

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

# THE LEAST DEVELOPED COUNTRIES REPORT 2009

*The State and Development Governance*



UNITED NATIONS

**EMBARGO**

The contents of this Report  
must not be quoted  
summarized in the print, broadcast  
or electronic media before  
16 July 2009, 17:00 hours GMT



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT  
Geneva

# THE LEAST DEVELOPED COUNTRIES REPORT 2009

*The State and Development Governance*



UNITED NATIONS  
New York and Geneva, 2009

## Note

Symbols of United Nations documents are composed of capital letters with figures. Mention of such a symbol indicates a reference to a United Nations document.

---

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

---

Material in this publication may be freely quoted or reprinted, but full acknowledgement is requested. A copy of the publication containing the quotation or reprint should be sent to the UNCTAD secretariat at: Palais des Nations, CH-1211 Geneva 10, Switzerland.

---

The overview of this report can also be found on the Internet, in all six official languages of the United Nations, at [www.unctad.org](http://www.unctad.org).

---

UNCTAD/LDC/2009

UNITED NATIONS PUBLICATION

Sales No. E.09.II.D.9

ISBN 978-92-1-112769-0

ISSN 0257-7550



## What are the least developed countries?

Forty-nine 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, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the 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, 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) the **“low-income”** criterion, based on a three-year average estimate of the gross national income (GNI) per capita, with a threshold of \$905 for addition to the list, and a threshold of \$1,086 for graduation from LDC status;
- (b) the **“human assets weakness”** criterion, involving a composite index (the Human Assets Index) based on indicators of: (i) nutrition (the percentage of the population that is undernourished); (ii) health (the child mortality rate); (iii) school enrolment (the gross secondary school enrolment rate); and (iv) literacy (the adult literacy rate); and
- (c) the **“economic vulnerability”** criterion, involving a composite index (the Economic Vulnerability Index) based on indicators of: (i) natural shocks (the index of the instability of agricultural production, and the share of the population displaced by natural disasters); (ii) trade shocks (the index of the instability of exports of goods and services); (iii) exposure to shocks (the share of agriculture, forestry and fisheries in GDP, and the index of merchandise export concentration); (iv) economic smallness (the population in logarithm); and (v) economic remoteness (the index of remoteness).

For all three criteria, different thresholds are used for identifying addition cases and graduation cases. A country will qualify to be added to the list of LDCs 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 the 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 two countries have so far graduated from LDC status: Botswana in December 1994, and Cape Verde in December 2007. Samoa is currently expected to graduate on 17 December 2010, and Maldives on 1 January 2011. In 2009, the CDP recommended that Equatorial Guinea be graduated from the list of LDCs.

After a recommendation by the CDP 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.

## Acknowledgements

*The Least Developed Countries Report 2009* was prepared by a team consisting of Zeljka Kozul-Wright (team leader), Alberto Amurgo Pacheco (until February 2009), Agnès Collardeau-Angley, Junior Davis, Marwan El Khoury (until March 2009), Madasamyraja Rajalingam, Rolf Traeger, Giovanni Valensisi (from March 2009) and Stefanie West. Nancy Biersteker, Lisa Borgatti, Pierre Encontre, Charles Gore, Massimiliano La Marca, Terry McKinley (consultant) and Paul Rayment (consultant) also made specific inputs to the Report. Simona Foltyn participated in the final stage of preparing the Report. The work was carried out under the overall supervision of Habib Ouane, Director, Division for Africa, Least Developed Countries and Special Programmes (ALDC), and Charles Gore, Head, Research and Policy Analysis Branch, ALDC.

An ad hoc expert group meeting on “The State, development governance and productive capacities”, was held in Geneva on 5 and 6 March 2009 to review a first draft of the Report and specific inputs. It brought together specialists in the fields of industrial policy, macroeconomic policy, agricultural development, international trade and development strategies. The participants in the meeting were: Heiner Flassbeck, Jörg Mayer, Terry McKinley, Anne Posthuma, Paul Rayment, Helen Shapiro, Servaas Storm, Gianni Vaggi and Giovanni Valensisi. The meeting discussed papers and inputs prepared by Junior Davis, Marwan El Khoury, Charles Gore, Zeljka Kozul-Wright, Massimiliano La Marca, Terry McKinley, Smita Srinivas and Rolf Traeger.

The Report draws on background papers prepared by John Di John, William Kalema and Frances Nsonzi, Paul Jourdan, Mushtaq Khan, Smita Srinivas, Morris Teubal and Ole Therkildsen. Initial thinking on the role of the State and governance issues in LDCs also benefited from in-depth discussions with Brian Van Arkadie — who acted as principal consultant in the preliminary stages of the project — and also Nguyuru Lipumba. Paul Rayment provided the substantive editing and contributed to the overall Report. The text was edited by Michael Gibson, Eleanor Loukass and Daniel Sanderson.

Secretarial support was provided at different times by Regina Ogunyinka, Sylvie Guy and Stefanie West. Hadrien GlioZZo and Sophie Combette designed the cover. The overall layout, graphics and desktop publishing were done by Madasamyraja Rajalingam.

The financial support of donors to the UNCTAD LDC Trust Fund, particularly the Governments of Norway and Finland, is gratefully acknowledged.

# Contents

<i>What are the least developed countries?</i> .....	iii
<i>Explanatory notes</i> .....	ix
<i>Abbreviations</i> .....	x
<i>Country classification used in this Report</i> .....	xii
<i>Overview</i> .....	I–XV

---

## **INTRODUCTION: THE IMPLICATIONS OF THE GLOBAL ECONOMIC CRISIS FOR LDCs..... 1**

---

A. Introduction.....	1
B. The likely impact of the global economic crisis on LDCs.....	1
1. Global prospects.....	1
2. External vulnerabilities of LDCs.....	2
3. The cumulative impact.....	5
C. Alternative development strategies for LDCs.....	7
1. Refocusing attention on developing productive capacities.....	8
2. Building a new developmental State.....	8
3. Ensuring effective multilateral support.....	9
D. Organization of this Report.....	12
Notes.....	14
References.....	14

---

## **1. RETHINKING THE ROLE OF THE STATE IN LDCs — TOWARDS DEVELOPMENT GOVERNANCE..... 15**

---

A. Introduction.....	15
B. The good governance reform agenda and development.....	16
1. The imperative of good development governance.....	16
2. The scope, content and propagation of the good governance reform agenda.....	17
3. The mixed evidence on developmental impact.....	19
4. The problem of good governance reform overload.....	25
C. What makes some developmental States more successful than others.....	28
1. What Governments did.....	31
2. How Governments did it: the role of the State and the market.....	32
3. How Governments did it: functions of the State.....	33
4. How Governments did it: institutional capabilities.....	34
D. Adapting the developmental State to the twenty-first century.....	35
1. The democratic developmental State.....	36
2. Modern governance for development.....	37
E. Can LDCs build developmental State capabilities?.....	40
1. Yes they can!.....	40
2. A pragmatic approach to building developmental State capabilities.....	41
3. The critical role of donors.....	46
F. Conclusions.....	50

Notes .....	52
References .....	52

---

## **2. MEETING THE MACROECONOMIC CHALLENGES ..... 57**

---

A. Responses to the current global economic crisis .....	57
B. Fiscal policies.....	58
1. Introduction .....	58
2. Alternative fiscal policies — expenditures and investment.....	60
3. Alternative fiscal policies — domestic revenue mobilization .....	63
4. The role of ODA in domestic resource mobilization.....	70
C. Monetary and financial policies .....	74
1. Alternative monetary policies.....	74
2. Why is monetary policy ineffective?.....	78
D. Reforming financial institutions to provide development finance.....	79
1. The financial sector in LDCs .....	79
2. Mobilizing domestic savings in LDCs.....	79
3. Improving development finance .....	80
E. Exchange rate and capital management policies .....	83
1. The need for complementary exchange-rate management.....	83
2. Managing the capital account.....	85
Notes .....	89
References.....	89

---

## **3. SETTING THE AGENDA FOR AGRICULTURAL POLICY IN LDCs ..... 91**

---

A. Agriculture: The heart of the LDC development problem?.....	91
B. Addressing the food crisis and food security in LDCs .....	99
1. The current food security situation.....	99
2. Foreign trade in agricultural products.....	105
C. Intersectoral linkages and the rural non-farm economy .....	110
1. Promoting intersectoral linkages.....	114
2. Investment in agriculture and infrastructure supporting farm to non-farm linkages.....	118
3. Finance to support farm to non-farm linkages .....	122
4. Encouraging market access linkages .....	125
D. Conclusions and ways forward .....	127
Notes .....	135
References.....	136

---

## **4. TAILORING INDUSTRIAL POLICY TO LDCs ..... 141**

---

A. Introduction.....	141
1. The crisis as a necessity and an opportunity for change .....	142
2. Changing destiny variables: from initial conditions to dynamic competitiveness .....	143
3. Specialization and manufacturing in LDCs.....	144

B. Change of perspective in favour of industrial policy .....	145
1. Perspectives on market and State shortcomings.....	148
2. Changing parameters of industrial policy.....	149
3. Developmental industrial policies and the profit–investment–export nexus .....	152
4. Industrial policy agencies and institutions promoting growth .....	154
5. Key features of a developmental industrial policy.....	155
C. FDI: not a substitute for industrial policy.....	159
D. Enabling conditions for knowledge-based structural change.....	161
1. Technology policy and learning.....	161
2. Learning and technological upgrading in LDCs.....	162
E. Comparative accelerated growth experiences in successful industrializers .....	164
1. Social compact/partnerships .....	165
2. Strong developmental States and policy alignment.....	165
3. The role of external finance .....	166
4. Trade tools, mechanisms and development institutions .....	166
5. Lessons learned .....	168
F. Application of industrial policy to LDCs .....	169
1. Industrial policy case study — Uganda.....	170
2. Industrial policy case study — Senegal.....	171
G. Conclusions.....	173
Notes .....	175
References.....	176

### List of Boxes

1. Measuring the goodness of governance — some methodological problems.....	22
2. Public sector reforms in LDCs: some lessons from experience in African LDCs.....	26
3. Different types of State: developmental States, regulatory States and enabling States.....	29
4. Mushtaq Khan’s approach to building growth-promoting governance capabilities: the example of the Bangladesh garments sector .....	44
5. The macroeconomic policy space in LDCs.....	59
6. The role of public investment .....	62

预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_9986](https://www.yunbaogao.cn/report/index/report?reportId=5_9986)

