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# THE LEAST DEVELOPED COUNTRIES REPORT 2017

## Transformational energy access

UNITED NATIONS

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UNITED NATIONS
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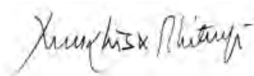
# Foreword

Unlike the Millennium Development Goals, the 2030 Agenda for Sustainable Development includes an explicit goal for energy — Sustainable Development Goal (SDG) 7, to "ensure access to affordable, reliable, sustainable and modern energy for all". Access to modern energy plays a major role in economic structural transformation — a critical issue both for the least developed countries (LDCs) and for the 2030 Agenda more generally.

This year's edition of UNCTAD's *Least Developed Countries Report* focuses on transformational energy access for the LDCs, where 62 per cent of people have no access to electricity, compared with 10 per cent across other developing countries. Today, the majority of people worldwide who lack access to electricity live in LDCs — a proportion that has grown steadily from less than one third in 1990.

Importantly, this year's Report finds that "energy for all" in LDCs requires more than access to energy for basic household needs. It requires that access to energy in LDCs also serves productive capacities directly, by powering the structural transformation of LDC economies and the development of more productive, modern activities and sectors with adequate and reliable energy supplies. Structural transformation, in turn, has a role in increasing energy access, by generating sufficient additional demand for electricity for productive uses to make viable the infrastructure investments required for universal access more broadly. Yet strengthening this energy-transformation nexus remains a massive challenge, given that installed generating capacity per person in LDCs is barely one twelfth of that even in other developing countries, and one fiftieth of that in developed countries.

The LDCs are the battleground on which the 2030 Agenda will be won or lost. The central role of access to modern energy in achieving the other SDGs means that meeting SDG 7 will be central to the success or failure of the 2030 Agenda as a whole. It is our intention that this Report will serve as a valuable input to the deliberations of the 2018 High-level Political Forum, which will review progress on Goal 7. Greater international support and more concerted collective action towards realizing transformational energy access in the least developed countries could be key catalysts for implementing the entire 2030 Agenda.



Mukhisa Kituyi
Secretary-General of UNCTAD

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A meeting was held in Geneva on 13–14 June 2017 to peer-review the Report and its specific inputs. It brought together specialists in the fields of energy, development policies, international trade, finance, the least developed countries, employment, social policies, industrial development and capacity-building. The participants were: Matthias Brückner (United Nations Department of Economic and Social Affairs – Secretariat of the Committee for Development Policy), Charles Gore (independent consultant), Marek Harsdorff (International Labour Organization), Yasuhiko Kamakura (International Labour Organization), Dunja Krause (United Nations Research Institute for Social Development), Mauricio Alejandro Pinzón Latorre (Graduate Institute of International and Development Studies), Ana María Pueyo (Institute of Development Studies), Simona Santoro (United Nations Capital Development Fund), Youba Sokona (International Institute for Environment and Development), Taffere Tesfachew (independent consultant), Djiby Racine Thiam (University of Cape Town), as well as the members of the LDC Report team and the following UNCTAD colleagues: Lisa Borgatti, Milasoa Cherel-Robson, Junior Roy Davis, Mussie Delelegn, Amelia dos Santos Paulino, Pilar Fajarnes, Tamara Gregol de Farias, Kalman Kalotay, Benjamin McCarthy, Nicole Moussa, Jane Muthumbi, Patrick Nwokedi Osakwe, Henrique Pacini, Daniel Poon, Antipas Touatam and Anida Yupari.

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Mauricio Alejandro Pinzón Latorre prepared a background paper for the Report.

Erica Meltzer edited the text. Nadège Hadjemian designed the cover and the infographics.

Madasamyraja Rajalingam did the overall layout, graphics and desktop publishing.

# What are the least developed countries?

## 47 countries

**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, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People’s Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

## Every 3 years

**The list of LDCs is reviewed every three years by the Committee for Development Policy (CDP), a group of independent experts reporting to the United Nations Economic and Social Council (ECOSOC). The CDP, in its report to ECOSOC, may recommend countries for addition to, or graduation from, the list of LDCs. The following three criteria were used by the CDP in the latest review of the list, in March 2015:**

1. **A per capita income criterion,** based on a three-year average estimate of the gross national income (GNI) per capita, with a threshold of $1,035 for identifying possible cases of addition to the list, and a threshold of $1,242 for possible cases of graduation from LDC status;
2. **A human assets criterion,** involving a composite index (the Human Assets Index, or HAI) based on indicators of: (i) nutrition (percentage of undernourished population); (ii) health (child mortality ratio); (iii) school enrolment (gross secondary school enrolment ratio); and (iv) literacy (adult literacy ratio);
3. **An economic vulnerability criterion,** involving a composite index (the Economic Vulnerability Index, or EVI) based on indicators of: (i) natural shocks (index of instability of agricultural production; share of victims of natural disasters); (ii) trade-related shocks (index of instability of exports of goods and services); (iii) physical exposure to shocks (share of population living in low-lying areas); (iv) economic exposure to shocks (share of agriculture, forestry and fisheries in gross domestic product (GDP); index of merchandise export concentration); (v) smallness (population in logarithm); and (vi) remoteness (index of remoteness).

For all three criteria, different thresholds are used for identifying cases of addition to the list of LDCs, and cases of graduation from LDC status. A country will qualify to be added to the list if it meets the thresholds for addition under 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 if it has met the graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews of the list. However, if the three-year average per capita GNI of an LDC has risen to a level at least double the graduation threshold, and if this performance is considered durable, the country will be deemed eligible for graduation regardless of its score under the other two criteria. This rule is commonly referred to as the "income-only" graduation rule.

In a resolution adopted in December 2015, the General Assembly endorsed the CDP recommendation of 2012 to graduate Vanuatu. In doing so, the Assembly took into consideration the setback that Vanuatu had suffered as a result of Tropical Cyclone Pam in March 2015. The General Assembly decided, on an exceptional basis, to delay the country’s graduation to December 2020.

# 5 countries have so far graduated from LDC status:

**Botswana in December 1994, Cape Verde in December 2007, Maldives in January 2011, Samoa in January 2014 and Equatorial Guinea in June 2017.**

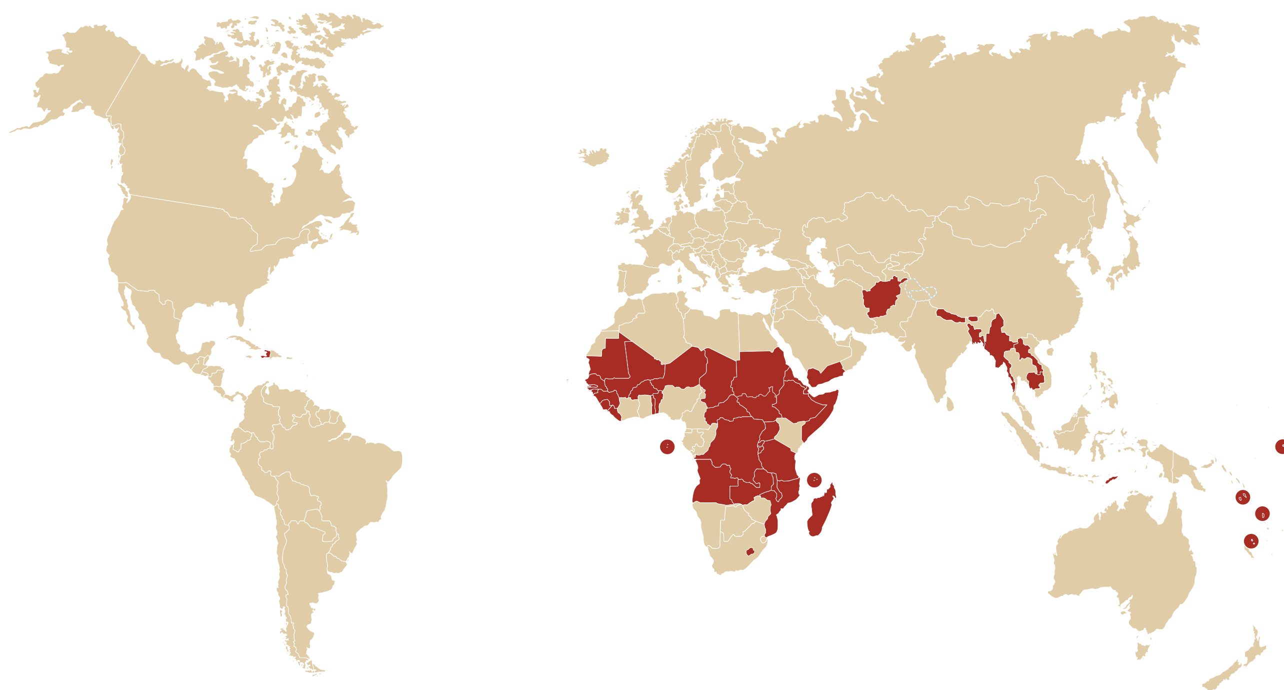
In a resolution adopted in December 2015, the General Assembly endorsed the CDP recommendation of 2012 to graduate Vanuatu. In doing so, the Assembly took into consideration the setback that Vanuatu had suffered as a result of Tropical Cyclone Pam in March 2015. The General Assembly decided, on an exceptional basis, to delay the country's graduation to December 2020.

The Committee's 2015 recommendation to graduate Angola was endorsed by the General Assembly in February 2016 through a resolution that set February 2021 as the country's graduation date. This decision was an exceptional measure to take into account the high vulnerability of the commodity-dependent Angolan economy to price fluctuations.

In a June 2015 resolution, ECOSOC recalled the CDP's 2012 recommendation to graduate Tuvalu from LDC status, and deferred to 2018 the Council's consideration of this potential graduation case.

**Once a recommendation to graduate a country has been endorsed by ECOSOC and the General Assembly, the graduating country benefits from a grace period (normally three years) before graduation effectively takes place.**

This period, during which the country remains an LDC, is designed to enable the graduating State and its development and trading partners to agree on a "smooth transition" strategy, so that the planned loss of LDC status does not disrupt the country's socioeconomic progress. A smooth transition measure generally implies extending to the graduated country, for a number of years after graduation, a concession to which the country had been entitled by virtue of its LDC status.



## The graduation of Equatorial Guinea

Equatorial Guinea was the fifth country to graduate (as mentioned above), but the first ever to do so based on the “income-only” criterion. Its GNI per capita – $16,089 – was almost six times the income-only graduation threshold of $2,824. Notwithstanding such an impressive level of per capita income – the highest on the African continent – substantial challenges remain for Equatorial Guinea on its long road to sustainable development and the achievement of the Sustainable Development Goals (SDGs). The country did not meet the graduation threshold for the HAI or the EVI in the last review of the LDC category.

Equatorial Guinea faces challenges, such as high concentration of its economy in the oil sector, and associated difficulties in diversifying production and exports. The extractive industry is by far the largest in the economy, accounting for 41 per cent of GDP (together with utilities industries) in 2014. This is double the share of manufacturing and is also higher than the contribution of the services sector to GDP (28 per cent). Agriculture, by contrast, contributes just 1 per cent of the country’s economic activities.

This high degree of concentration is reflected in the country’s exports. In 2015, Equatorial Guinea had an exports product concentration index of 0.69, compared to an average for LDCs of only 0.26. There were 37 other LDCs with more diversified merchandise exports that same year. This level of export concentration makes the country highly vulnerable to oil price-related and other external shocks.

A key priority for Equatorial Guinea is to accelerate structural transformation significantly in order to diversify its economic base and reduce dependence on oil exports, as otherwise current high levels of income may not be sustained. Known oil reserves are expected to be depleted by 2035. Oil-spurred economic growth has so far failed to translate into substantial employment creation. With unemployment at 22 per cent, job creation should be a priority to ensure a more equitable distribution of oil-related wealth. To achieve economic and social progress, the country will also have to invest its oil rents productively in infrastructure and human-resource development, matched by an upgrading of the agricultural sector, diversification of rural activities and proactive efforts to develop new export sectors and sources of job growth.

## Explanatory notes

The term “dollars” ($) refers to United States dollars unless otherwise specified.

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

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