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# Supporting vulnerable countries on their path to poverty eradication and prosperity

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



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## FOREWORD BY THE DIRECTOR GENERAL



Since its establishment in 1966, UNIDO has paid special attention to the needs and development challenges of the world's most vulnerable countries, namely least developed countries (LDCs), landlocked developing countries (LLDCs), and small island developing states (SIDS). Now, as the global community embarks on the 2030 Agenda for Sustainable Development and the ambitious targets of its 17 Sustainable Development Goals (SDGs), these countries need our support and combined development assistance more than ever.

The 2008 financial and economic crisis had an especially devastating effect, piling additional burdens on already fragile economies. Turmoil on international markets had a profound economic impact, with falling commodity prices depriving many fragile countries of vital export earnings and slowing growth considerably.

This year, as UNIDO celebrates its 50th anniversary, it is an opportune time to reiterate our commitment to providing assistance to countries with special needs. UNIDO has a unique mandate of inclusive and sustainable industrial development (ISID) that is a vision to address economic, social, and environmental challenges and ensure that no one is left behind in benefiting from industrial growth. It guides our programmatic approach to technical assistance in countries, in areas such as agribusiness, trade capacity building, sustainable energy, and partnership building. The importance of ISID is recognized explicitly in the 2030 Agenda, not only in SDG9 to “build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”, but also in the industry-related targets of all the SDGs.

We at UNIDO also believe that building prosperous, inclusive and equitable countries is not possible without women's full economic participation. We therefore focus on mainstreaming greater social inclusion and the empowerment of women in all our activities, since the inclusion of women is a catalyst for fostering countries' sustainable socio-economic development.

UNIDO stands ready to assist vulnerable countries with strategic advice and policy support on structural transformation and economic diversification. In cooperation with our UN sister agencies, we remain committed to becoming an even stronger partner for prosperity.

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned above the printed name and title.

**LI Yong**  
Director General, UNIDO

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## INTRODUCTION

The United Nations Industrial Development Organization (UNIDO) supports countries with special needs by providing them with custom solutions aimed at helping them generate inclusive growth and sustainable industrial development, ultimately leading to a broader structural transformation of their economies.

As UNIDO celebrates its 50th anniversary in 2016, under the leadership of its Director General, Mr. Li Yong, the Organization is resolved to strengthen and expand its commitment to vulnerable countries by helping them use sustainable industrial development as an engine to advance poverty eradication, inclusive globalization, and environmental sustainability.

UNIDO's multi-faceted approach includes a variety of highly specialized and differentiated services that promote social inclusion and economic competitiveness, as well as cross-cutting activities such as the promotion of knowledge networks, institutional partnerships, women's empowerment, and youth inclusion. All of these services, and their underlying aims, are mainstreamed into UNIDO's four enabling functions:



**Technical cooperation** activities, through which UNIDO designs and implements projects that build the capacity of Member States to initiate and carry out their own programmes in the field of industrial development. UNIDO's technical cooperation is focused on five elements: partnerships and results monitoring; agribusiness; trade, investment, and innovation; energy; and environment.



**Analytical and policy advisory services**, through which UNIDO conducts applied economic research and provides Member States with tools to shape appropriate industrial strategies and policies that improve the contribution of industry to the achievement of development goals.



**Standard-setting and compliance**, by which UNIDO assists Member States and their industries in complying with a number of existing and emerging international standards, while also contributing to the development of new global standards related to its mandate.



**Convening and partnership** activities that UNIDO undertakes to bring together Member States, private and public sector institutions, civil society, academia and other partners for the purpose of networking, transferring knowledge, and fostering industrial cooperation.

From the General Assembly in 1971 that established the LDC status, to the adoption of the Sustainable Development Goals (SDGs) in 2015, this brochure will highlight the evolution of the different international mandates supporting the UN's most vulnerable countries, and UNIDO's intervention within them, taking into account previous achievements and unmet challenges.



The brochure concludes with a discussion of the future path for these countries, emphasizing issues that development strategies must address in order to reach their goal of poverty eradication and increased prosperity. Effort is being made to highlight selected UNIDO interventions, however the mentions in this brochure are non-exhaustive.

Among the Member States to which UNIDO provides technical assistance, three groups distinguish the 90 most vulnerable Member States of the UN, namely the **least developed countries (LDCs)**, **landlocked developing countries (LLDCs)** and **small island developing states (SIDS)**. While statistics show that most of these countries are experiencing relatively high economic growth rates, upon closer look much of this growth is volatile, and does not result in sustainable job creation. Rather, it is being driven by the exports of a limited number of commodities and low value-added products, leaving the countries vulnerable to swings in global markets; essentially what occurred in commodity markets since the 2008 global financial crisis.

While more than 12 percent of the world's population, or 800 million people, live in LDCs, they account for less than 2 percent of global GDP and about 1 percent of global trade. LLDCs, many of which are also LDCs, typically suffer further challenges on account of their distance from the seaports that are their main access to world markets. Similarly, more than 6 percent of the world's population, or 450 million people, live in LLDCs and yet they account for only about 1 percent of global trade.

For example, Kazakhstan is 3,750 kilometers away from the sea, while Afghanistan, Chad, Niger, Zambia, and Zimbabwe are all at least 2,000 km from a port. One LLDC, Uzbekistan, is in a particular dilemma as the country is doubly landlocked, meaning that it is entirely surrounded by other landlocked countries (Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, and Turkmenistan).

For their part, SIDS tend to confront similar constraints to other LDCs, such as a narrow resource base, heavy dependence on a few external and remote markets, and high costs for energy, infrastructure, transportation, and communication. In addition, SIDS typically face higher exposure to extreme and damaging weather events.

Reversing these trends will require a significant scaling up of international support customized to these groups of countries and concretizing the agendas and strategies at the national, regional, and international level.



RED SEA STATE, April 2013: A fisher shows off his catch in Sudan, where UNIDO implemented a project helping sustain the fisheries sector.



TOKYO, May 2016: UNIDO Director General, Mr. LI Yong, speaking at the Japan-UNIDO Multi-stakeholder Cooperation Dialogue.



MPANTA, April 2015: Solar panels in the village of Mpanta, Zambia.



NAMPULA, November 2010: Piassa Daniel, 19, helping at her father's workshop in Mozambique.

## UN CLASSIFICATION OF VULNERABLE COUNTRIES



The United Nations identifies three groups of vulnerable countries – **least developed countries (LDCs)**, **landlocked developing countries (LLDCs)**, and **small island developing states (SIDS)** – across which there are a range of commonalities and differences with regard to the challenges they face and the hurdles they need to overcome. For instance, 17 of the LLDCs, as well as nine SIDS, are also classified as LDCs.

With the specific challenges that LDCs, LLDCs, and SIDS face in mind, the international community decided to group these them in order to generate an effective strategy and approach that will provide these countries with specialized solutions and tailor-made support.

The LDC classification was officially established by the UN General Assembly in 1971, with the aim of attracting special international support for the most vulnerable members of the UN family. SIDS gained recognition as a specific group as part of the Agenda 21 plan that came out of the UN Conference on Environment and Development, the “Earth Summit”, held in Rio de Janeiro in 1992. Formal recognition of LLDCs came in 2003 at an “International Ministerial Conference of LLDC and Transit Developing Countries”, which was the first conference to put landlocked developing states at center stage, thereby rallying international solidarity and partnership to support them in addressing their often unique development challenges.

### What are LDCs, LLDCs and SIDS?

**Least developed countries (LDCs)** are characterized by low indicators of socio-economic development, as reflected in the Human Development Index (HDI) ranking. As of May 2016, there are 48 LDCs world-wide, of which 35 are African, 12 are Asian-Pacific, and one is Caribbean. The identification of LDCs is currently based on three criteria: (i) Income criterion, which is measured by the gross national income (GNI) per capita; (ii) Human Assets Index (HAI), which is a measure of the level of human capital; and the (iii) Economic Vulnerability Index (EVI), which measures the structural vulnerability of countries to exogenous economic and environmental shocks.



# 48 LDCs

35 AFRICAN, 12 ASIAN AND PACIFIC, 1 CARIBBEAN



**Landlocked developing countries (LLDCs)** face a lack of territorial access to the sea, remoteness and isolation from world markets, and high transit costs, all of which continue to impose serious constraints on their overall socio-economic development. Currently, there are 31 LLDCs, of which 15 are African, 12 are Asian, two are Central and Eastern European, and one is Latin American. The seaborne trade of these LLDCs, and thereby most of their access to global markets, unavoidably depends on transit

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