UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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Inclusive and Sustainable Industrial Development

LDC Ministerial Conference 2013

From the Istanbul Programme of Action to the world we want in 2015 and beyond: Implementing the UNIDO Operational Strategy

30 November – 1 December 2013
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Background Paper

Least Developed Countries
MINISTERIAL CONFERENCE
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IMPLEMENTING THE UNIDO OPERATIONAL STRATEGY
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UN-OHRLLS

1. Introduction

Barely two years to 2015, the target date for the attainment of the Millennium Development Goals (MDGs), and amidst heightened consultations on the Post-2015 Development Agenda, the 49 Least Developed Countries (LDCs) – 34 in Africa, 14 in Asia and the Pacific and 1 in Latin America – still represent the poorest and weakest segment of the international community, akin to what Collier (2007) described as the 'Bottom Billion'. In 2012, they comprised 862 million people (11.53 per cent of world population), but accounted for only 0.72 per cent of world Gross Domestic Product (GDP) and about 1.0 per cent of global trade in goods. Despite four successive Programmes of Action [1] and notwithstanding the positive developments recorded by some of them in the recent past, the LDCs have remained marginal in the world economy owing to their structural weaknesses and the form of their integration into the global economy. It is hardly surprising, therefore, that during the past four decades only three countries have graduated out of the LDC.[2] In fact, the number of countries that fell into it has doubled since the 1970s.

The Fourth United Nations Conference on the Least Developed Countries (LDC-IV) held in Istanbul, Turkey, from 9-13 May 2011, adopted the Istanbul Programme of Action (IPoA). The overarching goal of the 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". This goal is expected to be achieved through national policies 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. It specifically aims to enable half of the LDCs to meet the criteria for graduation by 2020.

Two years into the implementation of the Istanbul Programme of Action, the flagship report of the OHRLLS on the State of the Least Developed Countries (2013: 27) notes, "the least developed countries have made some progress towards achieving many of the goals and targets agreed in Istanbul. Structural change also seems to be taking hold in a few of the least developed countries, in particular those that have a sustained high level of GDP growth, helped in large part by increasing investment and rapid urbanization. Yet, most of the least developed countries continue to face pervasive poverty, serious structural impediments to growth, low levels of human development and high exposure to shocks and disasters". The headwinds of the global economic slowdown are reaching the LDCs in the forms of reduced Official Development Assistance (ODA) flows and increased fluctuations in commodity prices, therefore putting at risk hard-won gains achieved so far, and the ability to expand these gains to all LDCs. At the current trends, most LDCs will not meet most of the MDGs by 2015

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;

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[1] Since the 1980s, the United Nations has articulated decennial programmes of action to support development in the
LDCs. The first was the Substantial New Programme of Action for the 1980s for the Least Developed Countries. The second United Nations Conference for the Least Developed Countries, held in 1990, set forth an ambitious development policy enshrined in the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s. By the end of the 1990s, it was clear that the development strategies for the decade had not served the LDCs well and that a new approach was urgently needed. The United Nations responded to this need by producing the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010. It is needless to say that this initiative was inspired by the values, principles and objectives of the Millennium Declaration.

[2] These are Botswana in December 1994, Cape Verde in December 2007 and the Maldives in January 2011.

(b) agriculture, food security and rural development; (c) trade; and (d) commodities. The emphasis of the IPoA on the development of productive capacities in LDCs is more than warranted. The main challenge, therefore, is how the IPoA can be implemented in the next 10 years with more vigour and commitment.

The IPoA was endorsed by the General Assembly Resolution 65/171 dated 17 June 2011 and called upon all stakeholders – specialized agencies and institutions, donors, private sector, experts from the civil society, academia etc – to commit to implementing the charter by 2020.

Cognisant that a prosperous future for the world's poorest nations hinged on continued support for building their productive capacities, improving their access to technology and integrating into their national development plans the Istanbul Programme of Action, which aimed to see at least half of those countries graduate from their "least developed" status by 2030, UNIDO has been in the forefront of assisting LDCs to build their productive capacity. Subsequent to the Istanbul conference, the high level ministerial conference held seven months later in Vienna adopted the UNIDO LDC Strategy and Operational Plan 2012-2020 which is expected to support the implementation of the common LDC decennial programme.

The UNIDO LDC Strategy is a holistic approach to development and it is articulated around concrete solutions that would lead to inclusive growth, sustainable industrial development and, ultimately, structural transformation of the LDCs' economies. It is anticipated that UNIDO operations under this Strategy will enable the countries to promote sustainable sources of income and employment through productive capacities. The implementation of the UNIDO LDC Strategy rests on the formulation and development of national and regional programmes and projects, bearing in mind three core pillars: (a) the conversion of commodities into products; (b) the focus on communities; and (c) the regional dimension for value chain development.

Within the context of the post-2015 development agenda and at a time of growing concerns about prospects for resource mobilization, the strategy will exploit the complementary and increasing potentialities of the BRICS (Brazil, Russian Federation, India, China and South Africa) and the other emerging donors in the South-South multilateral cooperation framework. These countries illustrate the general understanding that industrialization is a condition for economic development. Their global share of world GDP increased from 15 per cent in 1989 to 25 per cent in 2010.

In line with the UNIDO LDC Ministerial Conference on the theme "From the Istanbul Programme of Action to the world we want in 2015 and beyond: Implementing the UNIDO operational strategy", to be held in Lima, Peru, from 30 November to 1 December 2013 and the fifth of the high-level platforms provided by UNIDO to LDC Member States and stakeholders to focus on their industrial development issues, this background paper evaluates the industrial development status of countries that have substantially been left behind – the 49 "least developed countries" – and assesses the extent to which the UNIDO LDC Operational Strategy can be effectively implemented by 2015 and beyond. It is structured as follows:

The rest of the paper is structured as follows: section 2 offers a brief discourse on the productive capacity in LDCs and the post-2015 development agenda, while section 3 discusses industrialization in the LDCs. Also, while section 4 focuses on effective implementation of the UNIDO LDC operational strategy by 2015 and beyond, section 5 highlights the elements of the South-South Industrial Cooperation. In section 6 the paper examines the BRICS Development Scheme as a way forward towards graduation. Finally, while section 7 looks at the role LDC women play in converting commodities into products, the paper draws its conclusion in section 8.

2. Productive Capacity in LDCs and the Post-2015 Development Agenda

Negotiations on the shape a post-2015 development agenda are in full swing. As we rapidly approach the deadline for the MDGs, national governments and the international development community are preoccupied with generating the final push for attaining the MDGs and determining the shape and contour of a Post-2015 development framework in the light of lessons learned from the MDG experience and the key development challenges that have emerged in recent years.

There is an emerging consensus that the post-2015 agenda should go beyond social objectives to embrace a truly dynamic transformative agenda for sustainable and equitable development. As the various regional consultations and the Report of the High Level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP) have shown, the new global framework must place due emphasis on goals and targets concerning gainful employment from productive capacity development. The overarching priority is for an economic transformative agenda that promotes sustainable and inclusive growth, underpinned by human development, technological adaptation and innovation.

The post-2015 global development agenda will arrive in a dramatically altered landscape where emerging economies are accounting for an increasing share of global trade and investment flows compared to the time of the inception of MDGs. These changes are being shaped by shifts in global value chains (GVCs) and production networks (GPNs), with Asia having emerged as a manufacturing hub. This evolving global context presents both opportunities and challenges for marginalized and vulnerable economies. However, LICs and LDCs currently face a number of economic challenges, which can limit their ability to both tap into and leverage these more dynamic forms of trade and investment flows for development. The post-2015 agenda needs to engage with these shifts and leverage potential new opportunities, whilst at the same time addressing risks of exclusion. In this context, it is generally agreed that a key strategy towards building the internal resilience of LDCs is for them to strengthen their productive capacity.

The moderate progress made towards achieving the goals and targets of the Istanbul Programme of Action and the growing challenges faced by the least developed countries underline the need to give due priority to these countries. This is not only a moral imperative but also a means to promote a stable and peaceful global order.

Moving forward, productive capacity-building[3] for the LDCs will be central to driving economic structural transformation, social and human development, and environmental sustainability. Indeed, a major cause of the growing global divergence among and within countries relates to differences in productive capacity across countries and groups. To accelerate growth and development in the LDCs, and to attain a more balanced global economic system, it is critically important to design strategies for increasing productive capacity in these countries as well as frameworks for measuring and monitoring progress as part of the 2015 development framework. Progress in structural transformation will not only reduce the exposure of these countries to shocks but enable them to sustain a growth rate of at least 7 per cent per annum and meet the criteria for graduation by 2020.

[3]Building productive capacity in LDCs has been a preoccupation of the decennial programmes so far unveiled to support LDCs development and structural transformation. The Brussels Programme included for the first time, as a stand-alone commitment in an internationally agreed development policy framework, the notion of "productive capacities" for the LDCs. Productive capacity is not only the first priority area of the IPoA but also a cross-cutting issue in all other priority areas.

3. Industrialization in LDCs

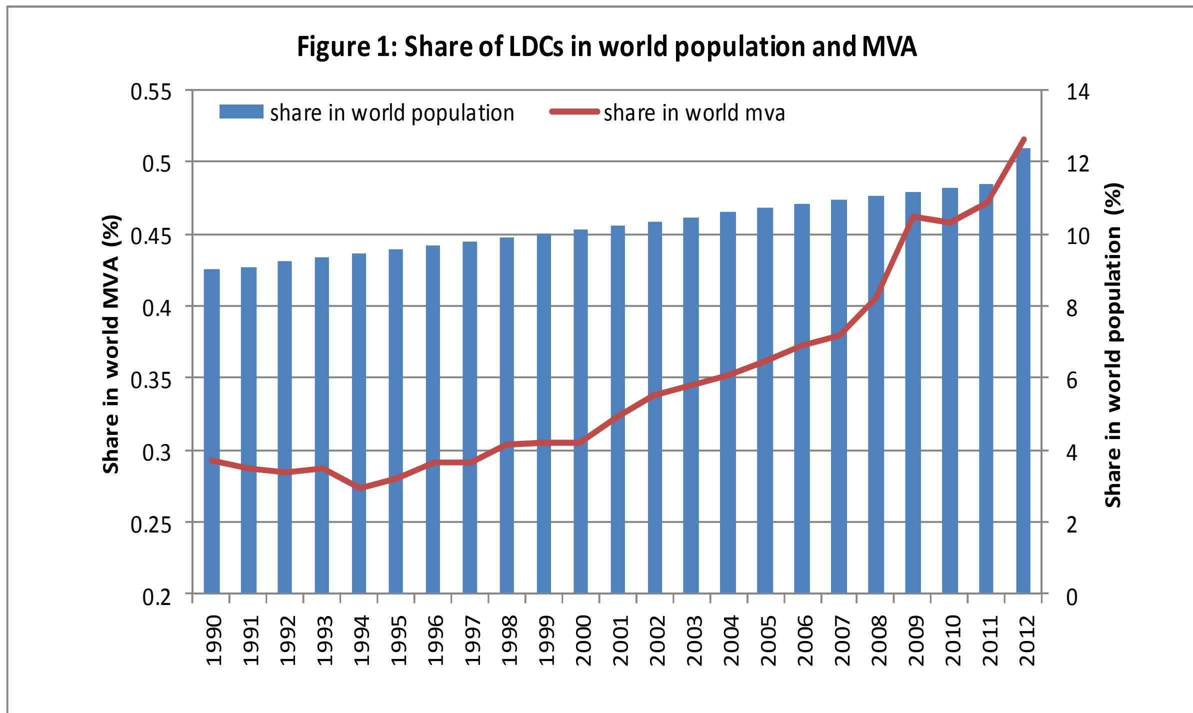
Industrialization is fundamental to economic development. Only in circumstances such as extraordinary abundance of land or resources have countries succeeded in developing without industrializing. Industrial growth has been accelerating in developing countries over the past 30 years. The East Asian economies have transformed themselves into industrial powerhouses within a generation, and the unprecedented pace of industrialization in the BRICS has lifted millions out of poverty.

Despite the overwhelming evidence of manufacturing success in developing countries, a substantial part of the world mostly the LDCs remains at risk of failing to establish a vibrant, competitive industrial economy. Moreover, it is increasingly becoming more difficult than ever for the poorer developing countries to foster industrial development and structural change as they face a more complex, and daunting set of circumstances than the developing countries that embarked on industrialization in the 1960s. New challenges that have arisen include the shrinking of policy space in the present international order; the rise of the Asian driver economies; how to deal with jobless growth in manufacturing; and how to respond to the threats of global warming and climate change. At the same time, new opportunities are provided by resource-based industrialization; the accelerating pace of technological change in manufacturing; integration into global value chains; and opportunities provided by South-South Cooperation and the rise of the BRICS. In what follows, we appraise the state of industrialization in the LDCs.[4]

3.1. State of Industry in LDCs

The industrial sector is well below its potential in many least developing countries. While several LDCs, Asian countries in particular, have embarked on the path of industrialization, others, mainly African LDCs, are witnessing rapid de-industrialization. In 2012, the share of LDCs' population to world population was 12.36 per cent but they contributed a meagre 0.52 per cent of World Manufacturing Value Added (MVA) as shown in Figure 1. This corresponds to only 3 per cent of China's MVA or 99 per cent of South Africa's MVA.

[4] The analysis is for the 48[4] LDCs as there is no data for Southern Sudan. It draws from the excellent study by Amadou Boly on Industrial Development in Least Developing Countries, UNIDO Working Paper 5/2012.

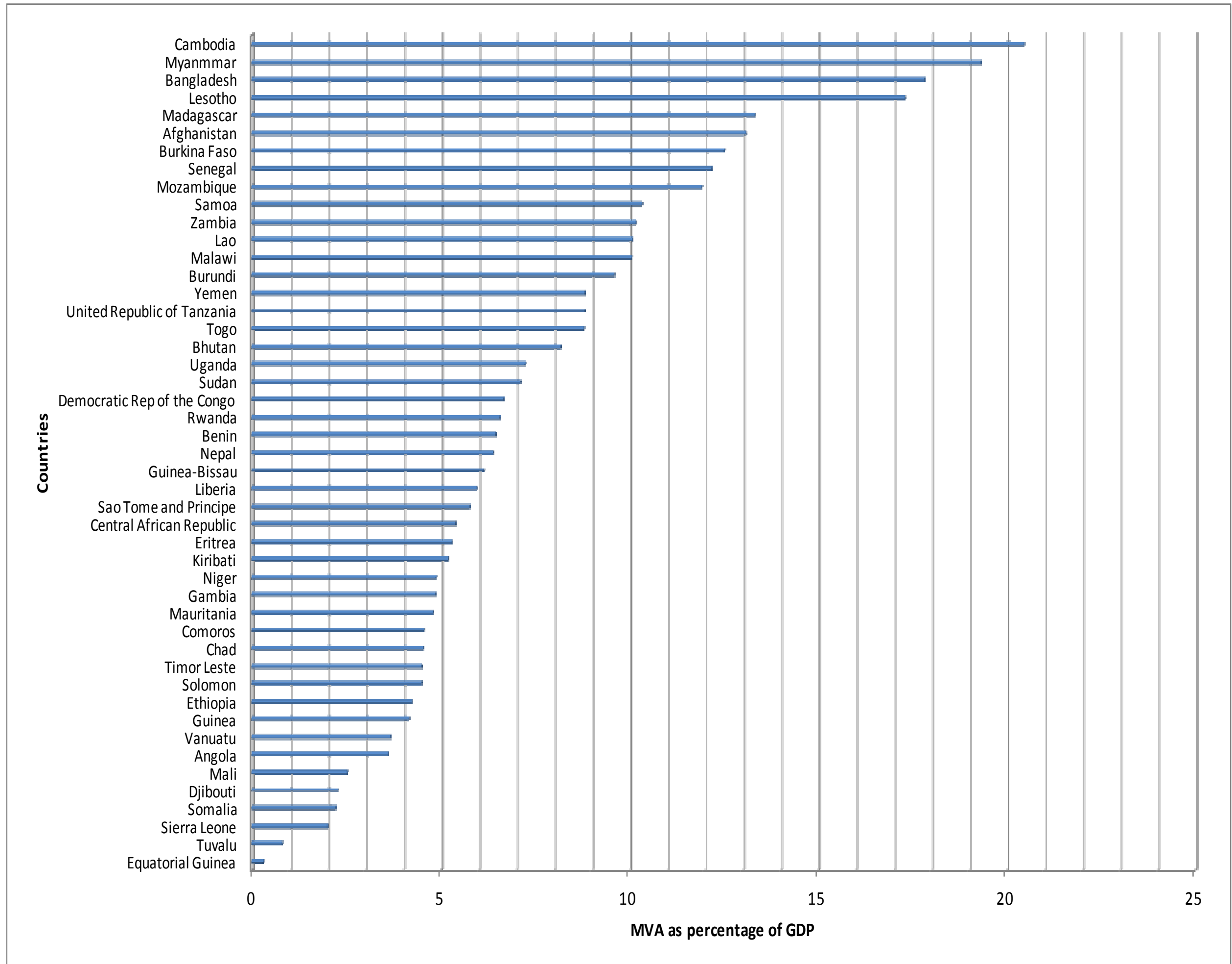


Source: UNIDO (2013)

Manufacturing, as a share of GDP for LDCs as a group, was only 9.99 per cent in 2012. This was far lower than the global average of 16.7 per cent, 23 per cent in Asia and Pacific and 15 per cent in Latin America (Table 1). In regional terms, African LDCs had the lowest percentage share of manufacturing in GDP (6.44 per cent), followed by the Americas where there is only one LDC- Haiti (8.85 per cent) and Asia and the Pacific (16.49 per cent).

There was no country where manufacturing as a share of (GDP) exceeded 25 per cent – the benchmark for considering a country as having achieved critical threshold of industrial take-off. It ranges from 0.3 per cent in Equatorial Guinea to 20.46 per cent in Cambodia. MVA as a proportion of GDP is still less than 10 per cent in 35 countries as shown in Figure 2 and Table 1.

Figure 2: MVA as a Percentage of GDP in LDCs (2012)



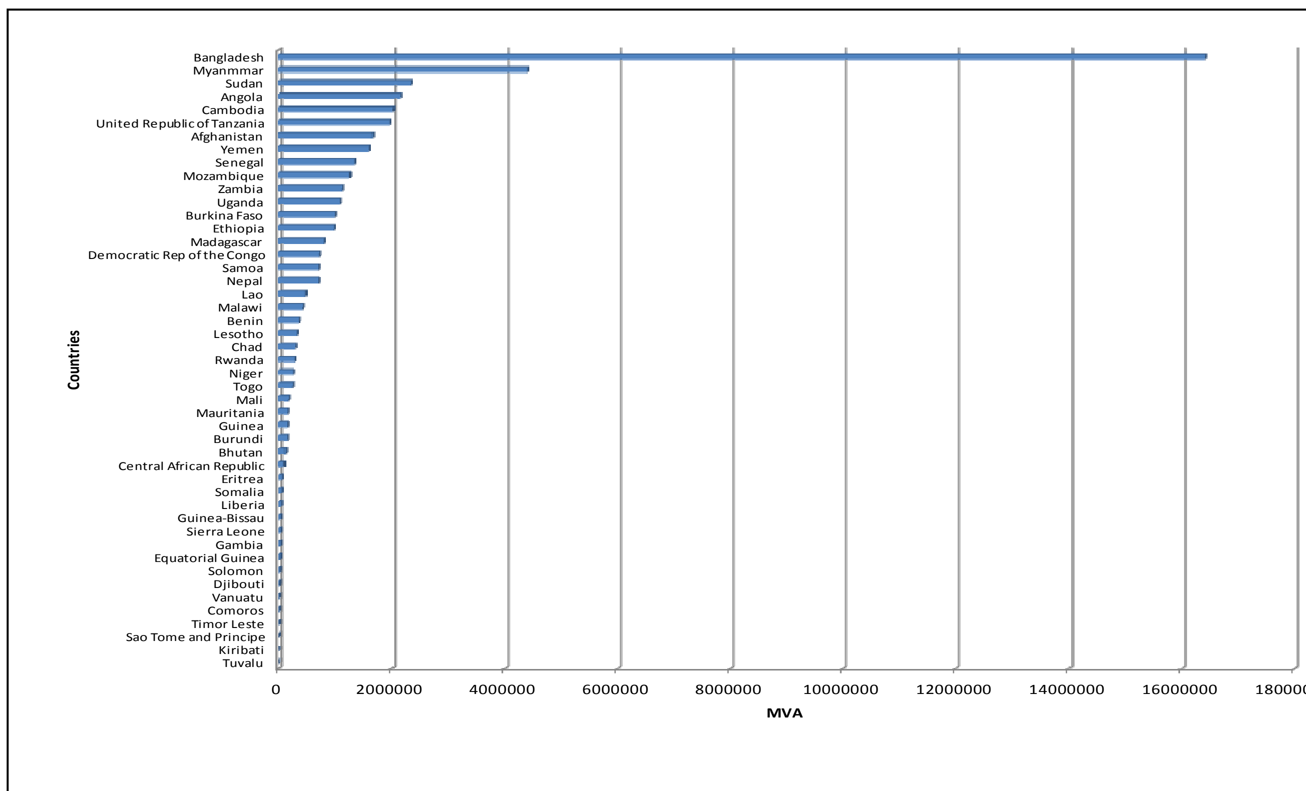
Source: UNIDO 2013

Table 1: Industrial Indicators for LDCs (2012)

Country	MVA (2012)	MVA per capita					MVA (% of GDP) 2012	World % 2012	LDC % 2012
		2000	2005	2010	2011	2012			
Africa									
Angola	2,150,435.63	50.55	65.55	97.61	101.33	106.65	3.61	0.02	4.68
Benin	362,930.47	41.84	42.19	39.75	39.30	38.81	6.46	0	0.79
Burkina Faso	990,636.44	38.54	53.92	56.25	56.80	56.67	12.52	0.01	2.15
Burundi	145,134.47	18.74	18.31	16.05	16.30	16.59	9.61	0	0.32
Central African Republic	90,385.87	26.30	23.74	19.03	19.30	19.75	5.40	0	0.2
Chad	293,322.61	22.58	27.96	25.38	25.01	24.79	4.54	0	0.64
Comoros	19,723.60	27.22	26.21	25.64	25.53	25.52	4.56	0	0.04
Democratic Rep of the Congo	720,869.66	7.85	7.96	9.14	9.71	10.36	6.67	0.01	1.57
Djibouti	22,496.21	19.07	20.18	23.25	23.76	24.37	2.27	0	0.05
Equatorial Guinea	38,264.19	8.12	18.15	45.24	48.35	51.71	0.30	0	0.08
Eritrea	64,904.42	27.42	15.68	10.74	11.22	11.63	5.29	0	0.14
Ethiopia	980,024.40	6.49	7.29	10.33	10.83	11.32	4.23	0.01	2.13
Gambia	41,479.50	260.11	252.58	267.31	281.27	27.93	4.87	0	0.09
Guinea	148,146.34	11.89	12.31	13.64	13.90	14.13	4.16	0	0.32
Guinea-Bissau	41,762.04	22.01	30.12	28.26	28.65	26.43	6.14	0	0.09
Lesotho	324,195.42	71.68	118.00	127.69	137.20	146.23	17.31	0	0.71
Liberia	56,321.54	9.54	10.34	13.06	13.08	13.27	5.95	0	0.12
Madagascar	807,258.68	36.82	35.78	37.73	37.24	36.81	13.33	0.01	1.76
Malawi	432,473.82	27.21	17.96	27.44	27.34	27.23	10.06	0	0.94
Mali	167,021.77	11.34	11.84	9.48	9.53	10.23	2.52	0	0.36
Mauritania	148,964.95	76.90	66.25	41.84	41.46	41.12	4.80	0	0.32
Mozambique	1,251,873.34	25.60	44.48	44.82	47.82	51.15	11.92	0.01	2.72
Niger	247,684.12	16.53	15.94	15.29	14.98	14.88	4.88	0	0.54
Rwanda	283,374.82	14.26	19.72	23.18	24.24	25.14	6.57	0	0.62
Sao Tome and Principe	9,651.46	40.93	47.40	54.20	55.05	56.11	5.77	0	0.02
Senegal	1,338,570.98	103.81	105.60	101.75	101.77	102.12	12.18	0.02	2.91
Sierra Leone	41,661.43	7.09	6.55	6.30	6.09	6.80	2.00	0	0.09
Somalia	61,392.59	5.53	6.03	6.03	6.22	6.27	2.22	0	0.13
South Sudan	-	-	-	-	-	-	-	-	-
Sudan	2,352,669.56	56.11	57.83	71.15	69.90	63.25	7.12	0.03	5.12
Togo	239,257.29	33.69	33.41	34.99	36.46	38.08	8.80	0	0.52
Uganda	1,085,922.07	19.88	22.77	27.32	28.89	30.49	7.24	0.01	2.36
United Republic of Tanzania	1,971,163.10	22.40	28.95	37.88	39.57	41.36	8.82	0.02	4.29
Zambia	1,130,196.62	59.02	67.05	76.78	79.12	81.40	10.17	0.01	2.46
Total, Africa	18,060,169.41	26.07	28.88	31.93	32.57	33.66	6.44	0.2	39.28
Asia and the Pacific									
Afghanistan	1,658,471.49	23.44	37.61	47.61	48.72	49.66	13.09	0.02	3.61
Bangladesh	16,407,020.23	53.00	68.00	95.18	101.36	107.65	17.83	0.18	35.68
Bhutan	116,638.77	74.64	88.46	136.79	141.56	155.52	8.19	0	0.25
Cambodia	2,027,509.90	47.11	83.88	114.39	126.95	140.04	20.46	0.02	4.41
Kiribati	6,054.31	50.17	50.81	58.50	58.91	58.78	5.20	0	0.01
Lao	474,829.98	28.41	44.60	63.98	69.08	74.49	10.09	0.01	1.03
Myanmmar	4,394,982.17	13.56	32.97	79.74	84.22	90.20	19.32	0.05	9.56
Nepal	702,039.75	24.67	22.69	21.83	22.07	22.64	6.39	0.01	1.53
Samoa	46,126.22	284.84	359.93	260.39	256.07	249.33	10.34	0	0.1
Solomon	29,757.33	79.60	49.02	50.81	52.36	52.57	4.50	0	0.06
Timor Leste	15,560.84	11.04	11.68	11.33	12.24	13.11	1.84	0	0.03
Tuvalu	211.99	20.12	18.02	22.00	21.59	21.20	0.80	0	0
Vanuatu	19,728.82	90.67	73.23	81.55	79.85	78.29	3.68	0	0.04
Yemen	1,602,957.48	52.58	57.86	61.35	62.08	62.69	8.82	0.02	3.49
Total, Asia and the Pacific	27,501,889.27	39.96	54.33	77.98	82.48	89.48	16.49	0.31	59.81
Americas									
Haiti	420,780.64	47.44	44.41	37.88	39.69	41.03	8.85	0	0.92
LDCS	45,982,839.32	32.36	39.65	50.31	52.36	53.35	9.99	0.52	100
BRICS	418,277,468.17								
Brazil	151,622,904.00	680.52	736.44	775.31	779.14	764.38	13.26	1.7	-
China	1,552,745,615.63	352.76	561.07	967.01	1062.55	1147.12	34.35	17.44	-
India	205,662,229.06	81.36	103.35	149.27	158.00	163.44	14.89	2.31	-
Russian Federation	135,138,318.82	607.52	832.85	867.22	908.84	946.99	13.76	1.52	-
South Africa	46,218,273.36	782.30	852.54	878.90	897.41	910.92	15.11	0.52	-
Regions									
North America	1,959,915,076.83	5291.22	5702.58	5500.09	5529.68	5590.37	13.25	22.01	-
Latin America	516,788,049.11	838.94	856.78	891.37	912.83	859.02	15.07	5.8	-
Asia & Pacific	3,811,507,105.32	564.26	681.36	844.20	871.97	912.28	23.01	42.8	-
Europe	2,483,933,716.15	2853.21	3054.51	3013.44	3080.20	3030.50	14.47	27.89	-
Africa	132,456,691.08	117.32	122.03	127.27	126.92	129.51	9.99	1.49	-
South Asia	258,270,164.79	78.83	101.06	140.80	148.58	153.97	15.35	2.9	-
World	8,904,600,638.49	1075.69	1174.07	1240.35	1264.17	1277.10	16.71	100	-

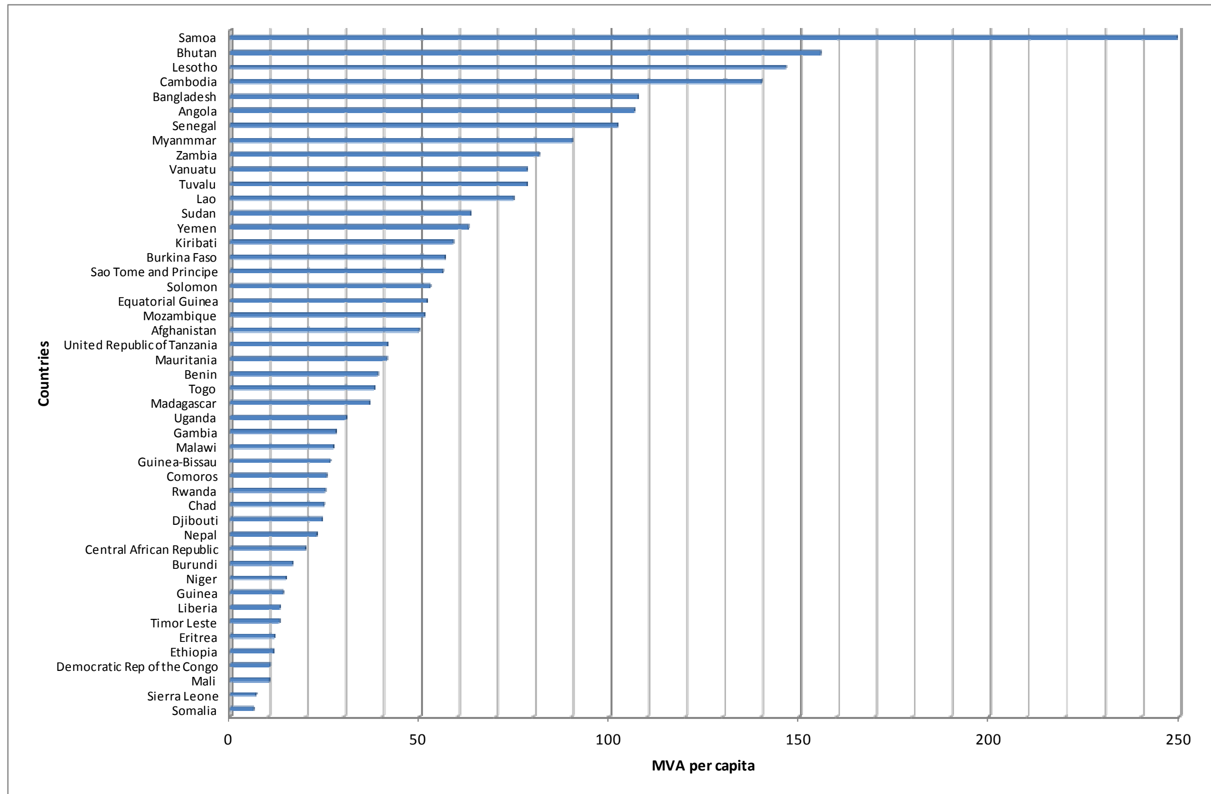
Distribution of manufacturing activity within the LDCs is highly skewed with just one country, Bangladesh, accounting for 35.68 per cent of total MVA in 2012, followed by Myanmar (9.56 per cent) and then Sudan (5.12 per cent) and Angola (4.68 per cent) (see Figure 3). Bangladesh is also the most populated LDC country accounting for 18 per cent of the total population of LDCs in 2012. Paradoxically, two SIDS in the South Pacific region, namely Kiribati and Tuvalu recorded the lowest industrial development in 2012. They had the least MVA perhaps because their small economies are far from major markets.

Figure 3: LDCs Ranked by MVA (2012)



In per capital terms, the MVA for the grouping in 2012 was only US$53. This is considerably low, compared to the African average of US$130 and Global Per capita MVA of US$1,277. It ranged from US$6.27 in Somalia to US$249 for Samoa. As shown in Figure 4, Samoa had the highest value for LDCs because of its relatively small population of 185, 000 in 2012. It was closely followed by Bhutan, Lesotho Cambodia, Bangladesh and Angola, making the list of the top 6 MVA per capita contributors for LDCs. In terms of regional performance, Sub-Saharan LDCs have continued to weigh down average MVA per capita for LDCs with only US$34 in 2012. Countries with the least per capita MVA included Eritrea, Ethiopia, DR Congo, Mali, Sierra Leone and Somalia. On the other hand, Asian and Pacific LDCs have maintained the highest contributions, especially South East Asian LDCs with an average per capita of US$99 in 2012. Although Asian LDCs only make up 14 out of the 49 LDCs, their MVA per capita was recorded as US$87 in 2012 compared to African LDCs' at US$34.

Figure 4: LDCs Ranked by MVA per Capita (2012)



Geographically, two groups of countries face specific challenges. The lack of access to the seas, remoteness from major world markets and increased transport costs impose additional constraints on the economic development of landlocked LDCs; while (SIDS) are characerized by the small size of the countries' economy, which prevents the exploitation of scale economies. SIDS are typically also remote from major markets and are more vulnerable to environmental disasters. These vulnerable countries experienced very low industrial growth in 2012, especially Asian and the Pacific LDCs where disindustrialization occured. MVA share of GDP for Asia and the Pacific fell from 6.8 per cent in 2000 to 4.46 per cent in 2012. (Table 2).

Although coastal countries in Africa have continued to witness slow rate of growth in MVA, they did, in fact, commence slow recovery from disindustrialization in 2011. For instance, Asia and the Pacific LDCs grew their industrial MVA share to 17.1 in 2012. Also, landlocked LDCs in both Africa and Asia recorded a very slow growth in MVA share in GDP, emphasizing the debilitating effect of the lack of sea access.

Table 2: Share of MVA in GDP of LDCs

YEAR	LLDCs			COASTAL			SIDS		
	All	Africa	Asia and the Pacific	All	Africa	Asia and the Pacific	All	Africa & Haiti	Asia and the Pacific
2000	8.35	7.68	10.62	9.7	7.26	12.77	8.23	8.68	6.8
2005	8.19	7.4	10.65	9.82	6.58	14.07	8.54	9.19	6.65
2010	7.65	6.89	9.89	10.24	6	16.06	7.15	8.11	4.87
2011	7.67	6.93	9.89	10.58	6.1	16.67	7.1	8.14	4.67
2012	7.68	6.93	9.91	10.89	6.22	17.1	7.03	8.15	4.46

Source: UNIDO World Industrial Data (2013)

2.2 State of Manufacturing Exports in LDCs

Although trade can play a powerful role in LDCs' development, its potential may not be fully realized as long as LDCs rely on commodities as their primary export products. The product structure of the LDCs' total exports tilted overwhelmingly towards merchandise, which reached USUS$203.8 billion in 2011, amounting to 87 per cent of the total. Primary commodities continued to account for close to 70 per cent of total merchandise exports. An increased share of merchandise owed much to the export prices of primary commodities, which rebounded significantly in 2011, posting a 29.1 per cent increase and offsetting the 3 per cent decline in export volume. By contrast, the share of manufactured goods in total exports dropped to 20 per cent, largely driven by the relative decline of clothing. The same held true for services, whose share stood at 9 per cent of the total (WTO, 2012). In sum, LDCs' dependence on primary commodities increased, making them more vulnerable to fluctuations in commodity markets.

Total trade flows were not uniformly distributed across the LDCs. Angola, Equatorial Guinea, Myanmar and Sudan, which export hydrocarbons; Ethiopia, which exports agricultural and manufacturing products; Zambia, which exports minerals; and Bangladesh and Cambodia, which export manufacturing products, accounted for 87 per cent of total exports. This left only 13 per cent for the remaining 40 LDCs. African LDCs recorded higher contributions for the period with 0.86 per cent export output to world total exports with 84.2 per cent primary commodities component.

Asia and the Pacific LDCs accounted for 0.32 per cent of world total exports, with an associated primary commodities component of 38.38 per cent (Table 3). Angola (0.36 per cent), Ethiopia (0.092 per cent), Equatorial Guinea (0.074 per cent) and Sudan (0.051 per cent) recorded the highest percentage of world total exports in Africa. Their Asian counterparts include Bangladesh (0.13 per cent), Yemen (0.064 per cent) and Myanmar (0.058 per cent). Changes in trade destinations that started during the last decade were sustained. The largest market for LDC exports is no longer developed countries, but has become developing countries, whose share jumped from 40 per cent in 2000 to 52 per cent in 2011. Much of the growing share of developing countries reflected stronger trade links with China, which absorbed 22 per cent of LDC merchandise exports.

Table 3 : Export Trade and Commodity Components for LDCs

	Percentage of exports in world total exports				Exports of primary commodities, percentage of total exports				
	2001	2005	2010	2011	2001	2005	2009/10	2010	2011
Africa									
Angola	0.1055	0.2297	0.3322	0.3598	89.5	97.1	-	99	98.2
Benin	0.006	0.0055	0.0091	0.0099	43	42.3	-	26.7	26.7
Burkina Faso	0.0036	0.0045	0.0085	0.0099	87	-	90.9	28.5	28.5
Burundi	0.0006	0.0006	0.0007	0.0008	92.1	89.6	93.8	91.6	83.5
Central African Republic	0.0023	0.0012	0.0009	0.0009	26.6	53.9	-	-	-
Chad	0.0031	0.0294	0.023	0.0258	-	-	-	-	-
Comoros	0.0003	0.0001	0.0001	0.0001	43.4	-	-	-	-
Democratic Republic of the Congo	0.0142	0.0229	0.0348	0.0362	-	-	-	-	-
Djibouti	0.0005	0.0004	0.0006	0.0005	-	-	7.2	-	-
Equatorial Guinea	0.028	0.0673	0.065	0.0741	-	-	-	-	-
Eritrea	0.0003	0.0001	0.0001	0.0022	63.3	-	-	-	-
Ethiopia	0.0649	0.0735	0.0762	0.0921	75.7	92	90	82.3	85.3
Gambia	0.0002	0.0001	0.0002	0.0002	58.5	52.8	61	89	41.6
Guinea	0.0118	0.0081	0.0097	0.0096	44.7	71.1	-	61.4	61.4
Guinea-Bissau	0.001	0.0009	0.0008	0.0013	-	-	-	-	-
Lesotho	0.0045	0.0062	0.0058	0.006	17.3	6.3	-	5.1	-
Liberia	0.0021	0.0013	0.0015	0.0016	-	-	-	-	-
Madagascar	0.015	0.0081	0.007	0.0087	51.1	43.7	46	40.66	40.7
Malawi	0.0073	0.0048	0.007	0.0068	88	81.3	91	90.92	89.5
Mali	0.0117	0.0105	0.0131	0.0135	24.8	30.3	78	15.54	15.5
Mauritania	0.0057	0.006	0.0136	0.0147	80.8	83.1	88	87.48	68.7
Mozambique	0.0114	0.017	0.019	0.0198	89.7	91.5	94	71.94	70.3
Niger	0.0044	0.0047	0.0068	0.0069	86.3	53.3	85	33.74	66.2
Rwanda	0.0014	0.0012	0.0017	0.0021	63.2	86.1	92	71.73	76.8
Sao Tome and Pincipe	0	0.0001	0.0001	0.0001	98.1	47.9	-	55.29	55.3
Senegal	0.0162	0.015	0.0142	0.014	55.5	51.1	60	54.13	50.4
Sierra Leone	0.0005	0.0015	0.0022	0.0021	-	-	-	-	-
Somalia	-	-	-	-	-	-	-	-	-
South Sudan	-	-	-	-	-	-	-	-	-
Sudan	0.0274	0.046	0.0749	0.0508	98.7	88.4	99	93.9	93.8
Togo	0.0058	0.0063	0.0053	0.006	31	22.8	26	33.6	37.4
Uganda	0.0073	0.0077	0.0106	0.0121	82.9	75.5	77	67.1	67.1
United Republic of Tanzania	0.0138	0.016	0.0282	0.0276	54.6	55.5	76	52	44.1
Zambia	0.016	0.0172	0.0473	0.0485	78.5	82.3	93	90	90.1
Average, Africa	0.3927	0.6137	0.8201	0.8647	74.8	84.2	78	85.32	84.2
Asia and the Pacific									
Afghanistan	0.0011	0.0037	0.0026	0.0019	-	-	-	-	-
Bangladesh	0.0982	0.0886	0.126	0.1342	6.4	8.7	-	6.6	6.2
Bhutan	0.0017	0.0025	0.0042	0.0034	-	50.2	30.5	19.7	22.2
Cambodia	0.0242	0.0295	0.0338	0.0382	3.5	2.4	3.8	4.2	5
Kiribati	0.0001	0	0.0001	0.0001	-	71	-	-	-
Lao People's Democratic Republic	0.0052	0.0053	0.0115	0.0132	-	-	-	-	-
Myanmar	0.0385	0.0363	0.0575	0.0577	-	-	-	60.7	75.8
Nepal	0.0119	0.0082	0.0056	0.0052	-	20.5	27.7	27	25.4
Samoa	0.001	0.0008	0.0004	0.0003	32.8	23.3	21.7	21.8	32.6
Solomon Islands	0.0008	0.001	0.0015	0.0022	-	66.9	-	95	95.1
Timor-Leste	-	0.0001	0.0001	0.0001	-	-	-	-	-
Tuvalu	0	0	0	0	-	-	-	-	-
Vanuatu	0.0003	0.0004	0.0003	0.0004	-	-	-	-	-
Yemen	0.0545	0.0534	0.0552	0.0643	91.1	96.8	98.3	95.8	95.78
Average, Asia and the Pacific	0.2375	0.2296	0.2986	0.321	32.1	34.8	16.8	35.6	38.38
Americas									
Haiti	0.0044	0.0045	0.0038	0.0042	9.2	7	-	14.3	3.6
Average, all LDCs	0.6346	0.8479	1.1226	1.1899	58	68.69	67.2	69.6	69.5

Source: UN-OHRLLS Report (2013)

3.3. Meeting BRICs Average MVA by LDCs

Although LDCs' industrial growth rate has consistently increased over the last decade, its real industrial base remains negligible. The BRICS (Brazil, Russia, India, China and South Africa), on the other hand, are emerging as a formidable force in the increasing multipolar world. In particular, they have been characterized by rapid economic growth and industrialization in the last decade.

Table 3 presents the results of our projections of how long it will take the LDCs to reach the average MVA of BRICs using the 5-year annualized MVA per capita growth rate of LDCs.

Table 1: Number of years required for LDCs to achieve BRICS Average MVA (2012)

LDCs	5-yr Compound Annual Growth Rate 2007/2012 (%)	Number of years to achieve BRICS 2012 MVA average (US$418,277,468.17)	
		Actual 5-yr Compound Annual Growth Rate	Hypothetical Compound Annual Growth Rate (10%)
Africa			
Angola	3.73	51	20
Benin	-0.25	-	30
Burkina Faso	1.04	242	26
Burundi	-2.55	-	39
Central African Republic	-5.35	-	37
Chad	-0.48	-	35
Comoros	0.5	663	35
Democratic Rep of the Congo	3.39	126	44
Djibouti	3.15	108	35
Equatorial Guinea	5.42	49	27
Eritrea	-0.7	-	43
Ethiopia	6.3	67	43
Gambia	-4.22	-	36
Guinea	1.32	297	41
Guinea-Bissau	-0.95	-	34
Lesotho	2.66	59	16
Liberia	-0.72	-	42
Madagascar	-0.9	-	31
Malawi	3.22	102	34
Mali	-2.67	-	44
Mauritania	-0.75	-	30
Mozambique	2.62	101	27
Niger	-0.49	-	40
Rwanda	3.32	102	35
Sao Tome and Principe	2.3	111	26
Senegal	0.01	19353	20
Sierra Leone	-0.83	-	49
Somalia	1.02	464	49
South Sudan	-	-	-
Sudan	-	-	-
Togo	1.09	268	30
Uganda	4.74	68	33
United Republic of Tanzania	5.08	57	30
Zambia	3.23	68	23
African LDCs	2.06	149	32
Asian and the Pacific			
Afghanistan	4.56	59	28
Bangladesh	5.93	32	20
Bhutan	5.69	27	16
Cambodia	5.97	28	17
Kiribati	-1.33	-	26
Lao People's Dem Rep	5.93	39	23
Myanmar	13.38	16	21
Nepal	-0.16	-	36
Samoa	-6.81	-	11
Solomon Islands	1.31	198	27
Timor-Leste	8.7	48	42
Tuvalu	3.3	108	37
Vanuatu	1.79	123	23
Yemen	0.8	302	25
Asian and the Pacific LDCs	6.19	35	22
Americas			
Haiti	-1.73	-	30
LDCs	4.23	62	27

Source: Estimated by author based on UNIDO Data (2013)

We estimate that following its present 5-year annualized MVA per capita growth rate of 4.23 per cent, it would take about 62 years for a typical LDC to reach the average MVA per capita of BRICS. This gap reduces substantially to 27 years assuming an even higher growth rate of 10 per cent is attained as a result of orderly implementation of the UNIDO Strategy by LDCs.

However, these aggregate growth rates mask differences between regions and countries. Nonetheless, it would take African LDCs 129 years and Asia and the Pacific 35 years at their current regional growth rates to reach the level of the BRICS nations. The number of years required for LDCs to achieve the different targets at actual and hypothetical growth rates is presented in Table 1.3.

The countries with the greatest chances of closing the gap between LDCs and BRICs nations under the business as usual scenario are Myanmar (16 years), Bhutan (27 years), Bangladesh (32 years), Equatorial Guinea (68 years) and Ethiopia (73 years). In contrast, the least prospective countries to reach BRICS include Mali (2,376), Guinea-Bissau (820), Sierra Leone (658 years), Mauritania (482 years) and Kiribati (3.986 years).

4. Effective implementation of the UNIDO LDC Operational Strategy by 2015 and beyond

4.1. Summary of the UNIDO LDC Operational Strategy

The UNIDO Least Developed Countries (LDC) Strategy and Operational Plan, 2012-2020, was adopted by the fourth LDC Ministerial Conference convened in Vienna on 25 November 2011. The plan within the priorities of the IPoA reflects UNIDO's sustainable industrial development agenda for LDCs into the next decade. UNIDO's overarching goal is to enable LDCs to promote sustainable sources of income and employment through productive capacities – leading to inclusive growth, development and graduation from their current status. The strategy is centred on three pillars: converting commodities into products, empowering rural communities in the development process, and thinking globally and acting regionally for value chain development across borders. A special focus on gender and social inclusion, especially of youth populations, will be addressed as cross-cutting issues.

Pillar I: Converting commodities into products

The first pillar relates directly to industry development: the transformation of raw materials, value addition and diversification as a means for wealth creation, employment generation and poverty alleviation in LDCs. Value addition to primary commodities is critical to climbing the ladder of development. A formidable challenge for LDCs is to convert commodities into products. Most LDCs are endowed with suitable climatic conditions and vast resources. Despite their huge reservoir of resources, many LDCs have failed to maximize the benefits of post-harvest value addition. A case in point is the coffee industry where up to 90 per cent of Africa's total income from the commodity, calculated as the average retail price of a pound of roasted and ground coffee, goes to consuming countries in Europe, North America and Asia, according to the Economic Commission for Africa's Economic Report on Africa (ERA 2013).

LDCs can only benefit maximally from their raw materials by adding value to them. The new ingredients that foster value chain development across borders include knowledge, skills, information, technology, investment, institutions and innovation. Knowledge and technology-based orientations will need to be organized for all stakeholders on the benefits of local value chain development.

The set of operational interventions that are needed relate to:

a. The establishment of an inventory of the modern industrial applications of promising products. The idea is to unveil viable avenues of replicating product-specific best practices, thereby reducing the distance to technological, processing, design and marketing frontiers;

b. Enhancing institutional capacity-building for assessing competitive performance analysis. The aim is to build a module to strengthen the capacity of support institutions to design, implement and monitor industrial policies, and thereby support the policy process rather than a specific outcome. The advantage is that UNIDO enhances government's ownership and management capacity by training civil servants, building a centralized information system and setting up teams using the existing institutional structure; and

c. Creating industrial growth poles and clusters as pockets of industrial dynamism.

Pillar II: Empowering rural communities in the development process

The struggle of LDCs to achieve rapid economic transformation is apt to be won or lost in the countryside as the vast majority live in rural areas with a lack of access to new sources of dynamic growth. The second pillar focuses on populations in rural areas, women, youth and urban communities yet to be integrated into the mainstream of the economy. It supports efforts to attract greater foreign direct investment (FDI) in LDCs, in particular by targeting the diaspora community as a source of funding and technology. Community-based development projects can make the difference on poverty reduction in rural areas. However, rural industrialization would certainly require the mastering of new skills and the absorption of new technologies to replicate best practices.

This is a long-gestating, costly and path-dependent process that cannot be taken up by the informal stakeholders. The state should play an active role through cost-sharing and joint actions towards building those capabilities.

The success of such projects depends largely on proper sensitization, target beneficiaries, local empowerment, measurable impact and sustainability. Two ways to improve rural livelihoods quickly and easily are: (a) enhanced agricultural productivity through the production of improved versions of agricultural machinery and tools; and (b) use of modern methods and tools for reducing post-harvest losses.

Energy availability will certainly play a role in this endeavour. Thus, UNIDO endorses applying energy primarily for productive use, with a special emphasis on renewable energies. Mini-hydro power plants and solar energy projects in off-grid communities provide two examples of such renewable energies that could be used.

Pillar 3: Strengthening the new industrial regional complementarities

The third pillar supports thinking globally and acting regionally for value chain development across borders. In the past, initiatives towards strengthening regional industrial complementarities failed to produce the expected results because of similar resource endowments. Today, industrial development is not driven by a given country's resource endowment alone. Rather, it is driven by technology, knowledge, skills, information and networking across borders. Therefore, LDCs should endeavour to strengthen those new regional industrial complementarities across borders. Knowledge, technology and investment flows across borders can contribute significantly to withstand collectively competitive pressures for efficiency gains.

An operational strategy towards regional industrial dynamism could encompass thinking globally and acting regionally to strengthen regional value chains; making an inventory of promising products for regional integration; promoting the geographical expansion of selected commodity belts through value addition; enhancing regional institutional capacity-building; and using the North-South corridor as a test case of new regional industrial dynamism and innovation systems.

Although the Operational Strategy centres on these three pillars, its programmes and projects remain tailor-made depending on the country or the region and address development issues specific to each situation. Table 5 presents synopsis of the LDCs operational strategy.

Table 5: UNIDO compact for LDCs

Strategic Objective	Operational interventions	Outputs	Target beneficiaries
Commodities	***Enhance institutional capacity-building for assessing competitive performance analysis to promote a development state***	***"Pockets of excellence" are created in influential government and private sector agencies and associations. LDCs develop regional and national industrial policies. Industrial observatories are created to centralize all industry related data in a given country.***	***Ministry of Industry Ministry of Planning and Economic Development Private sector agencies Private sector associations***
	Build technological capabilities, sequence the policy initiatives for knowledge- and technology-based entrepreneurship and reduce the cost of incremental innovation at the firm level	***LDCs strengthen their national systems of innovation. Demonstration centres in prompted products are established to drive knowledge acquisition and diffusion of technology for value addition. Effective entrepreneurship development curricula are developed, in particular in innovative sectors. National vocational training institutes are established.***	***Private sector agencies Private sector associations industrial technical centres vocational training centres SME incubators***
	Promote public-private partnership and supporting SME consortia for inter-firm technical collaboration and upgrading	***Public-private partnerships are promoted. Business Information centres, enabling vulnerable groups to be integrated in the modern economy through ICT, are created. Technological upgrading and effective transfer of technology programmes are implemented for SMEs.***	***Private sector associations LDC firms LDC most vulnerable groups: women and youth***
	Facilitate capital flows particularly into agro-industry	***Credit guarantee funds for agri-SMEs are promoted. Financial institutions capacities are reinforced***	***LDC firms***
	Promote South-South and triangular investment and technology flows	***South-South capabilities are utilized to develop new productive capacities.***	***Private sector agencies Private sector associations LDC firms***

Communities	***Strengthen factor conditions, especially energy for productive use***	***Renewable energy projects including in particular mini hydro-power plants, biomass projects and solar projects are developed***	***LDCs' most vulnerable groups (for productive use)***
	Spread FDI spillover on domestic capacity and capability-building and networking with tacit knowledge	***Brain-gain programmes are developed for LDCs' diaspora***	***Private sector agencies Private sector associations LDCs' diaspora***

Regional industrial infrastructure	***Establish an inventory of modern industrial applications of promising products for regional integration and establish value chains across borders***	***LDCs realize inventories of their resource-based industrial development potential. LDCs assess the distance to the technological, processing, design and marketing frontiers for their potential capabilities and disseminate pertinent knowledge accordingly. Intraregional industrial complementarities for value addition are promoted by LDCs through regional industrial industrial growth poles and clusters.***	***Regional economic communities (Africa and Asia) Ministry of Industry Ministry of Planning and Economic Development Private sector associations (national and regional)***
	Enhance trade capacity-building for selected products for climbing the ladder of value addition	***Regional industrial upgrading and quality are developed by RECs. The capabilities of national accreditation, standardization, quality and metrology bodies are enhanced. Technical support institutions are created to support industrial upgrading of LDC firms. LDC firms are upgraded.***	***RECs Regional private sector associations national accreditation, standardization, quality and metrology bodies SME technical support institutions LDC firms***

UNIDO, in collaboration with UN-OHRLLS, will provide guidance for the implementation of the plan to ensure that it is aligned with the IPOA. The following actions will be taken by the following stakeholders to ensure effective implementation of the strategy:

Action by UNIDO

- In cooperation with development partners, including regional economic commissions, UNIDO will develop regional and national programmes and projects in LDCs, aligned with the strategy.

- In delivering on the present Operational Strategy, UNIDO will continue to ensure that its development results targets are achieved. Management for development results, inter-agency coherence, along with the UN-OHRLLS roadmap, monitoring results and ensuring impact, and increasing efficiency in resource use, will be a critical part of the process.

Action by least developed countries

Each least developed country will translate policies and measures in the Operational Strategy into concrete measures by integrating this programme into the national and sectoral development strategies and plans.

Fund a proportion of projects and programmes to be executed as part of this strategy;

2. Action by development partners

- Provide enhanced financial and technical support to least developed countries in line with least developed countries' priorities;

- Support least developed countries in diversification and value addition by their firms to effectively participate in the global value chains;

- Implement on their part this Strategy by mainstreaming the provisions of the UNIDO Operational Strategy into the relevant national cooperation policy frameworks;

- Assist LDCs in monitoring and follow-up on the strategy.

4.3 Principles

Just like the IPoA, the following principles will guide the implementation of the Programme of Action, based on a strengthened framework of partnership for successfully achieving its objectives:

(a) **Country ownership and leadership.** The ownership of, leadership and primary responsibility for, the execution of the strategy lie with the least developed countries. Least developed countries have the right and responsibility to formulate and execute their own coherent blueprints based on their national priorities, including allocation of resources for the plan. Development partners should support least developed countries in the design and the implementation of their development strategies;

(b) **Genuine partnership** and solidarity with understanding and recognition that the least developed countries, as the most vulnerable group of countries, need effective national policies, enhanced global support and appropriate mechanisms at all levels for the achievement of the goals and objectives of this operational strategy;

(d) **Result orientation.** The success of the operational strategy will be judged by its contribution to the IPOA internationally agreed development goals and targets and enabling the least developed countries to graduate. The process of identification, monitoring and assessment of progress in implementing actions and realizing the goals and objectives of the Programme of Action will contribute to enhancing mutual accountability and effectiveness of development cooperation.

4.4. Implementation, follow-up and monitoring

Efficient follow-up and monitoring mechanisms at the national, regional and global levels are crucial for the successful implementation of this operational strategy. National, regional and global mechanisms should be mutually complementary and reinforcing. Necessary steps will be taken to ensure mutual accountability of least developed countries and their development partners for delivering their commitments undertaken under this plan.

National-level arrangements are particularly important, as the UNIDO Operating Strategy is owned and led by the least developed countries. At the national level, each least developed country Government should integrate the provisions of this strategy into its national policies and development framework and conduct regular reviews with the full involvement of all key stakeholders.

4.5. Funding

Supporting development in the world's poorest and most vulnerable countries is both an ethical and moral imperative. It is not simply a matter of providing charity to the LDCs but recognizing the important contributions they can provide to overcome many challenges on the international agenda. Assisting the LDCs to realise their development potentials is a win-win situation as it will increase supply and demand for the world economy leading to higher global economic growth and prosperity. Conversely, neglecting the LDCs could see more poverty and destitution, environmental degradation, uncontrolled immigration and an increase in acts of terrorism. A genuine partnership against poverty, a partnership for prosperity, is needed to unlock this huge potential.

Nonetheless, the LDCs Strategy can only be implemented if funding is secured. The UNIDO LDC Strategy 2012-2020 should be funded primarily through a dedicated LDC Trust Fund from voluntary contributions operated by UNIDO as reiterated in resolution (Item 17) endorsed on 28 November 2011 by the fifteenth session of the General Conference by LDC Ministers.

The expected sources of funding for the Trust Fund[5] are (i) Initial UNIDO seed money; (ii) Potential development partners from the South & BRICs; (iii) traditional donors; (iv) various development banks and financial institutions; and (v) private sector entities.

Donors should be invited to make contributions to this trust fund. These contributions may be limited to specific regions or purposes if so desired, for instance for technical and economic analysis and advice only. The trust fund and the activities financed there-from should be administered by UNIDO in accordance with its applicable regulations, rules and administrative instructions or directives.

5. South-South Industrial Cooperation

One of the key features of the last decade or so has been a rebalancing of the global economy and 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 the Southern

[5] See UNIDO (2013) for details on how the Trust Fund will operate.

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.

While South-South trade and capital flows are taking on a greater salience, 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.

South-South industrial cooperation[6] (SSIC) has many vectors such as investment, trade, financial flows, labour migration and remittances, technology transfer and development cooperation (aid). Furthermore, SSIC has an intra-continental dimension (e.g. within Latin America, Asia or Africa) and an inter-continental dimension (e.g. between Latin America and Africa). SSIC is much more holistic than the concept of Official Development Assistance (ODA) and the development cooperation vector is more a by-product than a driving force.

The actors in SSIC are the public and the private sector. Both undertake investments and trade with other Southern countries. The government does so often through their state-owned enterprises. In addition, the development cooperation vector falls mainly within the domain of the public sector as well. However, a large part of actual SSIC is attributed to private businesses. They engage on a day-to-day basis in SSIC by investing, trading, and financing, transferring technologies and moving labour from one Southern country to another.

There are two dimensions of the role of the private sector in SSIC.

- First, SSIC aims at developing the private sector in LDC themselves. This is commonly referred to as 'private sector development' (PSD). This issue is largely a concern for the public sector and development partners alike and achieved through technical cooperation.
- The second dimension is concerned with the private sector as a key actor contributing to industrial development in LDCs. Here the emphasis is on partnering and leveraging the private sector's resources (financial, technical, knowledge) for industrial development.

It is as much about having a strong and competitive domestic private sector with dynamic enterprises as it is to seek collaboration with businesses to address national and international development concerns.

The Istanbul Programme of Action (IPoA) refers to both dimensions. It acknowledges the critical role of PSD for development. LDCs should "continue promoting an enabling environment for private sector development including for small and medium-sized enterprises through a transparent and rule-based regulatory framework" (IPoA 2011). But the document also recognizes and calls upon the private sector to contribute to the achievement of development goals. The role of the private sector in the IPoA cuts across many thematic issues and development challenges. Among others, the private sector, through foreign direct investment (FDI), plays a complementary and catalytic role "in building and strengthening productive capacity as they lead to tangible and intangible benefits, including export growth, technology and skills transfer, employment generation and poverty eradication." (ibid.) However, the IPoA does not distinguish between Northern and Southern private sector actors and does not address the differentiated roles, benefits, and aims that may exist between the two.

6. BRICS Development Scheme as a way forward towards Graduation

The BRICS (Brazil, Russia, India, China and South Africa) are the world's leading emerging economies. They have been characterized by rapid economic growth and industrialization, especially in the last decade. Their role in the global economy has become increasingly important in the last few years as they transform from developing countries who are recipients of aid to significant donors of funds. The BRICS currently make up more than 40 per cent of the world's population and had a combined gross domestic product (GDP) of over US$15 trillion in 2011, more than one fifth of the global total. (UNECA, 2013). The BRICS have emerged as not only major recipients of

[6]See Issues Paper prepared by UNIDO

FDI but also important outward investors. Their outward FDI rose from $7 billion in 2000 to $145 billion in 2012, or 10 per cent of world flows (up from only 1 per cent in 2000). (UNCTAD, 2013).

Although the BRICS have not reached the level of industrialization that characterizes traditional donors and are still plagued by persistent inequality and poverty, the BRICS have started to disburse significant investment and foreign assistance funds to other developing countries. South Africa, for example, has become the leading economy in Africa, and as such, is expected to lead peace and security efforts, promote regional economic integration and fund development projects. Similarly, Brazil and India are beginning to exert influence on their less developed neighbours and China is becoming a major source of foreign direct investment in the developing world. These changes are giving rise to the so-called "South-South cooperation," which is not only modifying the relationship between developing countries but also that between developing and industrialized countries.

The complementary role of the BRICS as emerging donors in the South-South multilateral cooperation framework, as well as the available development solutions needs to be fully exploited in implementing the UNIDO Strategy and accelerating industrial development agenda, specifically at a time of growing concerns about prospects for resources mobilization and within the context of the post-2015 development agenda.

Although the experience are not uniform, the overall success of the BRICS in promoting inclusive growth, employment and structural transformation—helping to reduce poverty and inequality (though not in all cases)—provide some valuable lessons for LDCs seeking to graduate. The foundations for their success were building human capital and improving access to assets, investing in infrastructure with structural transformation and jobs in mind, and using well-designed social transfer programmes to address poverty and inequality and to prioritize inclusion.

Perhaps, their greatest impact on LDCs will emanate through three key channels: trade, investment and development assistance. Already, the impact of the BRICS is felt strongly, though variably, across Africa. Africa's trade with the BRICS, for example, has grown faster than the continent's trade with any other region in the world, doubling since 2007 to US$340 billion in 2012, and is projected to reach US$500 billion by 2015 (UNECA,2013)

Stronger industry—especially manufacturing—lies at the heart of structural transformation, as exemplified by the BRICS and other emerging economies, whose success (often export-driven) had foundations on building human capital and improving access to assets, investing in infrastructure with structural transformation and jobs in mind, and using well-designed social transfer programmes to address poverty and inequality (UNECA, 2013). However, these countries' very success cannot be replicated by LDCs, partly because this route to industrialization is now heavily restricted by the trade liberalization that has accompanied globalization, and new entrants have to compete not only with the industrialized world but also with other successful exporters. The intensely competitive global systems for manufactures are also encroaching on imports in domestic markets. This is seen in African countries where labour-intensive clothing production was stimulated by preferential trade access to the US and EU. After an initial burst in the first half of the 2000s, these sectors have sharply slowed and even saw declining export values, primarily owing to their having to compete.

LDCs-BRICS cooperation could lead to faster diffusion of productive ideas, innovation and adoption of new technologies and a more effective absorption of knowledge. LDCs needs to make its growth more resilient to external shocks and to create more jobs, and so must capitalize on its cooperation with the BRICS to develop sectors that have large multiplier effects, including manufacturing and agriculture (which, for example, should be linked to industry through agro-processing while avoiding the risk of being locked further into specializing in primary commodities which will crimp the strong productivity gains needed to sustain high growth and structural transformation.

7. Converting commodities into products: the role of women in LDCs

Commodities are inextricably linked to the development challenges of LDCs. The 'commodity problem' is often described as a combination of declining terms of trade (commodity prices rising less rapidly than those of manufactures) and price volatility. Producers therefore face the dual problem of low returns and high risks (Page and Hewitt, 2001).

In the last few years, the commodities issue has occupied centre stage due to the demand and supply uncertainties that often hamper commodity markets, resulting in price volatility, which has a direct impact on the country's financial stability. The impact is particularly pronounced on smaller and poorer countries that are dependent on a single or at most two commodities as the main source of income generation and trade. The emphasis on trade in primary commodities has come at the cost of industrial development which is the basic building block for economic development.

For a large number of commodity-dependent LDCs, the journey out of poverty is linked to the development of their commodity sector and to their successful transition up the production ladder hence the UNIDO Strategy emphasizes upgrading commodities as one of the three priority areas. Development of this sector also offers hope for reducing poverty, especially amongst marginalized groups like small farm producers and women who are statistically the global majority.

FAO (2011) estimated that, globally, women account for nearly half – 43 per cent– of the world's farmers, although their contribution to the agricultural labour force can be much higher – more than 60 per cent in some countries. They are also 20-30 per cent less productive than men, but not because they manage their farms less well, or work less hard**.** Women in LDCs face several formidable obstacles that hinder their ability to function optimally. Their work often takes place in least valued parts of a value chain e.g. as home-based workers or informal workers more generally. Women tend to be underpaid and their (informal) jobs are less secure. They are often less able to secure loans due to lack of collateral. In agricultural settings, women are often not visible while they do a large part of the farm-activities. Moreover, women-owned rural businesses tend to face many more constraints and receive far fewer services and support than those owned by men (Mayoux, 2010).

Failing to effectively harness the creativity and effort of at least half the population inevitably significantly undermines the potential for growth, with serious implications not only for women themselves but for household and national poverty reduction. Indeed, all policies in the agricultural sector need to be gender sensitive and take into account the particular needs of men and women. There is no one single way to achieve this, but with the political will to address gender inequality, policies can be shaped to ensure that discrimination against women ceases, that they have equal access to resources and that agricultural policies and programmes support them.

In converting commodities into products, women's social, economic and political empowerment can be enhanced when development interventions take into account not only their specific needs and interests, but also opportunities for increased production and participation in markets. Indeed, substantial improvements can be realized when women's interests and capacities are taken into account and when the diverse, yet complementary, roles of female and male farmers and entrepreneurs are acknowledged.

8. Conclusion

As indicated in the report, an assessment of progress in the implementation of the Istanbul Programme of Action during the two years following its adoption presents a mixed picture. While the least developed countries have made tangible progress in regard to many of the goals, the reality is a majority of them continues to suffer from pervasive poverty, rising inequality, a stagnant share of manufacturing in GDP, continued low, inability to generate decent jobs and continued vulnerability.

Increasing productive capacity is at the core of both the IPoA and the UNIDO Operational Strategy for LDCs. A weak productive sector and lack of economic diversification have led to a reliance on static engines of growth, constraints to efficient production and increased vulnerability to economic shocks. LDCs need to focus on dynamic value-added sectors such as agriculture, manufacturing and services, while diversifying their local productive and export capabilities.

The UNIDO LDC Strategy espoused in this paper contains a set of actions and interventions in order for the LDCs to graduate from their current status. Determined efforts are needed for translating the practical suggestions into deeds as part of the IPoA.

However, effective implementation of the strategy requires its mainstreaming into LDCs' national policies, as well as in the programmes of development partners. It remains, however, LDCs' primary responsibility to integrate the Strategy into their national and sectoral development frameworks in order to maintain ownership and leadership of their own development. The active engagement of civil society, private sector and parliaments in the implementation and follow-up process is also essential.

Responding to the challenges of building productive capacities in LDCs may also require an enhanced role for the state, in contrast to the generally deregulatory and market-based approaches of the 1980s and 90s. The challenge, however, is how to ensure that the state does not replicate past mistakes of too much direct engagement.

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