



PRESS RELEASE

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ECONOMIC VICIOUS CIRCLE TRAPPING THE WORLD'S POOREST COUNTRIES MUST BE REVERSED IF NEW DEVELOPMENT GOALS ARE TO BE MET, SAYS UNCTAD REPORT

Least developed countries are the battleground on which the proposed post-2015 development agenda will succeed or fail

Geneva, 27 November 2014 – *The Least Developed Countries Report 2014*¹ says that the international community must learn from the failure of most of the poorest countries to meet the Millennium Development Goals (MDGs) despite registering strong economic growth – a phenomenon the Report dubs the "LDC paradox".

The Report – subtitled **Growth with Structural Transformation: A Post-2015 Development Agenda** – says the LDCs are the battleground on which the post-2015 development agenda will be won or lost. Its success will depend on action by the international community and the LDCs to structurally transform their economies and break the vicious circle of human and economic development that has trapped these countries in poverty.

The LDC paradox arises from the failure of LDC economies to achieve structural changes despite having grown vigorously as a result of strong export prices and rising aid flows. Some other developing countries – not categorized as "least developed" – especially those that mostly depend on commodities for production, employment and exports, have also faced a similar paradox.

Yet from 2002 to 2008, LDC growth exceeded the 7 per cent target agreed by the international community, and even after the 2008 financial crisis they grew faster than other developing countries, at an average of 5.7 per cent per year.

Only one LDC – the Lao People's Democratic Republic – is on track to achieve all seven of the MDG targets analysed in the Report, and only four of the 39 LDCs outside South and South-East Asia (Ethiopia, Malawi, Rwanda and Uganda) are on track to meet even a majority of these targets.

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¹ The Report (Sales No. E.14.II.D.7, ISBN: 978-92-1-112880-2) may be obtained from the United Publications Sales and Marketing Office at the address mentioned below or from United Nations sales agents throughout the world. Price: US\$ 50 (50% discount for residents of developing countries, and 75% discount for residents of least developed countries). Customers may send orders or inquiries to: United Publications Sales and Marketing Office, 300 E 42nd Street, 9th Floor, IN-919J New York, NY 10017, United States of America. Tel.: 1 212 963 8302, fax: 1 212 963 3489, e-mail: publications@un.org, <https://unp.un.org>.

Under the MDGs, global poverty was halved by rapid progress in the more advanced developing countries, the Report says. But a central goal of the post-2015 development agenda is expected to be the eradication of poverty by 2030. This means reducing it to zero everywhere – and it is in the LDCs that this will be most challenging. Their performance will largely determine the success or failure of the whole post-2015 development agenda.

Eradicating poverty in 15 years is a much more ambitious goal than the MDG target of halving it in 25 years, the Report says. Even China has not achieved this, despite extraordinary economic growth and development for twice as long. Moreover, prospects for export prices are now much more uncertain following the financial crisis, while aid to LDCs has stopped increasing as donor countries implement austerity policies.

The Report highlights three key policy priorities as part of a post-2015 development agenda for LDCs: mobilizing resources for investment in such a way as to maximize their development impact, directing these resources towards economic activities that will contribute decisively to transforming their economies and establishing macroeconomic policies that promote investment and demand growth rather than inhibiting them. Diversifying rural economies must also be a principal element of the transformation if poverty is to be eradicated.

However, the Report says, the success of the post-2015 agenda will also depend on the following factors:

- Donors' fulfilment of their long-standing commitments on the quantity and the terms of aid to LDCs, including basing their support on recipients' own development strategies
- Changes in the international financial system to improve crisis prevention and response, and global governance of taxation
- Changes in the international trade system to provide LDCs the market access they need, and allow them to use trade policies in support of their development agendas
- Prompt, effective and equitable global action to tackle climate change

The Report notes that development is not just about economic growth. It requires structural transformation of the economic base in two parallel processes: increasing labour productivity in productive activities and shifting labour from activities with low productivity – such as small-scale agriculture and services outside the formal economy – to more dynamic activities with higher productivity, such as manufacturing and high-value services. It is not just economic growth that determines LDCs' performance in meeting the MDGs, but the combination of these two processes of structural transformation.

The core of the post-2015 development agenda should be a virtuous circle between economic and human development, reversing the vicious circle currently trapping LDCs, the Report says. Reducing poverty, improving nutrition and health, and boosting education increase people's productive potential. And increasing people's productive potential can reduce poverty, improve nutrition and health, and boost educational attainment. But this requires productive potential to be translated into higher incomes. This means creating more higher-income jobs, the Report says, and that requires economic transformation.

NOTE: Forty-eight countries currently are designated by the United Nations as LDCs. They are Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, 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, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.