

»» More aid for the least developed countries: The 0.2 % target for LDCs

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1
One
Pager

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Various discussions on development issues last year repeatedly drew attention to the need to provide greater support for the Least Developed Countries (LDCs). This is to be achieved by donor countries setting at least 0.15 % to 0.20 % of their gross national income (GNI) aside for official development assistance (ODA) to LDCs.

LDCs have significant development needs

48 countries facing structural obstacles to development are now defined as LDCs, a category introduced by the UN in the early 1970s. These countries are characterised by low per capita income and a particularly poor standard of living (nutrition, health and education). In LDCs an average of 50 % of the population lives in extreme poverty. The economies of these countries are also often acutely vulnerable to external shocks but scarcely able to cope with them.

UN definition of an LDC:

Per Capita Income < USD 1,035;
Human Asset Index (HAI) < 60 and
Economic Vulnerability Index (EVI) < 36

The LDCs comprise more than 30 countries in Sub-Saharan Africa, small oceanic island states, Haiti as the only such country in the Americas, fragile states such as Yemen and Afghanistan and 7 other countries in Asia (including Nepal and Bangladesh). The achievement in this group of countries is sobering: since the LCD category was created just four countries have "graduated", in other words developed beyond that status: Botswana, Cape Verde, the Maldives and Samoa.

Overall, the LDCs have nonetheless developed positively in economic terms

during the past ten to fifteen years. Prior to the economic and financial crisis, the LDCs experienced growth rates of 7 % to 8 %, which then decreased to 4 %. Since 2012, growth has again risen to above 5 %. Given the high population growth rates (2.6 % on average since the year 2000), this is by no means sufficient to produce a tangible improvement in living conditions. Since 2000, the LDCs' per capita income has risen by an annual average of a mere 3 %. And in the majority of cases the MDGs have, despite some successes, by no means been achieved.

LDCs particularly dependent on ODA

In recent years, other developing countries have been able to develop their domestic financial systems and benefit from a huge increase in private capital flows, for example foreign direct investments (FDI) or remittances. By contrast, saving ratios in the LDCs continue to be low in general and these countries are barely able to access international capital and financial markets. They remain heavily reliant on official development assistance (ODA). In real terms (price basis 2013), ODA to LDCs more than doubled between 2000 and 2010, increasing from USD 21.4 billion to USD 45.8 billion. On the other hand, the trend has been negative since then (except for 2013 due to exceptional factors). In 2014, ODA to LDCs fell significantly to USD 40.4 billion (price basis 2013). The LDC share of total ODA decreased from 34 % to 30 % between 2010 and 2014.

The 0.2% ODA target

In a bid to counter the trend of declining ODA to LDCs, at the third financing conference held in Addis Ababa in summer 2015 the donor community reaffirmed the UN target, set in 1990, of providing between 0.15 % and 0.2 % of their GNI for ODA to LDCs. The spread

means that those donor countries still below 0.15 % will initially seek to achieve this figure as an interim target, whereas those above it will pursue the higher 0.2 % target. At present, the DAC countries together provide only 0.09 % (2014) of their GNI for LDCs.

Conclusion: A major challenge

The new 2030 Agenda for Sustainable Development emphasises the fact that sustainable development includes far more than alleviating poverty. Nevertheless, poverty reduction also remains a key concern of the 2030 Agenda. And the problem of poverty will in future be focused increasingly on LDCs and, in particular, on fragile states (even if it remains the case today that the majority of poor people live in middle income countries, e.g. India). The revitalisation of the 0.2 % target is intended to ensure that, despite the broadening of the international development agenda, a greater share of ODA will go to the poorest countries in the years ahead.

However, the practical implementation of these growing resources in the form of successful development projects poses a particular challenge to the donor community. Despite the high level of need in these countries, their absorption capacity is often limited due to weak local implementation structures, fragile statehood and a difficult security situation. The main goal of the 2030 agenda is to overcome global poverty and this will require considerable additional effort and also new approaches. ■