1	0.1	21.8	25.5	26.3	26.6	5.5	5.5
WFP	3.7	3.0	1.7	0.5	0.5	0.5	43.9	52.7	63.3	69.4	65.4	69.2
Total	*34.8*	*37.1*	*35.1*	*39.0*	*37.7*	*38.0*	*42.1*	*48.7*	*40.0*	*46.2*	*48.7*	*43.3*
Grand Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**29.5**	**29.1**	**27.7**	**32.5**	**32.2**	**33.4**

Source: UNCTAD secretariat calculations based on OECD DAC, *International Development Statistics*, online, 22 July 2011.

32. Total financial flows and ODA from all sources to individual LDCs
(Net disbursements in millions of dollars)

Country	Total financial flows						*of which:* **ODA**					
	1985	*1990*	*2000*	*2007*	*2008*	*2009*	*1985*	*1990*	*2000*	*2007*	*2008*	*2009*
Afghanistan	-6	120	157	3,972	4,926	6,308	16	122	136	3,965	4,865	6,235
Angola	257	88	118	-287	3,550	1,898	90	266	302	248	369	239
Bangladesh	1,104	2,164	1,234	1,726	2,829	1,893	1,128	2,093	1,172	1,515	2,061	1,227
Benin	96	242	232	496	652	649	94	267	243	474	641	683
Bhutan	23	49	44	89	91	188	23	46	53	90	87	125
Burkina Faso	183	342	187	900	1,038	1,080	188	327	180	951	1,001	1,084
Burundi	152	253	79	481	488	536	137	263	93	475	526	563
Cambodia	12	41	404	1,358	1,217	954	12	41	396	675	743	722
Central African Rep.	111	256	50	188	234	247	104	249	75	177	257	242
Chad	178	312	-226	413	438	577	179	311	130	358	419	561
Comoros	50	44	-2	-41	39	44	47	45	19	44	37	51
Congo, Dem. Rep.	461	1,409	192	1,162	1,618	2,152	305	896	177	1,356	1,769	2,354
Djibouti	103	191	91	133	155	328	81	194	71	112	121	162
Equatorial Guinea	28	62	22	-207	-984	428	17	60	21	31	32	32
Eritrea	0	0	183	160	138	149			176	158	144	145
Ethiopia	777	982	680	2,491	3,177	4,049	708	1,009	686	2,578	3,328	3,820
Gambia	47	106	45	89	95	148	48	97	50	73	94	128
Guinea	105	283	329	236	228	190	113	292	153	228	328	215
Guinea-Bissau	62	133	85	102	118	135	56	126	81	122	134	147
Haiti	141	153	176	642	936	1,092	149	167	208	702	912	1,120
Kiribati	12	20	18	19	28	29	12	20	18	27	27	27
Laos	64	148	286	620	638	534	37	148	281	396	496	420
Lesotho	117	145	11	110	135	118	92	139	37	129	144	123
Liberia	-294	519	632	1,884	1,638	1,671	90	114	67	701	1,251	513
Madagascar	209	429	317	1,185	2,238	1,393	185	397	320	894	843	445
Malawi	117	515	431	724	933	799	112	500	446	744	924	772
Maldives	10	38	11	123	72	64	9	21	19	37	54	33
Mali	375	471	313	927	939	971	374	479	288	1,020	964	985
Mauritania	222	218	220	316	314	326	205	236	221	346	320	287
Mozambique	326	1,046	1,176	1,808	1,889	2,036	296	997	906	1,778	1,996	2,013
Myanmar	309	115	56	123	534	358	344	161	106	198	534	357
Nepal	241	426	405	601	690	839	231	423	386	605	697	856
Niger	279	373	183	327	575	473	298	388	208	542	607	470
Rwanda	181	283	318	735	952	1,026	177	288	321	722	933	934
Samoa	20	54	28	66	81	90	19	48	27	37	40	77
Sao Tome & Principe	12	53	36	13	42	33	12	54	35	36	47	31
Senegal	302	753	480	980	1,357	1,397	285	812	429	872	1,064	1,018
Sierra Leone	55	63	185	372	388	461	64	59	181	545	379	450
Solomon Islands	22	58	55	256	263	215	21	46	68	246	224	206
Somalia	377	486	100	391	766	668	351	491	101	384	758	662
Sudan	1,113	730	315	2,148	2,404	2,333	1,125	813	220	2,112	2,384	2,289
Timor-Leste	-5	-5	649	279	281	220		0	231	278	278	217
Togo	90	256	60	194	313	554	111	258	70	121	330	499
Tuvalu	3	5	0	11	17	18	3	5	4	12	16	18
Uganda	220	660	828	1,833	1,875	1,953	179	663	853	1,737	1,641	1,786
United Rep. of Tanzania	549	1,118	1,228	2,379	2,515	3,136	477	1,163	1,063	2,820	2,331	2,934
Vanuatu	38	148	71	47	156	173	22	50	46	57	92	103
Yemen	393	326	287	323	1,271	1,052	388	400	263	236	305	500
Zambia	520	578	701	1,300	1,598	1,151	319	475	795	1,008	1,116	1,269
LDCs	**9,764**	**17,258**	**13,479**	**34,197**	**45,883.9**	**47,135**	**9,335**	**16,517**	**12,432**	**32,973**	**38,661**	**40,149**
All Developing countries	**44380**	**80,351**	**125,229**	**396,726**	**252,992.1**	**355,634**	**31,686**	**56,722**	**44,870**	**101,526**	**120,021**	**120,291**

Source: UNCTAD secretariat calculations based on OECD/DAC, *International Development Statistics*, online, July 2011.

33. Bilateral and multilateral net ODA disbursements to individuals LDCs

Country	Per capita	Net disburse-ments	of which: technical coopera-tion	Bilateral ODA[a]	of which: Grants	Multi-lateral ODA	of which: Grants	Per capita	Net disburse-ments	of which: technical coopera-tion	Bilateral ODA[a]	of which: Grants	Multi-lateral ODA	of which: Grants
	Dollars	*$ million*	*As percentage of total net ODA*					*dollars*	*$ million*	*As percentage of total net ODA*				
	1998-1999							*2008-2009*						
Afghanistan[b]	7.5	148.3	17.5	64.9	64.4	35.1	35.0	200.5	5,550.2	15.0	85.1	85.1	14.9	12.7
Angola	26.3	361.4	15.2	64.5	55.9	35.5	25.3	16.7	304.2	21.2	59.1	60.0	40.9	36.3
Bangladesh	8.7	1,190.7	15.7	52.9	59.8	47.1	11.8	10.2	1,644.2	12.7	47.6	75.0	52.4	18.7
Benin[b]	32.7	208.0	31.5	62.6	63.4	37.4	20.4	75.3	662.1	13.3	48.2	49.1	51.8	32.4
Bhutan	114.0	61.3	34.4	75.0	69.5	25.0	18.9	153.1	106.0	14.1	49.9	49.5	50.1	26.3
Burkina Faso[b]	35.7	399.1	21.3	59.4	59.1	40.6	17.3	67.3	1,042.4	10.0	44.9	44.8	55.1	32.0
Burundi[b]	11.2	71.3	23.6	67.2	77.3	32.8	24.0	66.5	544.3	11.5	47.7	62.0	52.3	125.0
Cambodia	24.8	307.3	35.0	64.8	65.5	35.2	17.1	49.9	732.6	20.9	64.5	58.9	35.5	22.3
Central African Rep.[b]	32.8	119.0	27.1	48.6	57.6	51.4	45.9	57.0	249.7	7.7	45.6	48.0	54.4	153.0
Chad	22.3	177.6	23.7	42.4	42.8	57.6	21.6	44.3	490.0	7.8	64.6	66.4	35.4	41.5
Comoros	52.9	28.3	36.8	56.6	64.1	43.6	42.6	65.8	44.0	26.3	58.1	61.2	41.9	43.4
Dem. Rep.of the Congo[b]	2.6	128.9	38.3	65.7	71.7	34.3	40.4	31.6	2,061.0	8.2	50.8	50.5	49.2	46.8
Djibouti	111.8	78.0	37.3	77.2	76.9	22.8	18.3	165.2	141.5	10.1	65.1	55.2	34.9	20.2
Equatorial Guinea	41.7	21.1	55.2	78.7	86.4	21.6	26.6	47.6	31.8	48.5	68.6	73.8	31.4	38.5
Eritrea	45.5	158.0	16.5	72.2	50.0	27.8	10.2	28.8	144.2	6.2	40.8	40.7	59.2	48.0
Ethiopia[b]	10.4	651.6	17.4	55.1	54.1	44.9	23.6	43.7	3,573.9	4.5	51.9	50.6	48.1	32.3
Gambia[b]	29.8	36.8	32.1	38.6	44.6	61.4	39.1	65.9	110.9	7.6	24.9	27.1	75.1	141.1
Guinea	36.7	298.5	17.2	50.5	47.1	49.5	25.6	27.3	271.6	16.7	69.5	76.1	30.5	34.8
Guinea-Bissau[b]	58.8	74.1	29.8	65.4	65.0	34.6	25.2	88.1	140.3	15.9	37.4	37.4	62.6	71.0
Haiti[b]	39.8	334.9	29.5	60.9	49.0	39.1	16.8	102.1	1,016.3	14.6	62.1	62.2	37.9	63.2
Kiribati	233.3	19.1	44.3	93.7	93.7	6.3	6.6	279.0	27.2	36.9	78.9	78.9	21.3	22.2
Lao People's Dem. Rep.	54.4	284.9	25.1	66.2	63.2	33.8	7.7	73.1	457.8	17.8	68.8	49.6	31.2	27.1
Lesotho	25.0	46.1	32.6	60.5	63.3	39.5	29.7	64.8	133.4	8.8	52.9	53.3	47.1	41.9
Liberia[b]	32.6	83.0	22.6	45.8	53.4	54.2	55.0	227.7	882.0	3.1	67.3	85.0	32.7	16.5
Madagascar[b]	28.7	419.3	22.3	62.8	67.4	37.2	18.7	33.3	644.1	12.4	40.5	41.3	59.5	26.9
Malawi[b]	39.1	440.6	18.2	49.6	50.9	50.4	20.4	56.3	848.0	9.7	51.9	52.7	48.1	36.0
Maldives	104.8	27.8	27.5	71.9	71.4	28.1	11.1	142.4	43.8	11.9	76.7	49.5	23.3	11.9
Mali[b]	34.3	350.4	30.8	66.8	69.1	33.2	17.4	75.8	974.6	13.5	56.8	59.3	43.2	20.5
Mauritania[b]	76.7	191.5	18.8	39.3	49.1	60.7	47.2	93.2	303.2	16.8	50.5	46.7	49.5	21.9
Mozambique[b]	52.9	929.2	16.5	70.1	76.2	29.9	47.8	88.6	2,004.7	9.1	65.7	64.9	34.3	14.8
Myanmar	1.7	76.6	48.1	61.0	72.5	39.0	38.7	8.9	445.2	8.3	75.9	77.1	24.1	24.0
Nepal	15.9	374.6	32.5	57.5	56.2	42.5	11.4	26.7	776.1	14.2	60.7	69.4	39.3	39.8
Niger[b]	22.8	239.3	26.7	55.7	63.4	44.3	21.8	35.9	538.4	13.4	49.0	50.8	51.0	40.8
Rwanda[b]	50.8	361.6	16.7	53.9	56.7	46.1	19.1	94.7	933.8	9.6	52.3	52.3	47.7	39.8
Samoa	168.8	29.5	65.5	88.2	88.8	11.8	6.7	329.1	58.9	31.9	62.2	61.0	37.8	26.5
Sao Tome & Principe[b]	203.7	27.8	49.3	67.0	68.1	33.0	17.7	241.7	39.0	39.5	59.2	78.0	40.8	30.5
Senegal[b]	54.4	518.0	25.0	68.6	70.7	31.4	14.9	84.1	1,040.9	20.1	53.4	53.4	46.6	18.2
Sierra Leone[b]	22.0	90.0	13.8	64.5	63.3	35.5	25.5	73.6	414.4	12.6	44.7	45.3	55.3	39.3
Solomon Islands	103.0	41.1	43.5	56.6	58.0	43.4	13.7	416.2	215.2	51.9	97.7	98.0	2.3	4.2
Somalia	13.8	97.5	20.6	60.5	63.3	39.5	39.9	78.6	710.0	1.7	76.3	76.3	23.7	23.7
Sudan	6.7	226.2	13.0	74.2	75.8	25.8	26.6	55.9	2,336.2	5.8	83.4	81.4	16.6	15.4
Timor-Leste	..	77.2	26.4	96.4	96.4	7.2	7.2	221.5	247.2	34.9	83.6	83.6	16.4	16.4
Togo[b]	20.0	99.9	27.0	58.8	67.8	41.2	12.6	63.4	414.3	8.0	65.0	62.3	35.0	42.1
Tuvalu	633.3	6.0	53.4	70.5	70.5	29.5	6.3	1,696.5	16.8	19.8	89.5	89.5	10.5	8.9
Uganda[b]	27.0	630.1	18.6	58.9	61.3	41.1	31.6	53.2	1,713.6	5.9	59.1	58.6	40.9	20.4
United Rep. of Tanzania[b]	30.3	994.7	17.0	69.7	70.0	30.3	8.4	61.1	2,632.4	5.8	52.8	51.8	47.2	15.1
Vanuatu	211.5	38.9	59.3	70.7	72.0	29.3	6.2	412.9	97.8	29.1	95.8	96.5	4.3	6.1
Yemen	23.7	412.8	12.7	41.9	40.1	58.1	6.8	17.3	402.6	14.9	71.8	75.8	28.2	21.9
Zambia[b]	48.2	485.5	19.3	61.4	68.6	38.6	13.0	93.3	1,192.5	7.0	59.0	60.0	41.0	23.3
LDCs	**19.1**	**12,473.2**	**21.5**	**60.6**	**62.2**	**39.4**	**21.1**	**47.7**	**39,404.9**	**10.8**	**62.1**	**63.6**	**37.9**	**27.9**
All developing countries	**10.1**	**47,502.1**	**28.5**	**72.7**	**65.9**	**27.3**	**14.5**	**22.0**	**120,155.7**	**15.0**	**72.9**	**72.2**	**27.1**	**20.4**

Source: UNCTAD secretariat calculations based on OECD DAC, *International Development Statistics*, online, July 2011; UNCTADSTAT, July 2011.
Note: Countries have been ranked in descending order of total net ODA disbursements received in 2008-2009.
a Includes ODA from DAC and non-DAC donors;
b LDCs that have reached the HIPC completion point (World Bank, Spring 2011).

34. Total official flows[a] and private grants, gross disbursement, by sector

LDCs, total	Gross disbursement (Millions of dollars, current)								Annual average growth rate (% in constant 2009 dollar)				
Sectors	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2002-2009*	*2006*	*2007*	*2008*	*2009*
All Sectors	16,346.6	22,922.7	25,342.8	28,165.9	58,810.3	34,011.3	40,629.0	43,164.0	8.3	102.0	-46.3	13.3	9.2
Social infrastructure & services	4,742.0	6,739.0	8,651.5	10,781.2	11,768.7	14,730.4	16,704.5	17,897.3	13.7	5.9	14.7	8.4	10.6
Economic infrastructure and services	1,929.5	2,374.9	3,090.4	3,213.6	3,148.2	4,143.6	5,029.8	5,636.1	9.5	-4.9	22.3	14.7	14.6
Production sectors	1,152.9	1,244.4	1,443.7	1,647.2	1,686.3	2,208.7	3,094.0	3,625.0	11.6	-1.4	21.4	32.0	21.7
Multisector / cross-cutting	662.4	943.0	1,012.1	1,109.7	1,528.9	1,709.1	1,833.0	1,897.2	10.1	32.8	2.7	1.0	7.0
Commodity aid / general prog. Ass.	2,364.5	2,015.6	2,666.3	2,618.9	3,027.1	3,295.5	4,716.7	5,474.9	7.9	11.7	-0.1	38.0	20.8
Action relating to debt	2,969.5	6,685.5	5,222.0	3,575.1	33,695.0	3,682.8	3,023.6	3,380.8	-7.5	808.3	-89.2	-24.1	10.3
Humanitarian aid	1,359.6	2,080.6	2,430.9	3,987.3	3,454.6	3,593.7	5,909.1	4,955.5	14.8	-17.1	-2.6	58.2	-14.1
Administrative costs of donors	11.6	22.4	45.3	54.7	62.9	69.4	85.4	108.9	24.1	9.2	0.6	14.5	31.0
Support to ngo's	110.3	199.8	315.7	270.2	111.5	97.4	104.2	69.6	-17.2	-58.9	-16.0	-3.9	-34.3
Refugees in donor countries	110.9	77.3	146.8	509.5	46.6	20.9	16.1	0.8	-49.3	-91.4	-58.7	-28.2	-95.1
Unallocated/unspecified	933.4	540.1	318.1	398.4	280.4	459.7	112.7	117.9	-26.3	-31.1	47.9	-76.6	4.0
Other developing countries *(excluding LDCs)*	**Gross disbursement** *(Millions of dollars, current)*								**Annual average growth rate** *(% in constant 2009 dollar)*				
Sectors	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2002-2009*	*2006*	*2007*	*2008*	*2009*
All Sectors	44,075.1	52,759.0	58,730.0	89,380.2	100,481.6	90,730.0	97,868.0	124,172.7	9.6	9.9	-16.2	2.1	29.3
Social infrastructure & services	13,390.7	19,725.7	20,496.0	25,952.2	29,880.6	33,121.2	37,969.5	51,002.6	12.6	12.5	2.6	9.5	37.3
Economic infrastructure and services	8,166.6	8,109.6	10,591.6	11,641.0	13,087.9	15,552.1	17,850.2	30,552.8	13.2	10.2	11.4	9.1	72.3
Production sectors	3,741.0	3,975.4	5,216.9	4,897.6	6,116.9	8,274.8	8,741.7	10,280.2	10.5	18.5	26.9	1.4	20.6
Multisector / cross-cutting	2,266.5	2,579.0	3,744.5	3,661.4	4,069.6	5,052.5	6,290.7	9,034.9	13.7	8.8	14.0	17.9	45.8
Commodity aid / general prog. Ass.	2,315.8	2,993.7	1,898.4	2,138.7	2,335.7	2,312.8	2,997.6	4,196.1	1.8	7.1	-5.0	20.4	42.6
Action relating to debt	2,237.1	4,566.9	4,533.6	24,858.9	28,625.9	8,527.1	7,732.4	2,574.8	1.0	13.1	-71.8	-16.7	-65.7
Humanitarian aid	1,068.0	1,812.1	2,568.9	3,931.1	3,804.7	3,914.0	4,154.5	4,937.3	15.1	-6.5	-5.9	1.7	22.1
Administrative costs of donors	1,370.9	1,731.3	2,301.1	3,142.8	3,754.9	5,505.5	6,289.2	6,272.6	20.8	15.5	35.6	8.9	1.5
Support to ngo's	453.9	750.3	1,116.2	787.3	1,269.0	1,287.9	1,468.8	653.1	1.9	57.5	-8.6	6.0	-54.2
Refugees in donor countries	269.3	434.6	1,033.0	1,447.0	1,327.0	1,322.5	2,121.1	2,766.2	27.7	-11.5	-8.9	50.2	35.7
Unallocated/unspecified	8,795.2	6,080.3	5,229.9	6,922.4	6,209.4	5,859.7	2,252.4	1,902.2	-19.7	-10.4	-13.2	-64.2	-16.1

Source: OECD, Creditor Reporting System, database, 3 August 2011.

a Include Official Development Assistance and Other Official Flows.

35 . Foreign direct investment: inflow to and outflow from LDCs
(Millions of dollars)

Country	FDI inflow						FDI outflow					
	1985	*1990*	*2000*	*2008*	*2009*	*2010*	*1985*	*1990*	*2000*	*2008*	*2009*	*2010*
Afghanistan	..	..	0.2	300.0	185.0	75.7	..	..	..	..	..	..
Angola	278.0	-334.8	878.6	16,581.0	13,100.6	9,941.6	..	0.9	-21.4	2,569.6	8.3	1,163.3
Bangladesh	-6.7	3.2	578.7	1,086.3	716.0	913.3	..	0.5	2.0	9.3	15.2	15.4
Benin	-0.1	62.4	59.7	173.8	92.5	110.9	..	0.3	3.6	-2.7	-3.5	7.1
Bhutan	..	1.6	0.0	29.7	36.4	11.7	..	..	..	..	..	..
Burkina Faso	-1.4	0.5	23.1	137.1	171.4	37.1	0.0	-0.6	0.2	0.3	0.5	0.4
Burundi	1.6	1.3	11.7	13.6	9.9	14.1	-1.1	0.0	0.0	..	..	..
Cambodia	..	..	148.5	815.2	532.5	782.6	..	..	16.3	24.2	-1.4	17.0
Central African Republic	3.0	0.7	0.8	117.1	42.3	72.0	0.6	3.8	..	..	..	..
Chad	53.7	9.4	115.2	233.6	461.8	781.4	0.3	0.1	..	..	..	..
Comoros	..	0.4	0.1	7.5	9.1	9.4	..	1.1	..	..	..	..
Dem. Rep. of the Congo	69.2	-14.5	72.0	1,726.8	951.4	2,939.3	..	..	-1.8	54.1	30.3	7.2
Djibouti	0.2	0.1	3.3	234.0	100.0	26.8	..	..	..	..	..	..
Equatorial Guinea	2.4	11.1	154.5	-793.9	1,636.2	695.0	..	0.1	-3.6	..	..	..
Eritrea	_	_	27.9	-0.2	0.0	55.6	_	_	..	..	..	..
Ethiopia	_	_	134.6	108.5	93.6	184.0	..	..	..	..	..	..
Gambia	-0.5	14.1	43.5	70.1	47.4	37.4	..	..	..	..	..	..
Guinea	1.1	17.9	9.9	381.9	140.9	302.9	0.0	0.1	..	126.1	..	..
Guinea-Bissau	1.4	2.0	0.7	6.0	14.0	8.8	..	..	..	0.3	0.2	0.1
Haiti	4.9	8.0	13.3	29.8	38.0	150.0	..	-8.0	..	..	..	..
Kiribati	0.2	0.3	17.6	1.9	2.2	3.7	..	..	..	..	..	0.3
Lao People's Dem. Rep.	-1.6	6.0	34.0	227.7	156.7	350.0	-0.2	0.2	4.1	..	..	5.7
Lesotho	4.8	16.1	31.5	55.6	48.0	54.7	..	..	..	..	..	..
Liberia	-16.2	225.2	20.8	200.0	378.0	248.0	245.0	-3.1	779.9	381.9	363.6	30.3
Madagascar	-0.2	22.4	83.0	1,179.8	542.6	860.4	..	1.3	..	..	..	..
Malawi	0.5	23.3	39.6	170.0	60.4	140.0	..	..	-0.6	1.3	1.3	1.3
Maldives	1.2	5.6	13.0	12.0	9.6	163.8	..	..	..	..	..	..
Mali	2.9	5.7	82.4	179.7	109.1	147.6	..	0.2	4.0	2.5	3.7	4.5
Mauritania	7.0	6.7	40.1	338.4	-38.3	13.6	..	..	..	4.1	..	4.1
Mozambique	0.3	9.2	139.2	591.6	881.2	788.9	..	..	0.2	0.0	2.8	0.8
Myanmar	..	225.1	208.0	283.5	323.0	756.3	..	..	..	..	..	..
Nepal	0.7	5.9	-0.5	1.0	38.6	39.0	..	..	..	..	..	..
Niger	-9.4	40.8	8.4	565.9	738.9	946.9	1.9	0.0	-0.6	24.4	10.5	14.3
Rwanda	14.6	7.7	8.1	103.4	118.7	42.3	..	..	..	13.6	13.6	..
Samoa	0.4	6.6	-1.5	13.0	1.4	2.2	..	..	..	0.0	1.5	..
Sao Tome and Principe	..	..	3.8	32.5	35.8	3.0	..	..	..	6.9	4.4	4.8
Senegal	-18.9	56.9	62.9	272.4	207.5	237.2	3.1	-9.5	0.6	9.0	14.5	154.1
Sierra Leone	-31.0	32.4	38.9	53.0	33.4	35.8	..	0.1	..	..	..	5.0
Solomon Islands	0.7	10.4	1.4	75.5	173.0	237.8	..	..	0.1	11.9	13.9	2.3
Somalia	-0.7	5.6	0.3	87.0	108.0	112.0	..	..	..	..	..	..
Sudan	-3.0	-31.1	392.2	2,600.5	3,034.1	1,600.0	..	..	..	98.2	45.0	51.3
Timor-Leste	_	_	_	37.8	18.3	279.6	_	_	_	..	..	..
Togo	16.3	22.7	41.5	23.9	50.1	41.1	..	..	0.4	-15.9	-10.3	-30.7
Tuvalu	..	..	-0.9	1.7	2.2	1.5	..	..	..	..	..	..
Uganda	-4.0	-5.9	180.8	787.4	798.8	847.6	..	..	..	..	..	..
United Rep. of Tanzania	14.5	0.0	282.0	679.3	645.0	700.0	..	..	..	..	..	..
Vanuatu	4.6	13.1	20.3	32.9	27.2	38.9	..	..	..	-0.5	0.1	1.1
Yemen	3.2	-130.9	6.4	1,554.6	129.2	-329.0	0.5	..	-8.8	66.0	66.4	70.3
Zambia	51.5	202.8	121.7	938.6	959.4	1,041.4	..	..	..	..	..	288.7
LDCs	**445.6**	**578.1**	**4,151.3**	**32,358.4**	**27,971.0**	**26,390.1**	**250.1**	**-12.5**	**774.6**	**3,384.6**	**580.6**	**1,818.5**
LDCs: Africa and Haiti	*442.8*	*430.7*	*3,122.3*	*27,845.6*	*25,574.9*	*23,214.5*	*249.9*	*-14.3*	*761.0*	*3,266.9*	*480.5*	*1,701.7*
LDCs: Asia	*-4.4*	*111.0*	*975.3*	*4,297.9*	*2,117.3*	*2,599.5*	*0.3*	*0.7*	*13.6*	*99.5*	*80.2*	*108.4*
LDCs: Islands	*7.2*	*36.4*	*53.6*	*214.9*	*278.8*	576.1	..	*1.1*	*0.1*	*18.3*	*19.9*	*8.5*
Other developing countries	**13,708.2**	**34,517.5**	**252,314.0**	**597,654.1**	**450,378.0**	**547,178.0**	**3,661.4**	**11,920.9**	**134,191.6**	**292,901.0**	**228,578.1**	**325,745.7**
All Developing economies	**14,153.7**	**35,095.6**	**256,465.2**	**630,012.5**	**478,349.0**	**573,568.1**	**3,911.6**	**11,908.4**	**134,966.2**	**296,285.6**	**229,158.6**	**327,564.2**

Source: UNCTAD, UNCTADstat, FDI/TNC database, August 2011.

36. External debt and debt service by source of lending
(Millions of dollars)

	External debt (at year end)[a]								Debt service[b]							
	1985	*1990*	*2000*	*2007*	*2008*	*2009*	*% of total*		*1985*	*1990*	*2000*	*2007*	*2008*	*2009*	*% of total*	
							1985	*2008*							*1985*	*2008*
I. Long term	**58,766.2**	**105,606.7**	**119,189.3**	**119,906.9**	**128,319.8**	**136,338.8**	**80.2**	**84.3**	**2,189.1**	**3,034.4**	**4,386.1**	**8,677.1**	**5,603.6**	**7,822.8**	**66.2**	**94.3**
Public and publicly guaranteed	58,299.7	104,766.0	116,799.5	116,089.5	123,946.1	131,312.8	79.6	81.2	2,136	2,954	4,324	8,392	5,318	7,416	64.6	89.4
Official Creditors	50,531.3	90,045.3	107,009.0	105,086.9	110,368.8	116,478.8	69.0	72.0	1,501.3	2,204.6	2,820.7	4,440.7	4,002.1	4,167.2	45.4	50.2
A. Concessional	38,159.2	68,860.8	90,211.5	93,317.0	99,233.0	104,343.4	52.1	64.5	679.0	1,225.5	2,205.4	2,697.9	3,007.4	3,150.3	20.5	38.0
of which:																
Bilateral concessional	25,291.6	39,044.4	36,522.2	34,519.6	36,594.0	38,790.2	34.5	24.0	453.9	740.9	1,129.4	1,190.5	1,094.3	1,330.0	13.7	16.0
Multilateral concessional	12,867.6	29,816.4	53,689.3	58,797.5	62,639.0	65,553.2	17.6	40.5	225.1	484.6	1,076.0	1,507.3	1,913.1	1,820.3	6.8	21.9
B. Non-concessional	12,372.1	21,184.4	16,797.5	11,769.9	11,135.8	12,135.4	16.9	7.5	822.3	979.1	615.2	1,742.9	994.8	1,016.9	24.9	12.3
Private creditors	7,768.4	14,720.7	9,790.5	11,002.6	13,577.4	14,833.9	10.6	9.2	635.1	749.0	1,503.1	3,951.1	1,316.1	3,249.2	19.2	39.2
Bonds	6.8	10.0	7.1	0.0	0.0	200.0	0.0	0.1	1.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	2,491.5	3,159.1	5,024.6	8,138.8	10,759.9	10,790.9	3.4	6.7	227.1	174.1	1,273.5	3,653.9	1,027.8	2,955.6	6.9	35.6
Other private	5,270.2	11,551.6	4,758.8	2,863.8	2,817.5	3,843.0	7.2	2.4	406.6	574.3	229.7	297.2	288.3	293.6	12.3	3.5
Private non-guaranteed	466.5	840.8	2,389.7	3,817.4	4,373.6	5,026.0	0.6	3.1	52.7	80.9	62.3	285.3	285.4	406.4	1.6	4.9
II. Short term	**9,351.2**	**13,200.9**	**17,245.9**	**20,732.2**	**21,525.7**	**19,416.8**	**12.8**	**12.0**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**
III.IMF credit	**3,505.5**	**3,920.6**	**4,510.4**	**1,611.1**	**2,260.7**	**3,165.5**	**4.8**	**2.0**	**889**	**902**	**468**	**344**	**1,190**	**337**	**26.9**	**4.1**
Total	**73,285.7**	**124,198.4**	**142,268.7**	**144,071.9**	**154,100.3**	**161,704.5**	**100.0**	**100.0**	**3,307.3**	**4,243.7**	**5,109.7**	**9,353.0**	**7,025.9**	**8,295.9**	**100.0**	**100.0**

Source: UNCTAD secretariat calculations, based on World Bank, *Global Development Finance* database, online, July 2011.
a Refers to debt stocks.
b Refers to debt service on external debt.

37. Total external debt and debt service payments of individual LDCs

(Millions of dollars)

Country	External debt (at year end)[a]						Debt service[b]					
	1985	*1990*	*2000*	*2007*	*2008*	*2009*	*1985*	*1990*	*2000*	*2007*	*2008*	*2009*
Afghanistan	..	..	..	1,974	2,089	2,328	..	..	..	5	8	11
Angola	..	8,592	9,408	11,518	15,132	16,715	..	326	1,705	4,434	1,643	3,508
Bangladesh	6,530	12,285	15,535	21,296	22,886	23,820	330	735	766	990	888	957
Benin	905	1,122	1,390	766	918	1,073	49	37	74	30	58	37
Bhutan	9	84	204	775	692	762	0	5	7	31	81	75
Burkina Faso	513	832	1,422	1,450	1,682	1,835	29	34	47	42	45	42
Burundi	455	907	1,108	1,456	1,443	518	26	42	22	19	19	19
Cambodia	7	1,845	2,628	3,761	4,215	4,364		30	32	30	42	49
Central African Republic	344	699	860	964	955	396	26	29	14	89	26	32
Chad	216	514	1,090	1,797	1,749	1,743	17	12	24	68	138	78
Comoros	134	188	237	292	282	279	2	1	3	26	12	12
Dem. Rep. of the Congo	6,183	10,259	11,692	12,359	12,196	12,183	498	348	25	502	599	700
Djibouti	96	155	258	657	685	752	4	11	13	23	25	29
Equatorial Guinea	..	..	..	..	..	..	..	..	..	..	..	..
Eritrea	–	–	300	860	961	1,019	–	–	3	6	16	22
Ethiopia[c]	5,212	8,645	5,495	2,620	2,879	5,025	159	236	138	133	111	103
Gambia	245	369	483	727	449	520	9	38	22	36	22	26
Guinea	1,465	2,478	3,066	3,143	3,094	2,926	72	168	157	157	141	129
Guinea-Bissau	319	695	947	1,073	1,084	1,111	9	8	5	10	10	10
Haiti	757	917	1,173	1,580	1,946	1,244	48	36	44	82	58	45
Kiribati	..	..	..	..	..	..	..	..	..	..	..	..
Lao People's Dem. Rep.	619	1,766	2,501	4,388	4,955	5,539	7	9	40	190	204	242
Lesotho	175	396	672	678	689	705	19	23	62	98	37	38
Liberia	1,250	2,056	2,809	3,745	3,128	1,660	40	3	1	642	934	64
Madagascar	2,520	3,689	4,691	1,707	2,086	2,213	150	223	117	22	26	45
Malawi	1,021	1,557	2,705	836	959	1,093	110	133	63	33	32	36
Maldives	83	78	206	630	716	780	10	9	20	55	66	69
Mali	1,456	2,468	2,960	1,992	2,125	2,667	53	68	93	67	69	81
Mauritania	1,454	2,113	2,378	1,705	1,987	2,029	102	146	83	121	63	78
Mozambique	2,871	4,650	7,255	2,966	3,450	4,168	63	79	96	28	37	43
Myanmar	3,098	4,695	5,975	8,237	8,002	8,186	223	60	36	54	33	29
Nepal	590	1,627	2,867	3,602	3,685	3,683	23	68	102	147	162	177
Niger	1,223	1,758	1,708	925	928	991	107	99	26	26	26	45
Rwanda	363	708	1,270	562	652	747	18	20	36	23	25	26
Samoa	75	92	138	186	206	235	8	5	5	7	8	8
Sao Tome and Principe	63	150	310	173	177	186	3	3	4	8	4	3
Senegal	2,559	3,754	3,622	2,553	2,826	3,503	189	324	224	188	181	200
Sierra Leone	708	1,176	1,190	312	399	444	24	21	47	10	6	7
Solomon Islands	66	120	155	177	166	156	4	12	9	14	15	10
Somalia	1,639	2,370	2,562	2,944	2,949	2,973	20	11	0		2	..
Sudan	8,955	14,762	16,009	19,161	19,463	20,139	149	50	245	367	364	483
Timor-Leste	–	–	–	..	..	..	–	–	–	..	..	..
Togo	935	1,281	1,430	1,967	1,638	1,640	111	86	30	15	196	55
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	1,239	2,606	3,497	1,607	2,246	2,490	155	145	74	65	74	71
United Rep. of Tanzania	9,090	6,446	7,142	5,008	5,964	7,325	170	179	167	64	65	164
Vanuatu	16	38	74	98	126	130	1	2	2	4	5	6
Yemen	3,341	6,354	5,125	6,089	6,258	6,356	131	169	243	270	283	262
Zambia	4,487	6,905	5,722	2,758	2,984	3,049	136	201	185	121	166	171
LDCs[d]	**73,286**	**124,198**	**142,269**	**144,072**	**154,100**	**161,705**	**3,307**	**4,244**	**5,110**	**9,353**	**7,026**	**8,296**
African LDCs and Haiti[d]	58,656	94,876	106,314	92,393	99,646	104,899	2,565	3,135	3,840	7,522	5,215	6,386
Asian LDCs[d]	14,193	28,656	34,835	50,122	52,781	55,039	714	1,077	1,226	1,717	1,702	1,801
Island LDCs[d]	436	666	1,120	1,556	1,673	1,767	28	32	44	114	109	109

Source: UNCTAD secretariat calculations, based on World Bank, *Global Development Finance* database online (July 2011).

a External debt cover both long-term and short term debt as well as the use of IMF credit.

b Debt service on total external debt.

c Ethiopia include Eritrae up to 1992.

d LDC aggregates exclude missing data Equatorial Guinea, Kiribati, Sao tome, Myanmar, Timor Leste, Tuvalu; Afghanistan from 1985 to 2005 and Angola in 1985.

38. Indicators of debt sustainability
(Percentage)

Country	External Debt[a]/GDP						Debt service[b]/exports[c]					
	1985	1990	2000	2007	2008	2009	1985	1990	2000	2007	2008	2009
Afghanistan	..	..	..	19.5	19.4	18.1	..	..	..	0.3	0.4	0.5
Angola	..	83.7	103.1	19.1	18.0	22.1	..	8.2	20.8	9.9	2.6	8.9
Bangladesh	30.2	40.8	33.0	31.1	28.8	26.7	27.5	39.9	11.6	7.3	5.5	5.5
Benin	86.5	60.8	61.6	13.8	13.7	16.2	19.9	14.1	21.7	3.3	5.7	4.0
Bhutan	5.3	29.7	47.6	64.8	55.1	60.3	0.1	6.5	5.1	5.3	11.5	10.2
Burkina Faso	33.0	26.8	54.5	21.4	20.9	22.5	19.1	10.1	18.5	5.9	6.0	4.5
Burundi	39.6	80.1	156.3	148.6	123.5	38.9	30.1	61.5	39.7	22.6	26.7	33.7
Cambodia	0.8	131.4	71.7	43.5	37.5	40.4	..	87.7	1.7	0.5	0.7	0.9
Central African Republic	39.7	47.0	89.6	56.8	48.2	20.0	14.8	13.3	7.4	35.0	12.1	11.0
Chad	21.0	29.6	78.7	25.6	20.9	25.5	14.2	5.0	10.4	1.8	3.1	2.7
Comoros	117.2	75.1	117.2	62.8	53.2	52.2	11.2	3.1	9.5	38.2	16.7	15.1
Dem. Rep. of the Congo	85.9	109.7	271.6	123.9	104.5	108.7	25.2	12.6	2.6	18.5	22.2	68.8
Djibouti	28.1	34.3	46.8	77.5	69.7	71.7	2.2	3.0	5.4	6.6	7.2	6.2
Equatorial Guinea	..	..	..	..	..	..	..	..	..	..	..	..
Eritrea	..	..	47.3	65.2	69.7	54.9	..	..	3.1	6.7	25.5	25.6
Ethiopia[d]	55.4	71.6	67.2	13.4	10.8	15.7	28.9	35.2	14.0	5.4	3.8	3.4
Gambia	108.6	116.5	114.8	111.6	54.6	70.9	9.1	19.9	10.7	16.9	8.8	11.5
Guinea	0.0	84.9	96.1	74.7	81.4	61.8	13.7	21.5	27.3	13.5	11.3	8.7
Guinea-Bissau	222.0	284.7	439.7	155.3	128.0	133.1	23.9	11.9	4.4	8.8	7.3	7.5
Haiti	37.7	35.1	33.4	27.6	31.7	19.8	8.8	7.6	9.1	10.0	6.8	4.6
Kiribati	..	..	..	..	..	..	..	..	..	..	..	..
Lao People's Dem. Rep.	26.1	204.0	144.2	103.0	90.2	90.9	28.5	9.1	8.1	12.6	11.8	16.8
Lesotho	60.5	73.2	90.1	42.9	43.0	41.0	46.8	23.8	24.1	11.2	4.0	4.7
Liberia	133.7	534.8	500.8	509.5	371.3	188.7	10.3	1.9	0.5	347.3	362.1	25.5
Madagascar	88.2	119.7	121.0	23.3	22.2	26.1	42.8	43.5	9.8	1.0	1.0	1.9
Malawi	90.2	82.8	155.1	24.2	23.5	23.1	40.2	29.6	14.1	3.5	2.7	2.5
Maldives	65.3	36.2	33.0	59.7	56.8	59.2	11.3	4.8	3.5	6.3	6.2	7.0
Mali	110.8	101.9	122.2	27.9	24.3	29.8	24.8	15.6	15.3	3.2	3.5	4.0
Mauritania	212.8	207.3	219.9	60.1	55.4	67.0	24.9	31.3	16.6	7.8	3.2	5.2
Mozambique	64.4	188.8	170.7	36.9	34.9	42.6	49.7	39.0	13.7	1.0	1.2	1.8
Myanmar	46.4	90.8	82.1	51.6	44.6	43.1	72.9	60.1	100.3	231.2	168.2	147.7
Nepal	22.5	44.8	52.2	35.0	29.3	28.6	7.6	17.7	8.0	11.0	10.6	9.0
Niger	84.9	70.9	95.0	21.6	17.3	18.8	35.6	18.6	8.1	3.5	2.5	4.3
Rwanda	21.2	27.4	73.2	15.0	13.8	14.2	9.5	13.6	23.6	5.6	3.7	4.2
Samoa	88.2	81.9	56.1	37.7	35.5	47.4	24.0	17.3	7.8	4.2	4.8	5.2
Sao Tome and Principe	75.2	124.9	404.3	109.9	94.1	87.7	19.6	16.3	16.0	18.1	7.4	6.5
Senegal	86.4	65.7	77.2	22.5	21.4	27.4	23.0	22.3	17.1	6.6	5.2	6.5
Sierra Leone	82.6	181.1	187.1	18.8	20.4	23.9	18.5	14.5	40.6	2.9	1.8	2.4
Solomon Islands	28.2	39.8	35.7	30.2	25.7	25.9	4.9	12.7	8.7	6.5	6.3	4.5
Somalia	203.2	238.4	124.8	118.6	113.4	147.8	59.4	126.6	0.4	..	20.7	..
Sudan	71.9	119.0	129.5	41.2	33.5	36.9	20.8	10.0	12.9	3.9	2.8	5.9
Timor-Leste	..	..	..	..	..	..	..	..	..	..	..	..
Togo	122.7	78.6	107.6	78.0	51.8	52.0	31.2	16.7	7.0	1.6	17.3	5.2
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	35.2	60.5	56.5	13.5	15.6	15.8	32.1	46.4	11.2	3.3	2.1	1.9
United Rep. of Tanzania	99.7	117.6	68.5	28.9	28.0	31.8	38.7	31.9	12.0	1.5	1.2	2.9
Vanuatu	12.7	24.1	26.5	18.0	20.3	21.1	1.8	2.8	1.7	1.4	1.5	1.8
Yemen	83.0	135.9	51.0	25.7	21.8	23.6	62.5	27.4	6.1	3.5	2.9	3.9
Zambia	199.2	210.0	176.7	23.9	20.4	23.8	16.6	17.0	21.1	2.5	3.2	3.8
LDCs[e]	64.4	85.0	81.4	34.7	30.1	31.3	25.1	19.5	13.1	7.3	4.3	6.5
African LDCs and Haiti[e]	78.6	96.0	109.4	34.2	29.3	31.5	23.7	17.3	16.1	7.9	4.2	7.0
Asian LDCs[e]	37.0	62.1	46.0	35.2	31.5	30.7	34.6	34.1	8.5	5.4	4.5	5.0
Island LDCs[e]	57.0	57.5	60.1	47.1	43.8	46.7	9.1	7.2	4.9	7.0	5.8	6.0

Source: UNCTAD secretariat calculations, based on World Bank, *World Development Indicators,* online (July 2011); and UNCTADstat database, July 2011.
a External debt cover both long-term and short -term debt as well as use of IMF credit.
b Debt service total.
c Exports of good and services (including non-factor services).
d Ethiopia include Eritrea upto 1992.
e LDC aggregates exclude missing data Equatorial Guinea, Kiribati, Sao tome, Myanmar, Timor Leste, Tuvalu; Afghanistan from 1985 to 2005 and Angola in 1985.

The least developed countries (LDCs) are a group of countries that have been classified by the United Nations as least developed in terms of their low gross domestic product (GDP) per capita, weak human assets and high degree of economic vulnerability. This Report argues that the LDCs need to go beyond business as usual in order to promote inclusive and sustainable development and it suggests how South–South cooperation supports such a transformational agenda.

The Report shows that despite strong GDP growth during the last decade, the benefits of growth were neither inclusive nor sustainable, mainly because growth was not complemented by structural transformation and employment creation. Growth and trade has not-recovered to pre-crisis levels after the global recession of 2009. Most LDCs continue to deepen their specialization in exports of primary commodities and low-value, labour-intensive manufacturing, rather than diversifying into more sophisticated products. Growth projections also indicate that the poorest countries of the world could face a more volatile and less expansive global economic environment in the coming decade.

Further, the Report examines how South–South cooperation could support development LDCs against this background. It shows that there are intensifying economic relationships between the LDCs and other developing countries and that these helped to buffer LDCs from the downturn in advanced economies. A major new trend in the pattern of integration over the last decade or so has been the deepening and intensification of economic and political ties with more dynamic, large developing countries, acting as growth poles for the LDCs. While intensifying South–South relations presents major new opportunities for LDCs in terms of markets, foreign direct investment, remittances and official financing, they also bring many challenges, ranging from extreme competition to de-industrialization. Therefore, the long-term impact of South–South economic relations on the LDCs still remains a puzzle.

The Report explores how the potential of South–South cooperation can be turned into a reality that promotes the development of productive capacities, structural transformation and decent employment in the LDCs. It argues that the benefits of South–South cooperation will be greatest in the LDCs when a dynamic two-way relationship is established in which policies carried out by catalytic developmental States in the LDCs and South–South cooperation reinforce each other in a continual process of change and development. In such a dynamic relationship, the catalytic developmental State in the LDCs enhances and shapes the benefits of South–South cooperation, and South–South cooperation supports both the building of the catalytic developmental State in the LDCs and the successful achievement of its objectives.

New modalities and structures are required to strengthen the interdependence between the two phenomena in the post-crisis environment. In this regard, the Report claims that developmental regionalism is particularly important. Given that financing productive capacities still remains a major challenge for most LDCs, the Report revisits the role of regional development banks and proposes new modalities through which a small part of the reserves that have accumulated in developing countries and that are managed by sovereign wealth funds could support the financing of development in the LDCs. South–South cooperation should be a complement to North–South cooperation.

FRONT COVER

The front cover indicates three major regions of the South – i.e. developing countries in Latin America and the Caribbean, Africa, and Asia and the Pacific – and identifies the number of least developed countries in each region.

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