



Economic Commission for Africa
Committee of Experts of the Conference of African
Ministers of Finance, Planning and Economic Development
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Addis Ababa (hybrid), 17–19 March 2021

Item 6 of the provisional agenda**

Statutory issues

Progress in the implementation of the priority areas of the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action)

Regional review of the Istanbul Programme of Action

I. Graduation and the COVID-19 crisis in least developed countries

The present report reviews progress made by least developed countries in achieving the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action), which aimed to enable half of the least developed countries to meet the criteria for graduation¹ by 2020. As of 2020, 46 countries were classified by the United Nations as least developed countries, of which 33 (70 per cent) were African countries (table 1).² For a country to be eligible for graduation, it must attain at least two of the graduation threshold³ levels in two consecutive reviews (table 1). To date, three African countries – Botswana (1994), Cabo Verde (2007) and Equatorial Guinea (2017) – have graduated from least developed country status. Sao Tome Principe is expected to graduate in 2024, while Angola has requested yet another postponement of graduation. The non-African least developed country graduates are Maldives (2011), Samoa (2014) and Vanuatu (December 2020).

* Re-issued for technical reasons on 5 February 2021.

** E/ECA/COE/39/1.

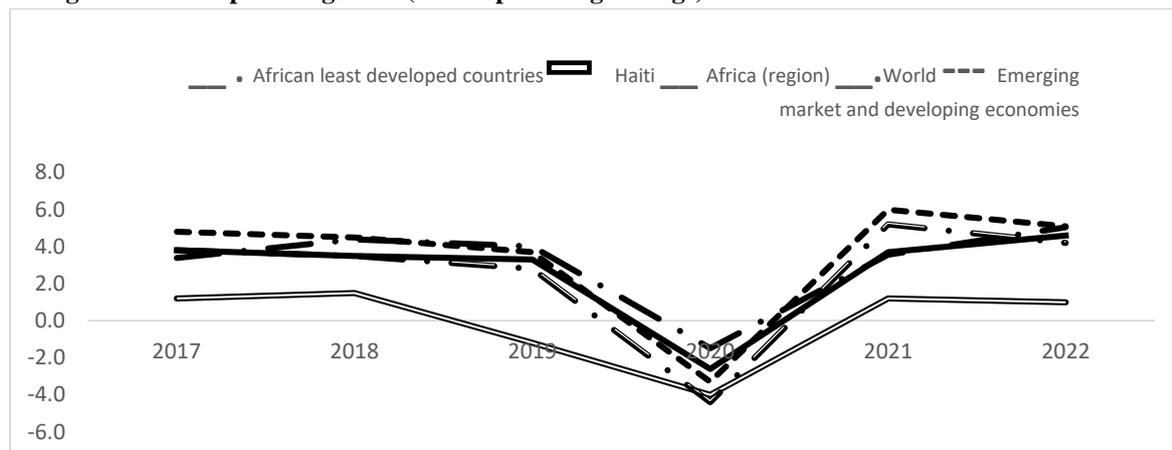
¹ United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, “Least developed countries Scheduled for Graduation”. Available at <http://unohrls.org/about-lDCs/criteria-for-lDCs/>.

² *Least Developed Countries Report 2020: Productive capacities for the new decade* (United Nations publication, Sales No. E.21.II.D.2).

³ The 2017–2020 multi-year review by the Committee for Development Policy proposed changes to the least developed country graduation criteria. (Committee for Development Policy Report on the twenty-second session, 24–27 February 2020), *Official Records of the Economic and Social Council, 2020, Supplement No. 13 (E/20/33)*.



Figure I

Real gross domestic product growth (annual percentage change)

Source: International Monetary Fund, Data Mapper (January 2021). Available at www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

1. The COVID-19 pandemic poses a challenge for future graduation prospects of least developed countries, as the containment and lockdown measures in response to the crisis have resulted in a slowdown in global economic activity and recessions in several countries. Policy responses to the pandemic disrupted supply chains and stymied consumer demand, particularly for travel, tourism and key commodities, including crude oil. Consequently, the commodity price index declined from 119.81 in the second quarter of 2019 to 91.73 in the same quarter of 2020. The petroleum price index also fell from a high of 152.50 to 71.84 during the same period, before recovering slightly to 97 in the third quarter of 2020.⁴ The uncertainties resulting from the pandemic have also led to capital flight from emerging markets to safe havens in developed countries.

2. The overall effect of these developments has been a slowdown in real gross domestic product (GDP) growth. In the three years preceding the pandemic, African least developed countries achieved steady, albeit modestly, real average GDP growth of 3.9 per cent – slightly above the global average of 3.4 per cent and the average in Africa of 3.5 per cent. However, as a result of the pandemic, the International Monetary Fund projects real GDP growth of African least developed countries to contract by 1.5 per cent in 2020 before rebounding to 3.7 per cent in 2021. The projected recovery is almost half the global forecast of 6 per cent. In comparison with African least developed countries, more severe contractions are forecast for Africa (2.6 per cent) and the global economy (4.4 per cent) in 2020 (figure I).

⁴ International Monetary Fund, “Primary Commodity Price System”. Available at <https://data.imf.org/?sk=471DDDF8-D8A7-499A-81BA-5B332C01F8B9&sId=1547557894971>.

Table 1
Summary of status of least developed countries in Africa and Haiti

Country	Year added	Gross national income per capita, 2019, Atlas method (United States dollars) ^a	Human assets index ^b	Economic vulnerability index ^b	Population 2019, (millions) ^c
Angola*	1994	2 960	52.5	36.8	30.8
Benin	1971	1 250	49.8	34.3	11.5
Burkina Faso	1971	780	42.9	38.2	19.8
Burundi	1971	280	38.5	44.5	11.2
Central African Republic	1975	520	17.4	33.6	4.7
Chad	1971	700	22.1	52.4	15.5
Comoros	1977	1 400	49.4	52.4	0.8
Democratic Republic of the Congo	1991	530	41.9	27.2	84.1
Djibouti	1982	3 310	58.0	36.3	1.0
Eritrea	1994	600 ^d	42.9	54.7	5.2
Ethiopia	1971	850	45.3	32.1	109.2
Gambia	1975	750	51.8	72.2	2.3
Guinea	1971	930	39.5	30.2	12.4
Guinea-Bissau	1981	820	41.7	52.4	1.9
Lesotho	1971	1 380	61.6	42.0	2.1
Liberia	1990	580	37.2	53.2	4.8
Madagascar	1991	520	54.5	37.8	26.3
Malawi	1971	380	52.5	47.1	18.1
Mali	1971	870	43.1	36.8	19.1
Mauritania	1986	1 660	46.9	39.9	4.4
Mozambique	1988	490	45.8	36.7	29.5
Niger	1971	600	35.4	35.3	22.4
Rwanda	1971	830	55.0	36.4	12.3
Sao Tome and Principe**	1982	1 930	86.0	41.2	0.2
Senegal	2000	1 460	57.1	33.4	15.9
Sierra Leone	1982	540	27.4	51.6	7.7
Somalia	1971	130 ^d	16.7	34.7	15.0
South Sudan	2012	1 090 ^d	25.8	55.6	11.0
Sudan	1971	590	53.0	49.2	41.8
Togo	1982	690	61.8	28.3	7.9
Uganda	1971	780	50.2	31.7	42.7
United Republic of Tanzania	1971	1 080	56.0	27.9	56.3
Zambia	1991	1 430	58.6	40.5	17.4
Haiti	1971	1 330	48.0	30.6	11.1
<i>Graduation threshold (2018)</i>		<i>1 230</i>	<i>66.0</i>	<i>32.0</i>	Total: 676.2

Sources: ^a World Bank, World Development Indicators (November 2019); ^b Committee for Development Policy, United Nations Department of Economic and Social Affairs (March 2018); ^c World Population Prospects: 2019 Revision, United Nations Population Division (November 2019); ^d United Nations Statistics Division (November 2019).

Notes: *Expected to graduate in 2021; **Expected to graduate in 2024.

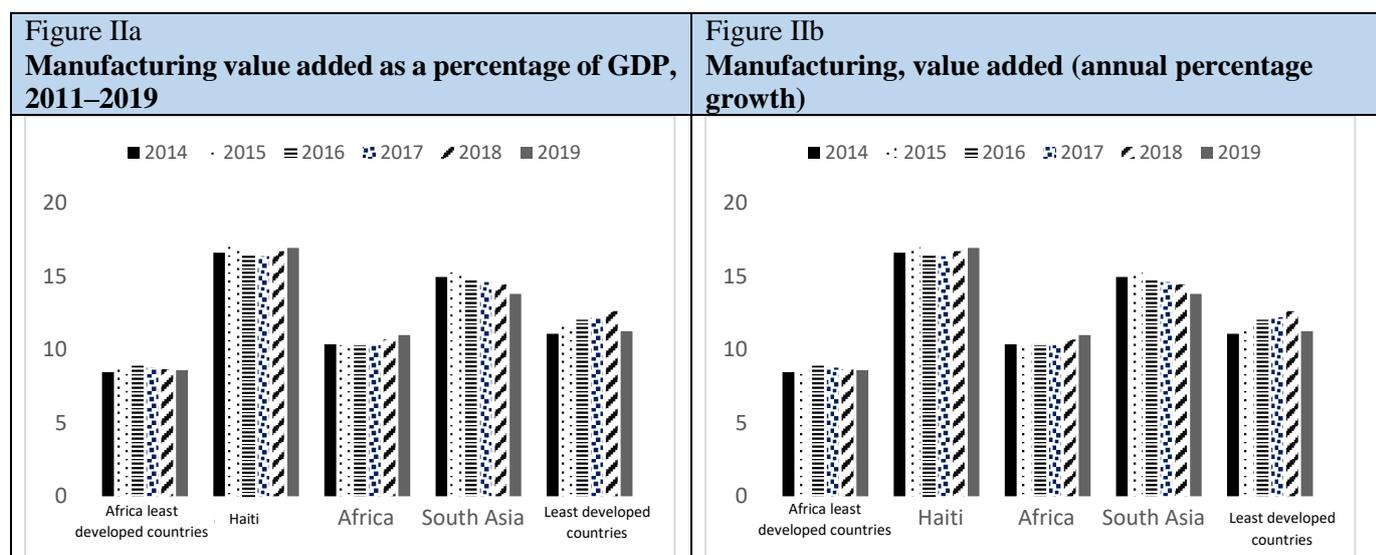
Besides slower growth, the pandemic is expected to reverse gains achieved in recent years, particularly in areas of gender equality, poverty and reductions in inequality, thereby jeopardizing prospects for the attainment of the Sustainable Development Goals by 2030. The average poverty headcount ratio is expected to rise

to 35.2 per cent, pulling an additional 32 million least developed country residents into extreme poverty.⁵

II. Progress made in the priority areas

A. Productive capacities (potential output) and structural transformation

Enhancing productive capacities⁶ is key to improving productivity and structurally transforming the economies of least developed countries. Yet, as confirmed by the Productive Capacities Index of the United Nations Conference on Trade and Development (UNCTAD 2019a), African least developed countries have relatively low productive capacities and levels of value addition.

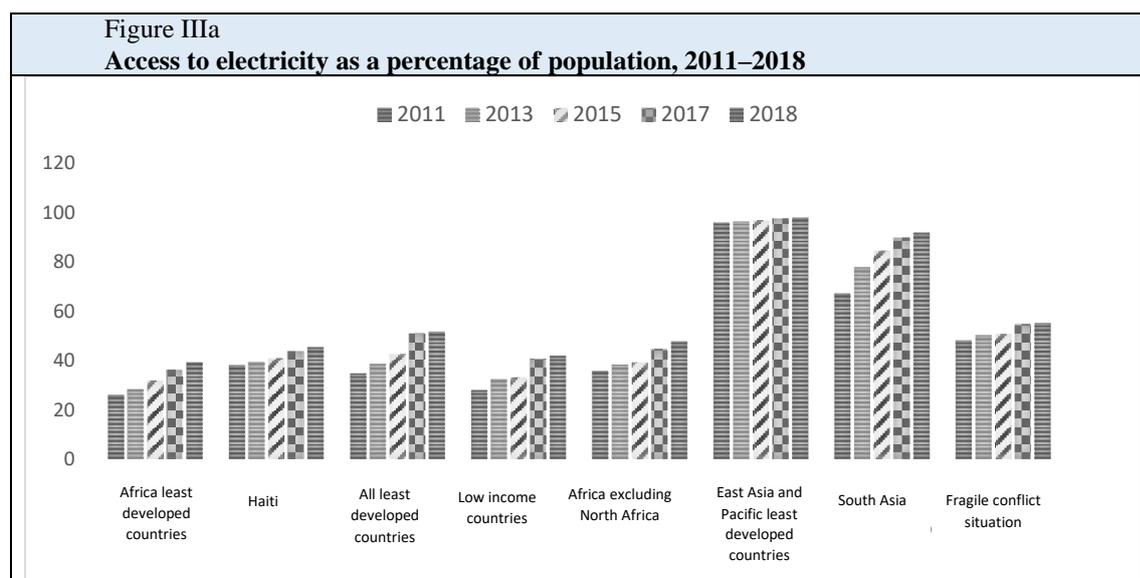


Source: World Bank, World Development Indicators (January 2021).

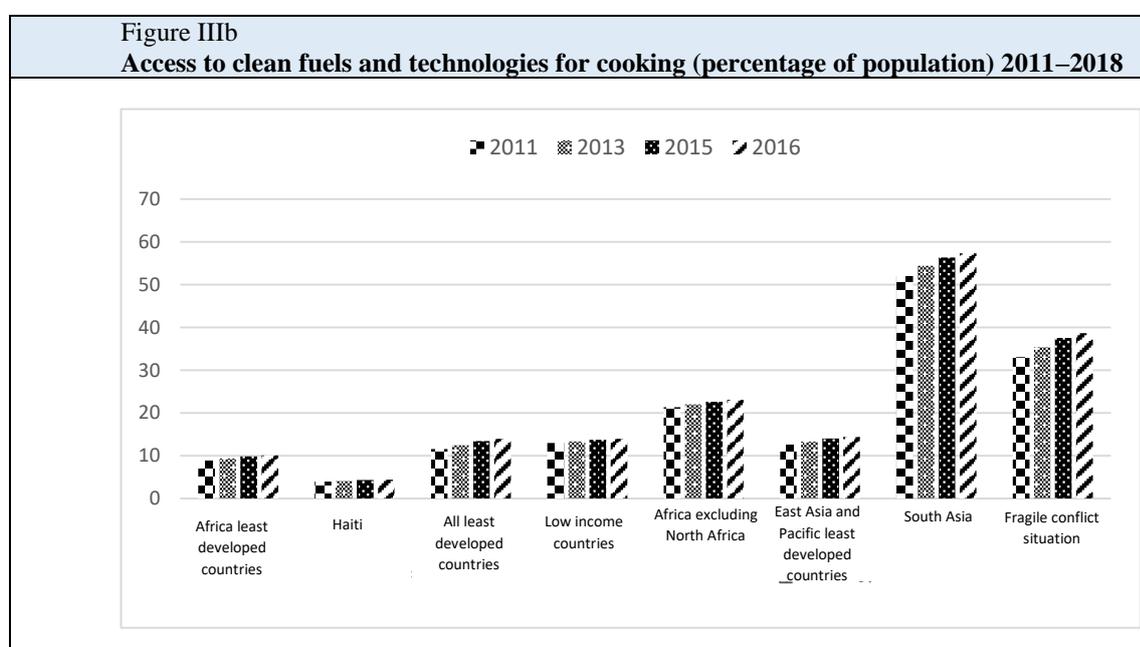
For instance, as a percentage of GDP, manufacturing value addition in African least developed countries averaged 8.7 per cent during the period 2011–2019, compared with 14.0 per cent for South Asia, 16 per cent for Haiti, 10 per cent for Africa excluding North Africa, and 11 per cent for all least developed countries (figure IIa). Remarkably, Haiti has maintained a manufacturing value addition of almost 17 per cent for almost a decade, while South Asian countries have experienced consistent declines since 2015. The rate of growth of manufacturing value addition in African least developed countries slowed in the second half of the decade. After peaking at 6.8 per cent in 2015, it declined to 3.4 per cent in 2019. The average manufacturing value added growth for all least developed countries remained stable and exceeded 7 per cent during the last decade, suggesting rapid improvement among non-African least developed countries in particular (figure IIb).

⁵ *Least Developed Countries Report 2020: Productive capacities for the new decade* (United Nations publication, Sales No. E.21.II.D.2).

⁶ Productive capacity refers to the physical capital, labour, technological, institutional and environmental resources that influence a country's efficiency and competitiveness in production.



Source: World Bank, World Development Indicators (January 2021).



Source: World Bank, World Development Indicators (January 2021).

Limited access to energy

Access to electricity is an important catalyst for sustainable development. As of 2018, less than half the population of Africa, excluding North Africa, had access to electricity. Access was even more limited for African least developed countries. With the exception of low-income countries, African least developed countries have relatively low electricity access rates compared with other country groupings, including countries in fragile and conflict-affected situations. Electricity access in African least developed countries has, however, increased in the last decade, from 26 per cent in 2011 to 39 per cent in 2018 (figure IIIa). In contrast to African least developed countries, access to electricity in East Asia and the Pacific averaged around 97 per cent in the past decade. Furthermore, South Asia achieved a 24 percentage point surge in electricity access between 2011 and 2018.

Progress in transitioning to clean energy in African least developed countries has been slow. Only about 10 per cent of African least developed countries had access

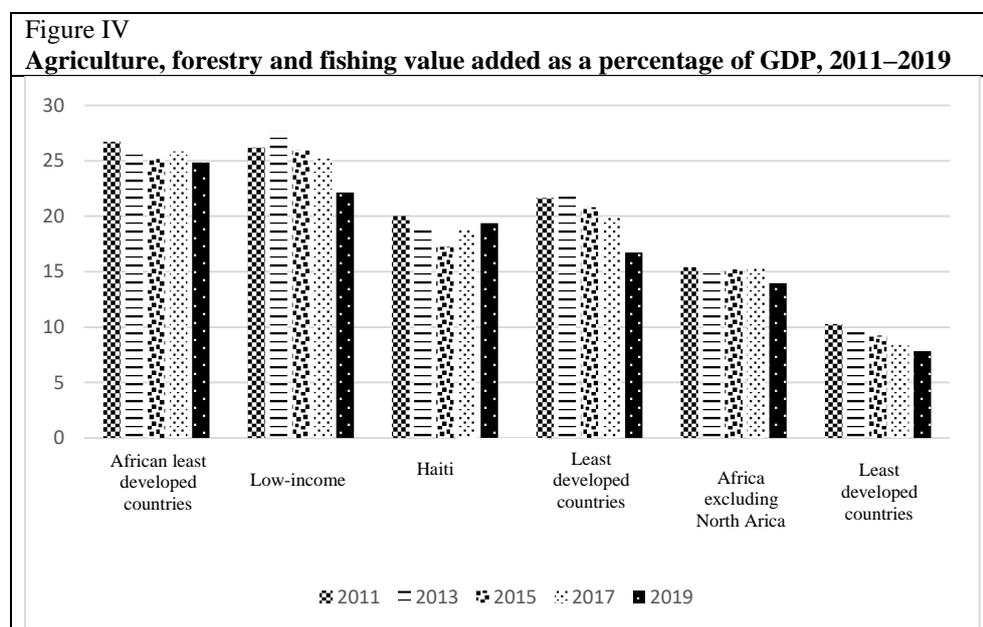
to clean fuels and technologies for cooking in 2019, up from 8.8 per cent in 2011. These figures are comparatively lower than for all least developed countries, low-income countries and countries in fragile and conflict-affected situations (figure IIIb).

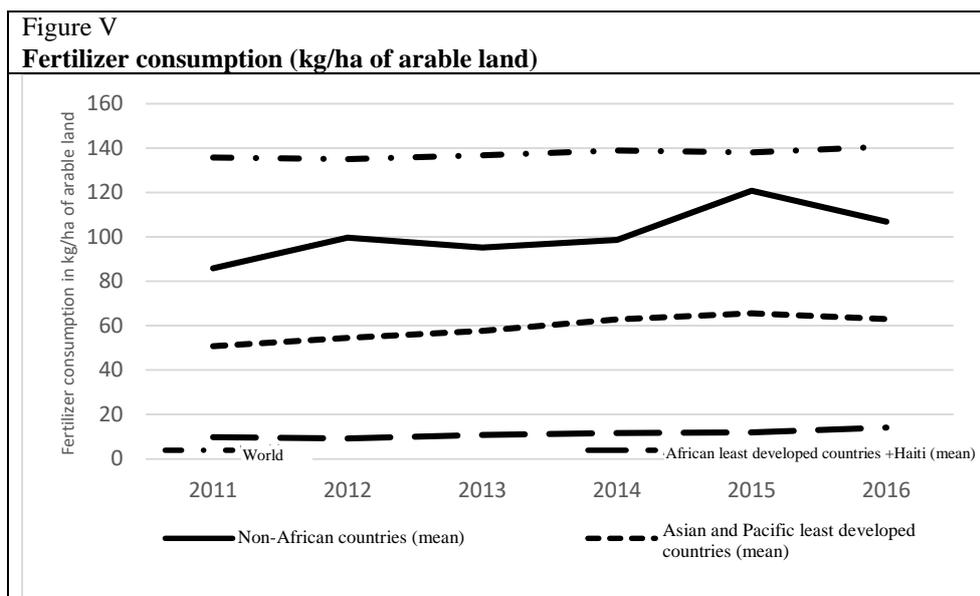
B. Agriculture, food security and rural development

1. Weak structural transformation

Structural transformation is associated with a decline in the GDP share of the agriculture sector and corresponding increases in the GDP shares of the manufacturing and service sectors. Compared with other groupings, African least developed countries have had little success in reducing the GDP share of agriculture, fishing and forestry. In 2019, the GDP share of agriculture, forestry and fisheries (25 per cent) in African least developed countries was higher than all other country groupings, including low-income countries (22 per cent), all least developed countries (16.7 per cent), and East Asia and the Pacific (7.8 per cent). Furthermore, the 2019 figures for African least developed countries represent a mere 2 percentage point decline from 2011, suggesting that the relatively high agricultural GDP shares in this category of least developed countries have remained unchanged (figure IV).

East Asia and the Pacific have agriculture GDP shares that are less than half the shares in African least developed countries. These trends suggest very slow progress in the structural transformation of the economies of African least developed countries. Structural changes are driven by productivity increases in the agricultural sector, which facilitate the release of unused resources, including labour, to the manufacturing and services sectors. Thus, African countries must enhance their productive capacities to expedite the transformation of their economies.





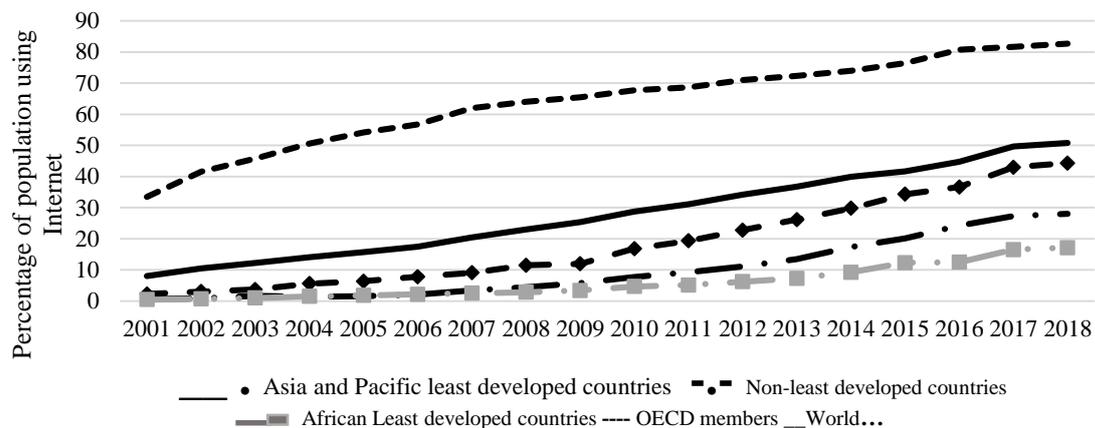
Source: World Bank, World Development Indicators (January 2021).

Agricultural productivity is linked to optimal fertilizer use. Fertilizer usage in the African least developed countries and Haiti increased 50 per cent, from 10 kg/ha of arable land in 2011 to 15 kg/ha in 2016, yet this grouping has the least usage of fertilizer compared with other regions (figure V). In comparison, non-least developed African countries consumed an average of 106.8 kg of fertilizer per hectare of arable land in 2016. Low fertilizer use in African least developed countries may be due to the prohibitive cost of fertilizer to smallholder farmers in Africa, excluding North Africa, who represent around 80 per cent of all farms and contribute up to 90 per cent of food production (FAO, 2013). Targeted fertilizer subsidies in African least developed countries could improve access to fertilizer and increase the sector's productivity.

2. Limited Internet access

Notwithstanding some progress, African least developed countries will not achieve the Istanbul Programme of Action target of universal Internet access by 2020. While access for this group more than tripled – from 4.67 per cent of the population in 2010 to 17.11 per cent in 2018 (figure VI), the levels are very low: four out of five people in African least developed countries have no access to the Internet. This is particularly concerning in an era of COVID-19, when Internet access is fundamental to all forms of social and economic interaction. The data, however, mask substantial variations in access to the Internet, ranging from a high of 55.7 per cent in Djibouti to a low of 1.3 per cent in Eritrea. The top three African least developed countries (plus Haiti) in terms of Internet access in 2018 were Djibouti (55.7 per cent), Senegal (46 per cent) and the Sudan (30.87 per cent). The bottom three were Eritrea (1.31 per cent), Somalia (2 per cent) and Burundi (2.67 per cent). Increased investments are required by African least developed countries to achieve the Istanbul Programme of Action target of universal access.

Figure VI
Percentage of population using the Internet



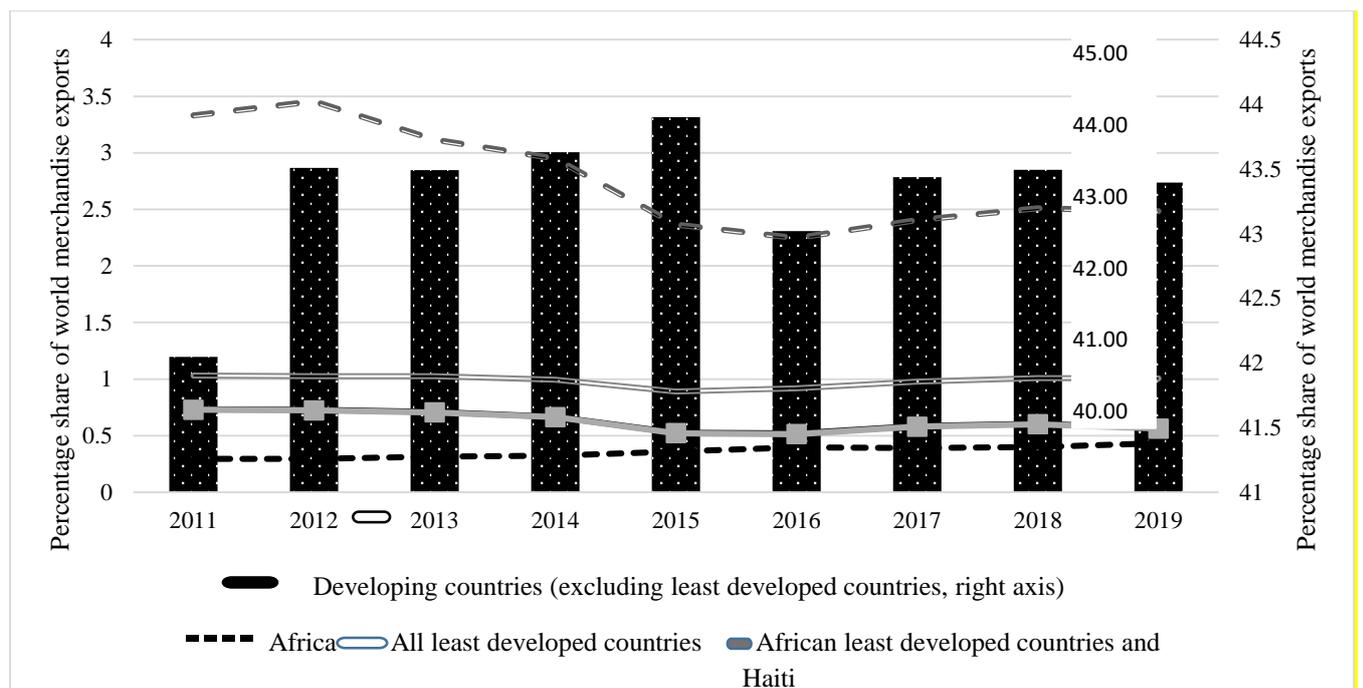
Source: World Bank, World Development Indicators (December 2020).

C. Trade and commodities

1. Declining export share

The share of exports from least developed countries remains stagnant, at 1 per cent, over the period 2011–2019, with a slight decline observed during 2014–2015 following the slump in commodity prices (figure VII). During the period 2011–2019, African least developed countries' share of exports declined slightly, from 0.72 in 2011 to 0.56 in 2019. In contrast, the corresponding share of Asian least developed countries increased, from 0.29 in 2011 to 0.43 in 2019. The demand for least developed countries' exports is projected to drop by 10–20 per cent, which may further widen current account deficits, which are forecast to increase sharply, from 4.6 per cent of their combined GDP in 2019 to 6.8 per cent in 2020.

Figure VII
Share of exports from least developed countries, 2011–2019

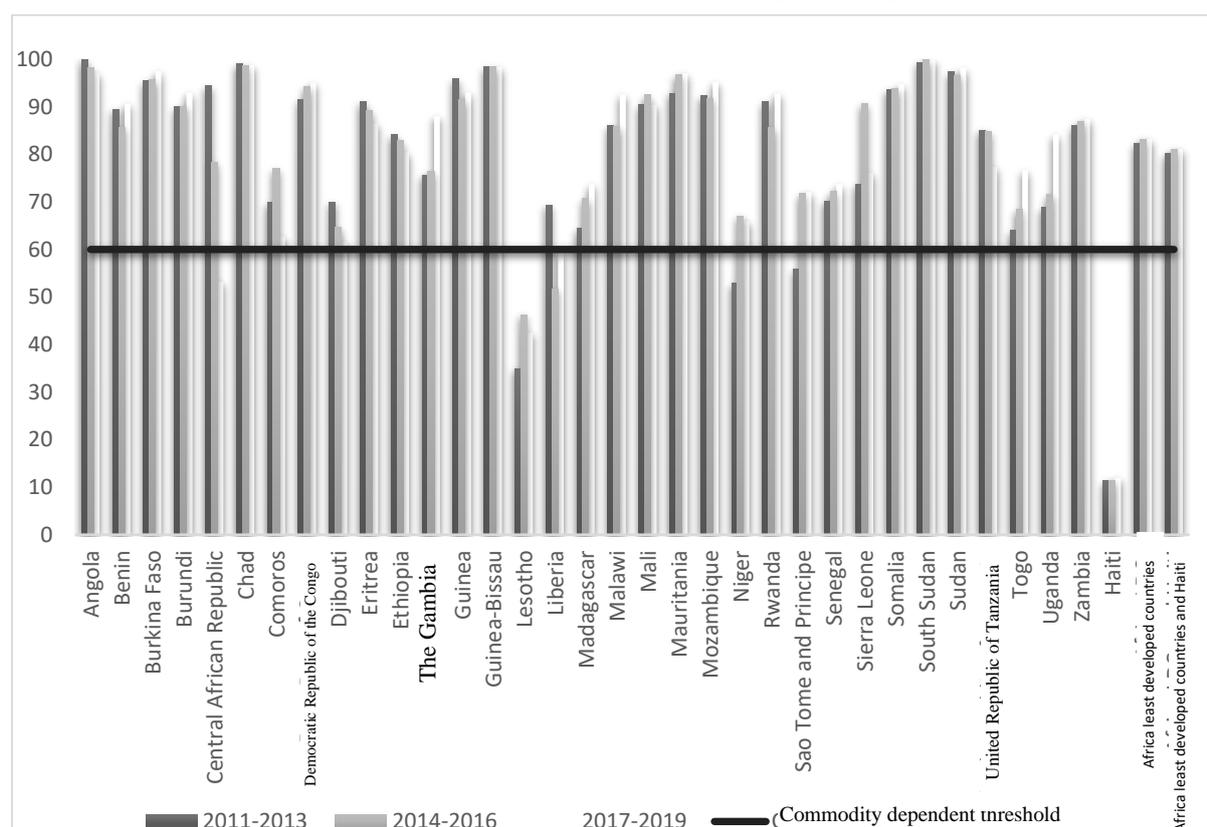


Source: UNCTADstat (December 2020).

2. High level of commodity dependence

Commodity dependence increases vulnerability to external shocks due to the high volatility of primary commodities. Export diversification and value addition are key to reducing commodity dependence. However, in 2011, only three countries (Haiti, Lesotho, and Sao Tome and Principe) were not commodity-dependent,⁷ and this number increased to six in 2019 (the Central Africa Republic, the Comoros, Djibouti, Lesotho, Liberia and Haiti). During the period 2011–2019, only 6 of the 33 African least developed countries (Angola, the Central Africa Republic, Djibouti, Eritrea, Ethiopia and the United Republic of Tanzania) registered a decline in commodity dependence (figure VIII).

Figure VIII
Commodity exports as a share of total merchandise exports, percentage, 2011–2019



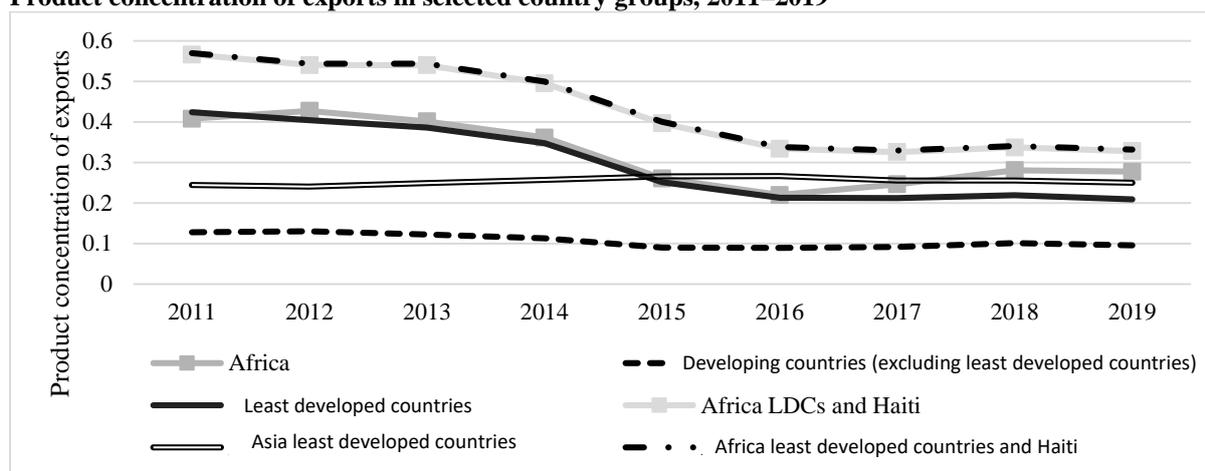
Source: UNCTADstat (December 2020).

3. More diversified exports of primary commodities

Despite continued dependence on commodities, African least developed countries are diversifying their commodity exports. During the period 2011–2019, export concentration declined sharply for all least developed countries except for those in Asia. Despite relatively high levels, product concentration in African least developed countries declined significantly, from 0.56 in 2011 to 0.33 in 2019 (figure IX). In contrast, Asian least developed countries remained stagnant, at 0.24. This trend suggests that African least developed countries are diversifying their commodity exports. To move up the value chain, however, African countries must invest in value addition, including in the manufacturing sector.

⁷ According to UNCTAD (2019b), a country is commodity-dependent when more than 60 per cent of its total merchandise exports are composed of commodities.

Figure IX
Product concentration of exports in selected country groups, 2011–2019



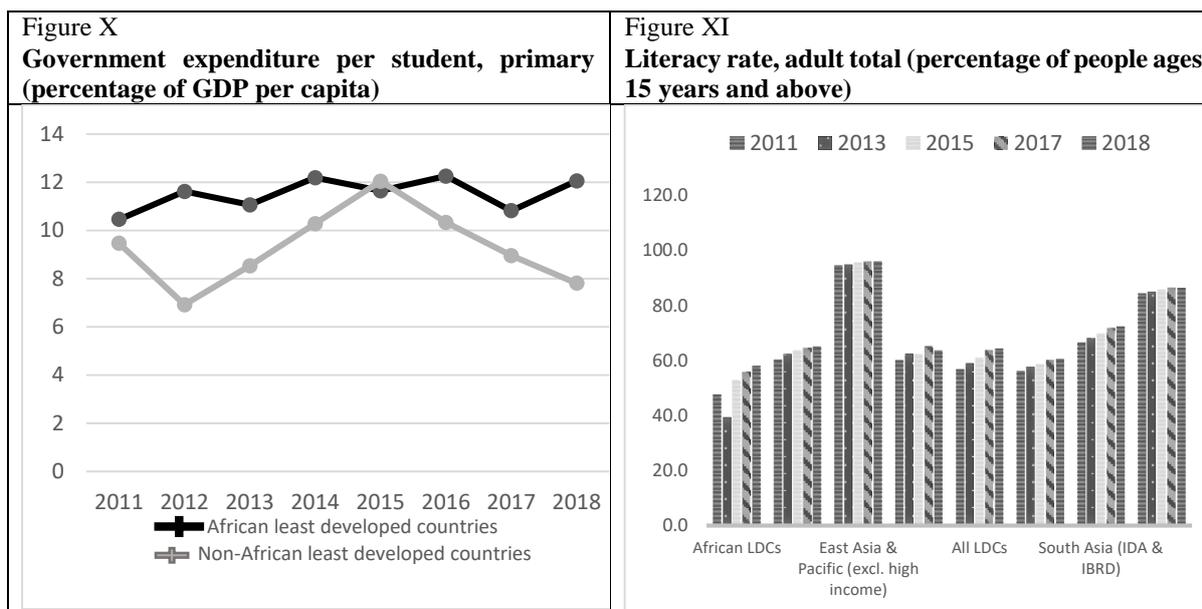
Source: UNCTADstat (December 2020).

D. Human and social development

The human development index classifies countries in three categories of human development: low, medium or high. With the exception of Angola and Zambia, which fall in the “medium human development” category, all other African least developed countries (and Haiti) fall in the “low human development” category. South Sudan, on the other hand, is the only country that has experienced a reversal on the human development index over the course of the Istanbul Programme of Action.

1. Relatively high government spending on primary education

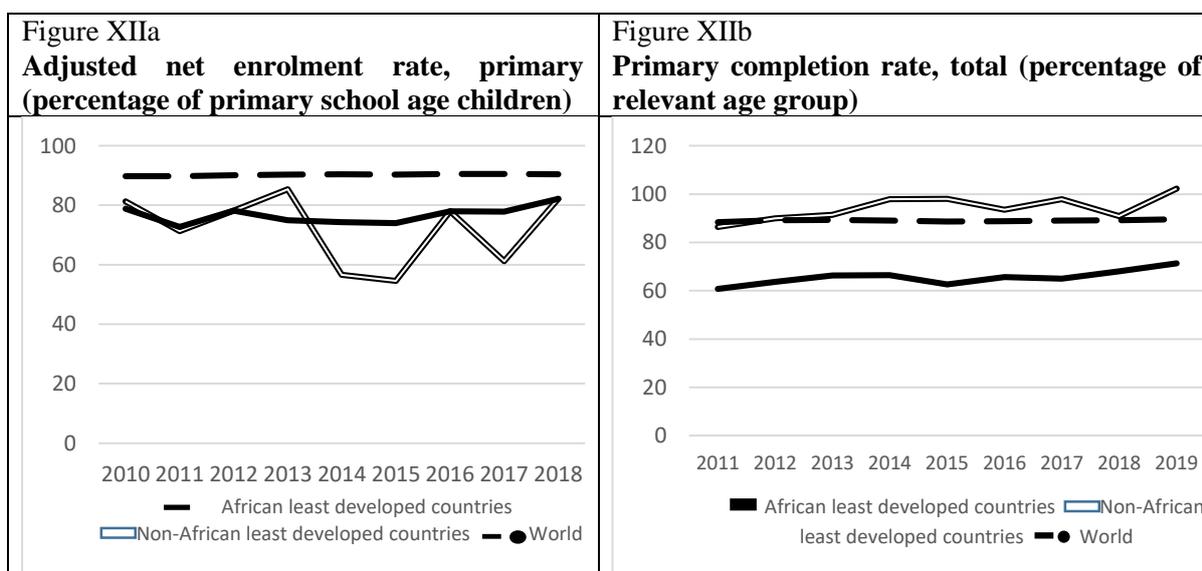
Between 2011 and 2018, government expenditure on primary students increased 1.6 percentage points for African least developed countries, and declined by the same margin for non-African least developed countries (figure X). On average, African least developed countries spend approximately 11.8 per cent of their per capita GDP on primary pupils (2011–2018). This compares favourably with the low- and middle-income countries of East Asia (12.8 per cent), but falls short of the global average of 15 per cent. Excluding the outlier figure of Djibouti, at 37 per cent, reduces the African least developed country expenditure to 10 per cent of GDP per capita. However, this is still relatively higher than non-African least developed country counterparts (9.3 per cent). In addition to Djibouti, the Niger (21 per cent), Lesotho (21 per cent), Burkina Faso (19 per cent) and Sao Tome and Principe (16 per cent) are among the top spenders on primary education in the African least developed country category. At the low end of the spectrum are South Sudan (4.0 per cent), Uganda (5.9 per cent), Rwanda (5.9 per cent) and Chad (6.1 per cent).



Source: Data from database: World Bank, World Development Indicators. Last updated 16 December 2020.

2. Low literacy rates

The average literacy rate in African least developed countries increased by an annual average of 1 percentage point during the eight-year period (2011–2018) and lags all country groupings, including low-income countries. As of 2018, the average literacy rate for African least developed countries was 58 per cent, versus 65 per cent for all least developed countries, 61 per cent for low-income countries and the global average of 86.5 per cent. This figure, however, masks wide country variations. Based on the 2011–2018 average, Sao Tome and Principe (91 per cent) and Zambia (87 per cent) have literacy rates of 85 per cent or more, while Chad (24 per cent), Guinea (32 per cent), the Niger (32.8 per cent), Mali (33 per cent) and South Sudan (34 per cent) have less than 35 per cent literacy rates. No data are available for Somalia and Djibouti (figure XI).



Source: Data from database: World Bank, World Development Indicators. Last updated 16 December 2020.

3. Rising net primary enrolment rates

Following a decline in the first half of the decade, primary net enrolment in African least developed countries increased consistently, from 74 per cent in 2015 to 82 per cent in 2018, and averaged 78 per cent during this period. Non-African least developed countries experienced a much steeper rise in primary enrolment rates during this period and caught up with their African counterparts in 2018. The enrolment rates for African least developed countries averaged 78 per cent during the period 2015–2018 compared with the non-African least developed countries average of 68 per cent. The best performing African least developed countries during the 2015–2018 period were Sierra Leone (98.4 per cent), Benin (97 per cent), Rwanda (97 per cent) and Madagascar (97 per cent).

4. Relatively low primary completion rates

Primary completion rates in African least developed countries also increased steadily, from 61 per cent in 2011 to 71 per cent in 2019. However, with the exception of low-income countries (65 per cent), the 2019 performance is well below corresponding rates in non-African least developed countries (102 per cent), low-income East Asia and Pacific countries (99 per cent) and South Asia (90 per cent) (figure XIIb). Sao Tome and Principe (89 per cent), Zambia (84 per cent), Togo (84 per cent) and Lesotho (83 per cent) are the African least developed countries with the highest completion rates.

5. Good progress on gender parity

On average, gender parity in primary and secondary schools in African least developed countries increased from 0.90 per cent in 2010 to 0.97 per cent 2018. The 2018 performance is on par with non-African least developed countries, but exceeds the corresponding figures for Africa, excluding North Africa (0.93), and low-income countries (0.89). Based on average figures for the 2010–2018 period, Angola (0.7), Chad (0.69) and South Sudan (0.67) exhibit relatively large gender gaps, while Senegal (1.06), Lesotho (1.05), Mauritania (1.03), the United Republic of Tanzania (1.02), Rwanda (1.02), and Sao Tome and Principe (1.01) have gender gaps exceeding 1. In effect, girls outnumber boys in enrolment in these countries.

6. Relatively low health expenditures

Health spending per capita can provide insights into the strength of a nation's health-care system. Data for the 2011–2018 period suggest that the average per capita annual health expenditure of \$444 in African least developed countries is skewed by extremely high levels in Liberia, which averaged \$10,421 over 2011–2018. Excluding Liberia from the list reduces the 2011–2018 average per capita health spending of African least developed countries to \$120, which is 9 per cent of the global average of \$1,024, and lower than the corresponding figures for all least developed countries (\$166), Haiti (\$146) and countries in fragile and conflict-affected situations (\$284). Besides Liberia, the Sudan (\$282), Lesotho (\$264), Sierra Leone (\$242) and Sao Tome and Principe (\$196) have the highest average per capita spending on health care among African least developed countries. In contrast, health spending is relatively low, on average, in the Democratic Republic of the Congo (\$30), the Central Africa Republic (\$47) and Ethiopia (\$60).

7. Substantial improvements in births attended by skilled health-care staff

Access to skilled birth attendants in African least developed countries increased from 53 per cent in 2011 to 70 per cent in 2018. African least developed countries with high per capita health expenditures (above \$196 per capita) have 70 per cent or more of births attended by skilled professionals. They include Sao Tome and Principe (92.5 per cent), Lesotho (77.9 per cent), the Sudan (77.5 per cent) and Sierra Leone (70.6 per cent). Despite extremely high health-care spending, only 61

per cent of Liberia's births were attended by skilled health staff during the 2011-2018 period (World Bank, World Development Indicators).

8. Accelerated progress in reducing under-5 mortality

Under-5 mortality rates declined in all regions. In African least developed countries, the rate per 1,000 live births fell 27.5 per cent, from 98.6 in 2010 to 71 in 2019. Non-African least developed countries also experienced a 27 per cent decline, but enjoyed much lower rates of under-5 mortality per 1,000 live births (37.5 in 2019) than their African counterparts. The declines were greater in the latter half of the decade (2015–2019), compared with the first half. Within the African least developed countries category, Sao Tome and Principe (36), Rwanda (45), Eritrea (47) and Malawi (59) had the lowest under-5 mortality rates based on the 2015–2019 average. East Asia and the Pacific (excluding high-income) averaged 16 deaths per 1,000 live births during the 2015–2019 period.

9. Limited access to water and sanitation

Poor access to safe drinking water and basic sanitation contributes to poor health outcomes and, in the context of the COVID-19 pandemic, can seriously undermine efforts to slow the rate of transmission of the virus. On average, access to basic drinking water services for the population of African least developed countries (and Haiti) increased marginally, from 56.4 per cent in 2011 to 60.8 per cent in 2017. Access to basic sanitation services has also seen modest improvements, rising from 25.5 per cent in 2011 to 29.5 per cent in 2017. In contrast, in 2017, 82.2 per cent of the population of non-least developed African countries had access to basic drinking water rates, while 62.2 per cent had access to sanitation. Access to basic handwashing facilities, including soap and water, is key to stemming the spread of the COVID-19 virus. As of 2017, only 17 per cent of the population of African least developed countries had access to handwashing facilities, compared with 48 per cent for non-African least developed countries, 25 per cent for Africa excluding North Africa, and 38 per cent for countries in fragile and conflict-affected situations.

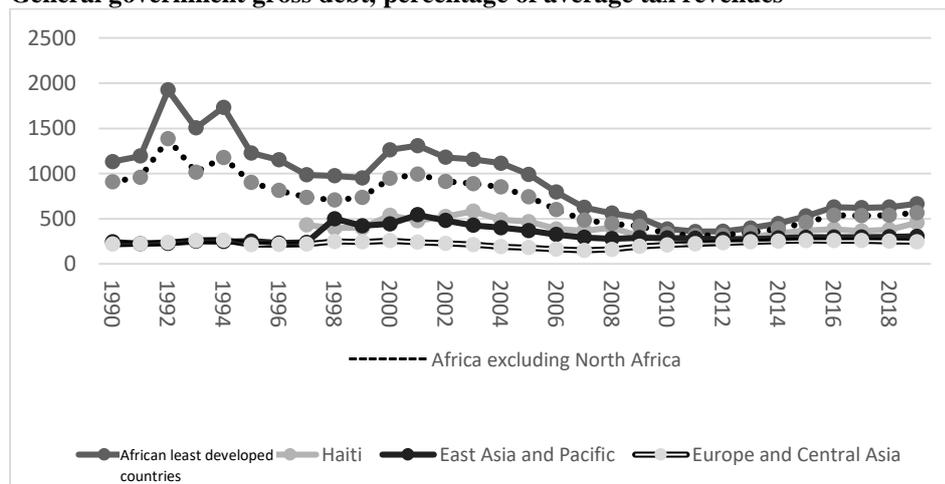
10. Women's empowerment

At 21.4 per cent in 2015–2018, women's representation in parliaments in African least developed countries (and Haiti) is marginally higher than in non-least developed African countries, higher than the Asia–Pacific least developed countries, and slightly above the average rate of representation in Organization for Economic Cooperation and Development (OECD) members (24.1 per cent). There are substantial cross-country differences, and this indicator is highly variable across the African least developed countries (and Haiti), with countries such as Rwanda (62.6 per cent) and Senegal (42.3 per cent) having the highest representation rates for women in national parliaments during the period 2015–2018 (World Bank, World Development Indicators, November 2019).

E. Multiple crises and other emerging challenges

Least developed countries face multiple crises and emerging challenges, including high poverty rates, inequality, climate change, poor governance and institutions, and elevated debt levels, which could result in insolvency.

Figure XIII
General government gross debt, percentage of average tax revenues



Source: ECA calculations based on Kose and others (2017).

Increased risk of debt distress

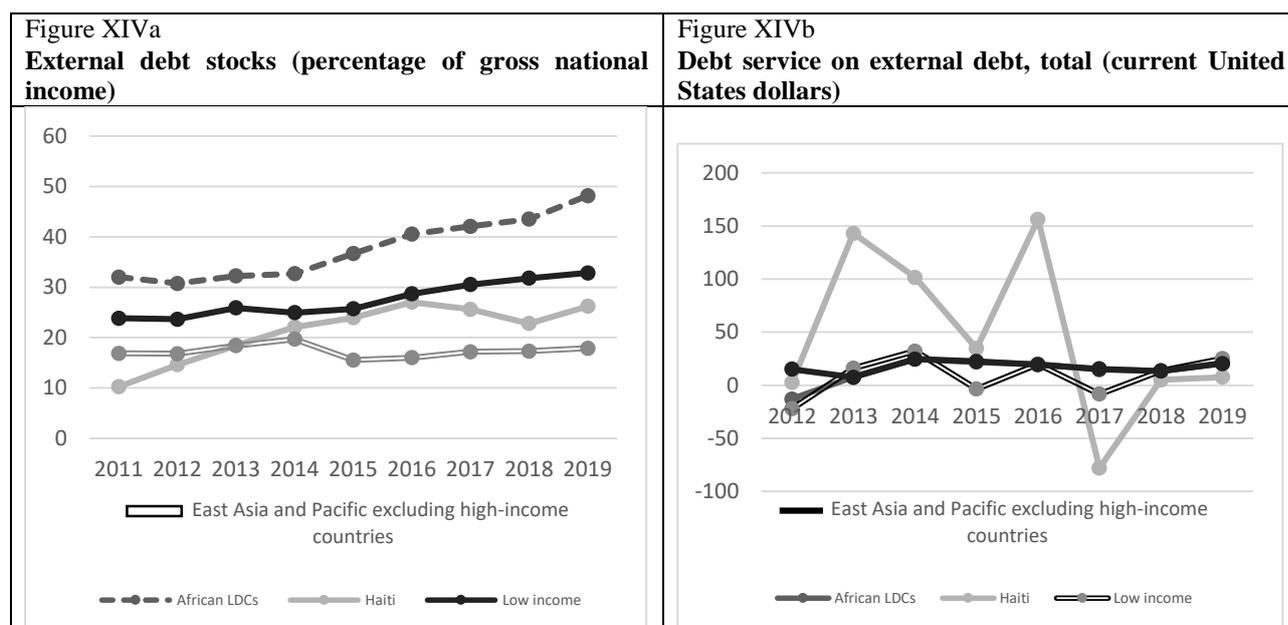
African least developed countries face a disproportionately higher risk of debt distress. Prior to the pandemic, 5 of the 8 countries in debt distress⁸ and 10 of the 13 countries at high risk of debt distress⁹ were African least developed countries.¹⁰ While African least developed countries significantly reduced government debt as a share of tax revenues, from a high of 2,000 per cent in 1992 to 316 per cent in 2012, the trend has reversed since then and will likely accelerate as the pandemic evolves (figure XIII). Debt service payments accounted for about 20 per cent of the external debt of African least developed countries in 2019. In Haiti, this figure was 150 per cent in 2016.

In response to the COVID-19 pandemic, the G20 Debt Service Suspension Initiative has specifically targeted the world's poorest countries for support.

⁸ Mozambique, Sao Tome and Principe, the Sudan, South Sudan and Somalia.

⁹ Angola, Burundi, the Central African Republic, Chad, Djibouti, Ethiopia, Mauritania, Sierra Leone and Zambia.

¹⁰ Reinhart and Rogoff (2014), findings suggest that Algeria defaulted from 1991 to 1997; Democratic Republic of Congo defaulted in 1970, 1975 and 1985; Egypt defaulted from 1980 to 1991, and in 1995; Morocco defaulted from 1983 to 1992 and in 1999; Nigeria defaulted in 1972, 1983, and from 1986 to 1987; Kenya defaulted in 1990; South Sudan defaulted in 1976, and Tunisia defaulted in 1991.



Source: World Bank, World Development Indicators (January 2021).

As of 7 December 2020, 21 African least developed countries had signed a memorandum of understanding to access the Debt Service Suspension Initiative. The Initiative will postpone up to \$3.92 billion in debt service payments of these African least developed countries, which represents about 14 per cent of their total GDP and 88 per cent of the \$4.9 billion that will accrue to African countries in the form of savings. But more resources will be needed to pay for the rising debt stocks of African least developed countries, which accounted for 48 per cent of their gross national income in 2019 (figure XIVa).

F. Mobilizing financial resources for development and capacity-building

Timely and efficient mobilization of domestic and external resources is key to supporting least developed countries to achieve increased prosperity. Foreign direct investment (FDI) remains a major source of finance for the least developed countries; however, these flows have been adversely affected by the COVID-19 pandemic and are estimated to drop by about 30 to 40 per cent in 2020 globally.

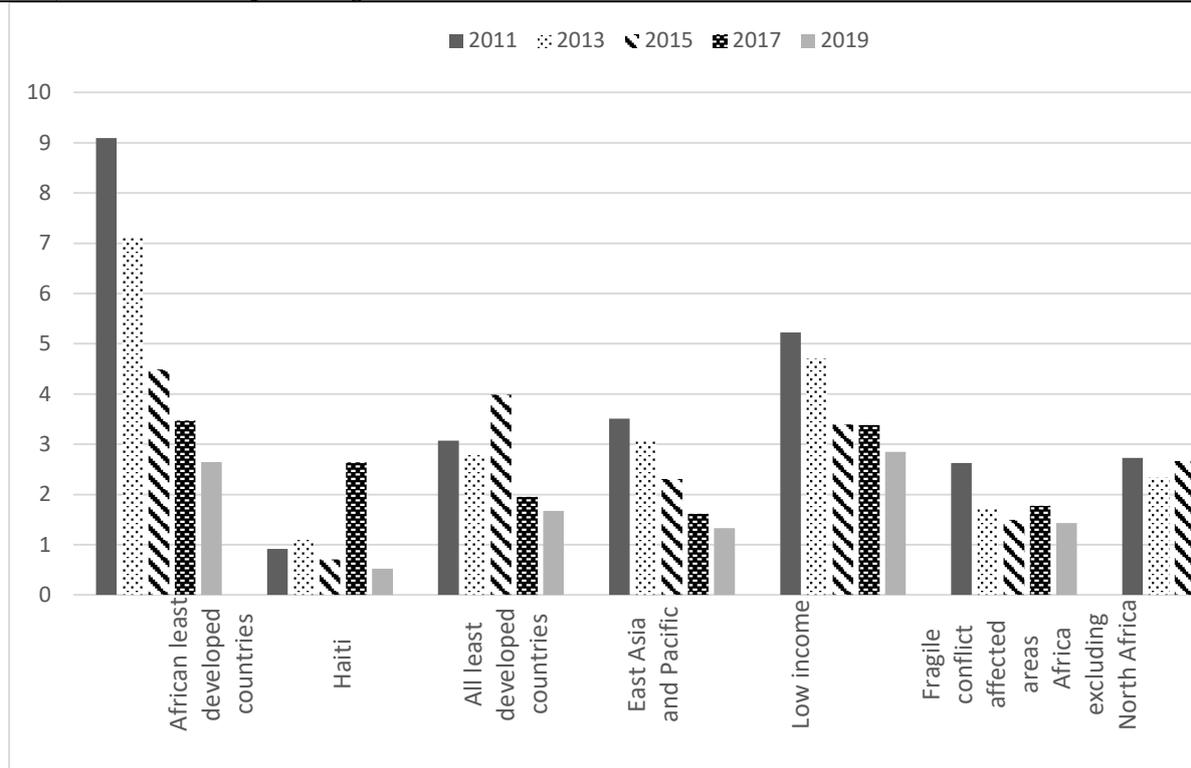
1. Declining net foreign direct investment inflows

Even before the pandemic, net FDI flows to African least developed countries were on a steep decline, falling from 9 per cent of GDP in 2011 to 2.6 per cent in 2019. Flows to African least developed countries exceed the average for all least developed countries, but are lower than the corresponding flows to low-income countries. Fragile and conflict-affected countries have the lowest net FDI inflows. And despite a spike of 2.6 per cent of GDP in 2015, FDI flows to Haiti has been below 1 per cent of GDP in the past decade. Reversing the negative FDI trend in least developed countries will be more challenging in the COVID-19 era, due to heightened uncertainty about the prospects for global recovery (figure XV).

Remittance flows to least developed countries are also expected to decline by one fifth in 2020, with an even sharper contraction expected in South Asian (Haiti, Nepal, Yemen and Kiribati) and sub-Saharan African countries.¹¹

¹¹ *Least Developed Countries Report 2020: Productive capacities for the new decade* (United Nations publication, Sales No. E.21.II.D.2).

Figure XV
FDI, net inflows as a percentage of GDP

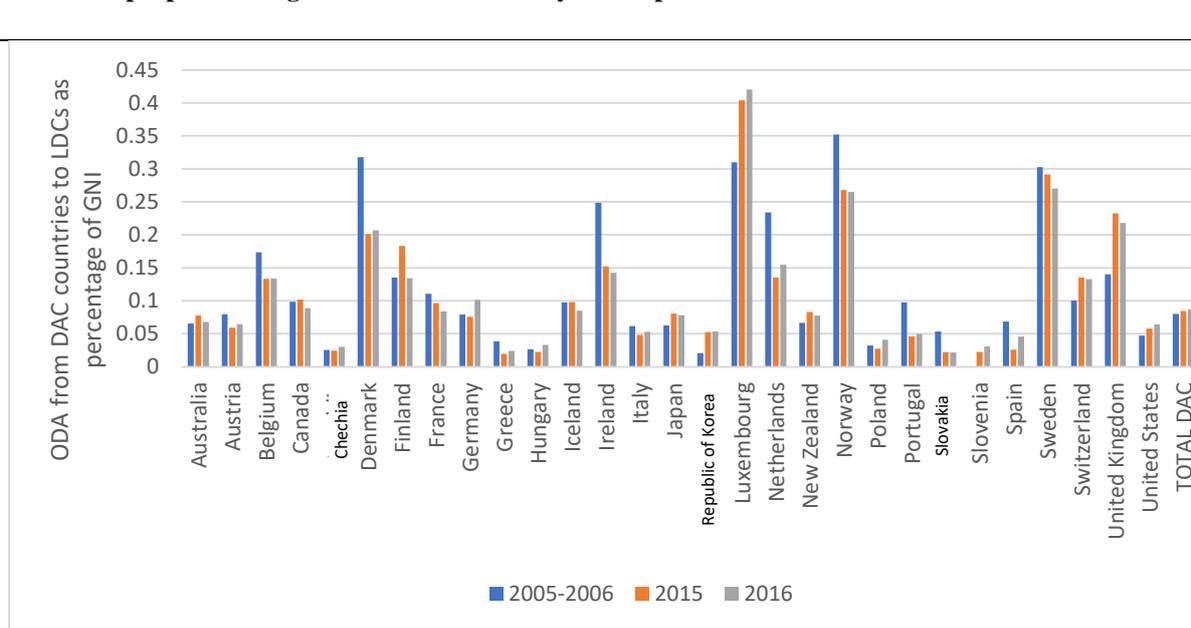


Source: World Bank, World Development Indicators (January 2021).

2. Lower official development assistance flows

Official development assistance (ODA) to developing countries was \$105 billion in 2018, 4 per cent below the previous year’s figure of \$109.8 billion (OECD.Stat, 2021) (figure XVI).

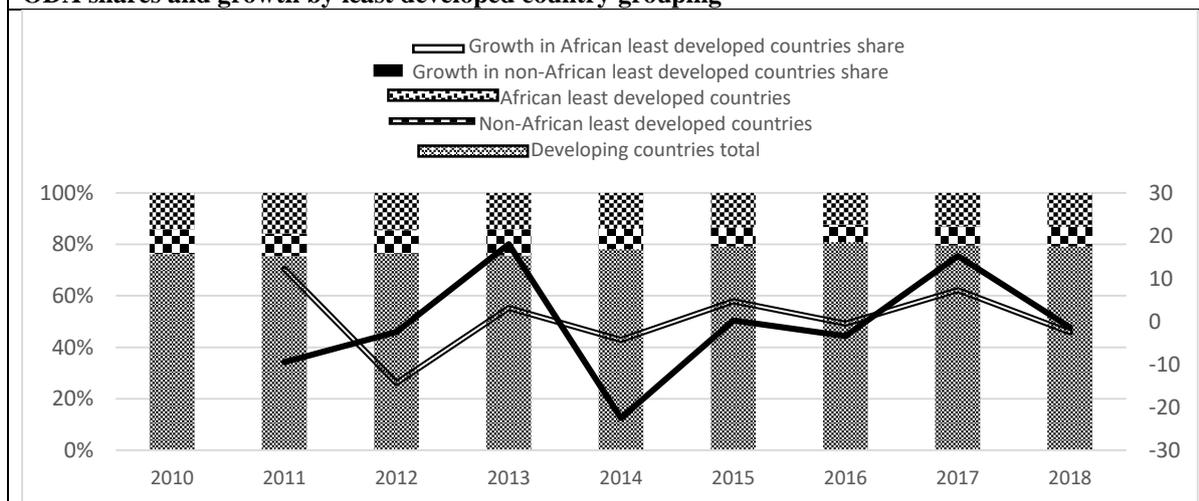
Figure XVI
ODA as a proportion of gross national income by Development Assistance Committee members



Source: OECD 2018.

Least developed countries have experienced a declining share of total ODA since 2010, falling from 12.6 per cent to 9.6 per cent from 2010 to 2018. The decline is associated with a sharp fall in ODA growth, particularly to African least developed countries since 2014. ODA to African least developed countries grew by 0.4 per cent in 2011–2014, but contracted by 0.9 per cent over the 2015–2018 period. In contrast, despite an average decline from 2 per cent (2011–2014) to 0.5 per cent (2015–2018), average ODA growth in non-African least developed countries remained positive in both periods (figure XVII).

Figure XVII

ODA shares and growth by least developed country grouping

Source: OECD.Stat. Available at <https://stats.oecd.org/>. Accessed 18 January 2021.

G. Good governance at all levels

Improving the governance track record of African least developed countries is critical to increasing domestically mobilized resources, optimizing the efficiency in the use of public resources, attracting foreign investment and strengthening security and political stability.

A weak political governance architecture undermines democracy and can fuel instability. Similarly, fragile economic governance institutions contribute to fiscal leakages, including illicit financial flows. Africa is estimated to lose \$50 billion annually due to illicit financial flows, which is equivalent to: one and a quarter times the \$39 billion annual financing required to achieve Sustainable Development Goal 4 in Africa; three quarters of its estimated annual health financing gap of \$66 billion; and one third of the additional \$130 billion–\$170 billion needed annually to fund the infrastructure projects of Africa.¹²

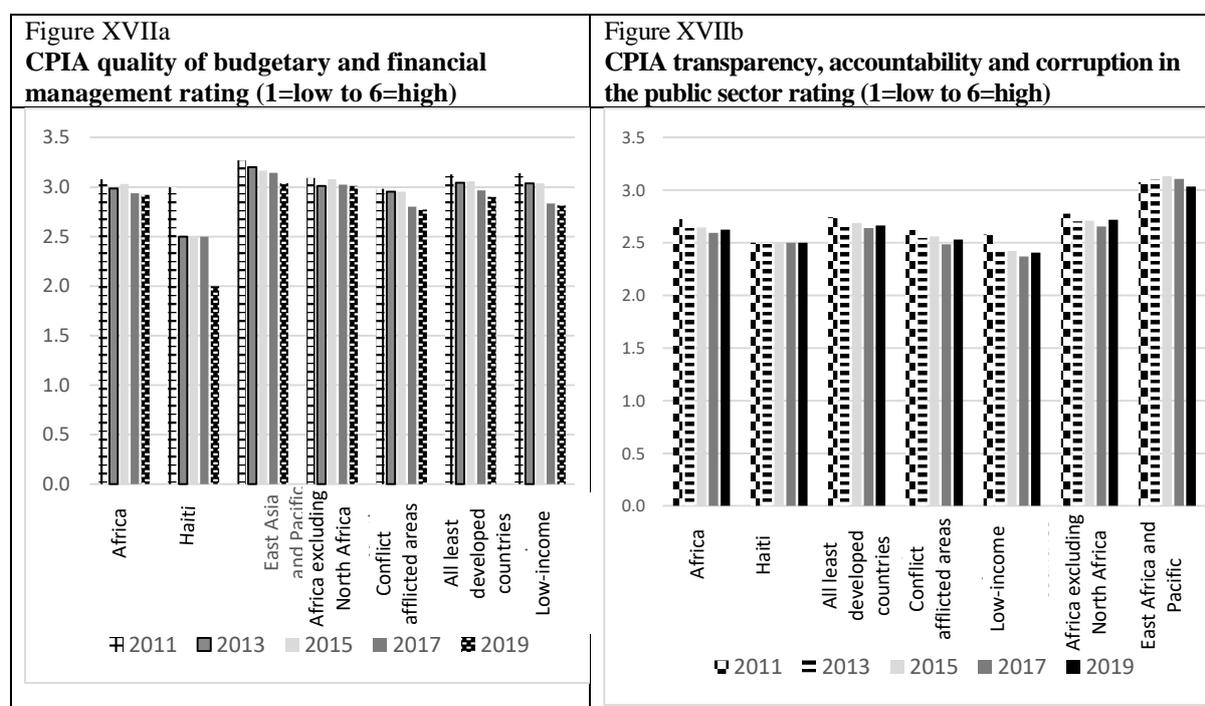
Deteriorating governance record

The 2020 Mo Ibrahim Foundation report on African governance reveals a decline in overall progress for the first time in a decade, driven by a deterioration in security and the rule of law in some African countries. Angola and Somalia, both least developed countries, remained at the bottom of the list, despite steady improvements. Somalia has improved on its governance score since 2010, due to improved infrastructure and gender equality, among others, but remained at the bottom because of security challenges posed by al-Shabaab militants. The pandemic is testing the already fragile governance systems of African least developed countries.

¹² *Economic Report on Africa 2020: Innovative Finance for Private Sector Development in Africa* (United Nations publication, Sales No. E.20.II.K.2).

For instance, political transitions have been delayed in countries such as Ethiopia, where elections were postponed due to COVID-19. Furthermore, in some countries, the pandemic has exposed governance deficits related to financial mismanagement, violation of human rights and impunity of security forces deployed ostensibly to keep the peace and maintain law and order (African Union and United Nations Development Programme, 2020).

Beyond political governance, economic governance is also vital in enhancing efficiencies in the mobilization and use of public resources. This is particularly relevant in the fiscally constrained context of the pandemic, which has heightened pressure on governments to provide fiscal stimulus support to large segments of society whose livelihoods have been disrupted by lockdowns and other containment measures. The World Bank's Country Policy and Institutional Assessment (CPIA) rating reveals that, during the period 2011–2019, the quality of budgetary and financial management in African least developed countries declined from 3.1 to 2.9, identical to the performance of all least developed countries. East Asia and the Pacific countries (excluding high-income countries) scored relatively higher (3.0) on this indicator, but this represents a decline from 3.3 in 2011. The score of Haiti of 2.0 was the lowest in 2019, and represents a decline from a score of 3.0 in 2018 (figure XVIIIa). Performance on transparency and accountability has also deteriorated relative to 2011 for all groupings (figure XVIIIb).



Source: World Bank, World Development Indicators (January 2021).

III. Policy recommendations for recovery

The COVID-19 pandemic poses a clear and present danger to the graduation prospects of African least developed countries. The pandemic has further constrained the already limited fiscal space of African least developed countries, which was characterized by declining ODA and FDI inflows, and heightened risk of debt distress.

The longer-term effects of the pandemic may further lower investments, disrupt global trade and supply chains, and prolong the global recession. In order to mitigate the adverse effects of the pandemic, African least developed countries will in the short term require increased liquidity at concessional rates to increase liquidity and pre-empt the looming threat of insolvency.

In the medium-to-long term, additional resources – including through new allocations of special drawing rights, recapitalization of multilateral development banks and debt restructuring – will be needed to finance the recovery of African least developed countries, which should be grounded by the objectives of sustainable development and structural transformation. In this context, there is also a need to step up investments in green recovery and technology to enhance growth, create decent jobs and accelerate intraregional trade, through the effective implementation of the African Continental Free Trade Area. These measures should be underpinned by policy reforms and strengthened governance systems, particularly in the sphere of public resources management and public debt transparency.

Structural transformation policy measures could aim at enhancing agricultural productivity, accelerating value addition and strengthening productive capacities, including through digitalization and technological innovation supported by the technology bank. Stimulating investments in productive sectors – such as infrastructure (including information and communications technology, energy and roads), labour-intensive sectors (including agriculture and tourism) and human capital (especially education and health) – will be vital in this context. As least developed countries transition to the Fifth United Nations Conference on the Least Developed Countries, greater emphasis must be placed on securing the means of implementation of these priorities.

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