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Least Developed Countries (LDCs) Sustainable Development Goals and the 2030 Agenda

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Abstract

The research paper entitled 'Least Developed Countries (LDCs) Sustainable Development Goals and the 2030 Agenda' is an attempt to study and analyse the characteristics, behaviour, trends and responsiveness of the LDCs towards the international community in their march for achieving the sustainable development goals and targets slated by United Nations by the turn of 2030. The study has detailed the various aspects of the LDCs including their economic, social, cultural, political, environmental assessments and in identifying the gaps and constraints that arise in attaining the SDGs. It is understood that the LDCs are passing through a phase of structural transformation in their economies in this age of rapid globalization where the focus of almost all the countries and in particular the developed countries are mostly towards the growth and development of the LDCs. It is also learnt that the LDCs need to restructure their economies in terms of development of various macroeconomic indicators such as employment, structural transformation, output growth, export promotion, public and private investments, international trade, health and social sectors, environment etc., The various indices such as the economic vulnerability indices, social indices such as health sub-indices, education sub-indices etc., of the LDCs have also been detailed in the study. This would go a long-way in achieving SDGs by the LDCs by the turn of 2030.

Keywords: Least developed countries; Macroeconomics; Economy; Sustainable development

Introduction

The goals and targets for Sustainable Development to be achieved by the turn of 2030 slated by United Nations is a tool which would guide development policy action in the coming years globally so as to develop a revitalised 'Global Partnership for Sustainable Development' across various economies. The eradication of poverty is one of the primary goal and target for achieving amicable Sustainable Development Goals amongst economies for which poverty eradication has become the greatest challenge which needs to be tackled for the least developed countries. Almost half of the population in LDCs live in abject extreme poverty conditions. UNCTAD a global multilateral organization argues that the LDCs need to overcome the extreme pangs of poverty and that they are considered to be the battleground

where the Sustainable Development Goals adopted by UN could be achieved. Out of the 169 Sustainable Development Goal targets, 18 targets refer explicitly to the least developed countries, out of which 12 are of prime importance, if achieved with proper strategy would lead to the development of these economies which has been the cause of serious concern in the international community.

Experimental

SDGs can only be achieved through sustained and sustainable economic growth and employment creation in the LDCs. There is a need to accelerate the structural transformation of these economies, which is indispensable to achieve the SDGs in respect of LDCs. Under SDG 8 and as established in the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020, an annual growth rate of 7 per cent needs to be achieved as indicated in the IPoA for LDCs [1].

The LDCs which face the external vulnerability situations reduces their GDP growth and has a strong impact on the structural transformation of these economies, thereby jeopardizing the structured growth rates of these economies. This could be achieved by adopting suitable, proper and appropriate policies in the LDCs. Therefore, there is a felt need for multilateral organization such as UNCTAD to intervene in these economies to enable the LDCs to achieve sustained economic growth which would result in achieving the SDGs targeted by UN by 2030. It is imperative that the LDCs lead in their development policy design and implementation for achieving the SDGs slated by UN. UNCTAD's Division for Africa, Least Developed Countries and Special Programmes reports have aimed at supporting LDC governments in this task of implementing the SDGs with the strategy for advancement of all development partners on policy issues that are common to most LDCs.

The focus of this research paper has been mainly to link the wealth of UNCTAD experience and expertise and apply it to the least developed countries to the challenges of the SDG that these countries have been encountering. The study would also provide a useful policy advice for LDC governments in their battle to eradicate poverty which in turn would lead to development of these economies to attain the goal of SDGs in the long-run.

Least Developed Countries: An Economic Perspective

The United Nations has included and categorized forty seven countries as "least developed countries" (LDCs) globally.

The Committee for Development Policy (CDP) may recommend countries for addition to or graduation from the list of LDCs to ECOSOC.

As per the Least Developed Countries Report (LDCR 2013), in most of the least developed countries (LDCs) there has been a growing labour force which has been mostly engaged in agriculture, largely in connection with the cultivation of additional land. Further, with the growing population growth, there is shift of labour force from agriculture to industry/manufacturing and services (tertiary) sectors. Due to massive urbanization occurring mostly in urban centres/cities, the level of poverty has increased in the LDCs. The LDCs are faced with low-productivity in agriculture and small-scale industries and this has resulted in growing informal sector activities mainly in petty trade

and services. As a result, there has been large-scale emigration from these countries.

Large scale emigration if persists despite accelerated output growth in LDCs would lead to slow reduction in poverty. However, the linkage between output growth and employment creation in LDCs needs to be strengthened. As per LDCR Report, 2013 there was a relatively fast output growth in LDCs during the period 2001 to 2008, with an average annual LDC employment growth at about 3.4 per cent which had exceeded the rate of population growth. Even during this period, employment growth was less than half of the growth rate of real GDP i.e. 7.2 per cent.

As per UNCTAD Report 2018, it is alarming that after 2014, GDP growth in LDCs has fallen to an average of less than 5 per cent, while average annual growth of at least 7 per cent is recommended by the Istanbul Program of Action for the Least Developed Countries (IPoA) [1], and targeted by the 2030 Agenda for Sustainable Development (target 8.1 under the Sustainable Development Goals (SDGs)).

The economies of the LDCs are characterized by the following features *viz*,

Chronic current account deficits which remain highly dependent on external finance.

Even in times of record economic growth, during the decade of this millennium, many LDCs continued to rely on external resources to finance a majority of their investments and part of their consumption (LDCR 2010) [2].

Istanbul Programme of Action Plan and Broader 2030 Agenda for Sustainable Development adopted by the United Nations General Assembly

The United Nations provides the main reference for development policies in LDCs. It sets guidelines and targets for all countries, while at the same time emphasizing that “each country’s policy space and leadership to implement policies for poverty eradication and sustainable development” be respected [3]. According to the UN, the possible types of instruments in various policy areas may foster development progress, enhance growth and support poverty eradication and economic structural transformation in the LDCs. Within the global economic system there are several elements to strengthen international support measures for LDCs.

The economic characteristics and the country-specific circumstances differ considerably among LDCs and as per the experience of the LDCs resulting from successful development episodes, a variety of policies and institutional arrangements may be successful in supporting economic development in poor countries including the LDCs. As per LDCR 2017, although LDCs face many challenges which are more or less common, each LDC government must initiate and take a pragmatic approach and view that involves a combination of policy measures tailored to country-specific conditions. In fact, the key constraints for sustained and inclusive economic development must be individually identified in each LDC country. Similarly, policies to overcome these constraints must be designed and analyzed at the country level taking into account different historical, cultural and structural circumstances of the LDCs. Government policy makers must also be aware that the same development constraints may require different actions in different countries and initiate plan of action suitable to the specific LDCs as per their respective requirements.

Policy Challenges and Policy Options in Least Developed Countries (LDCs)

There are a number of policy challenges including the policy options that needs to be adopted based on these challenges which are typical for most LDCs. As per the United Nations Conference on Trade and Development (UNCTAD), Division for Africa, Least Developed Countries and Special Programmes report, The Least Developed Countries Report (LDCR), the annual Economic Development in Africa Report (EDAR) and various Diagnostic Trade Integration Study Updates (DTIS) prepared by the UNCTAD in collaboration with governments of some LDCs in the context of the Enhanced Integrated Framework for Trade-related Assistance for the Least Developed Countries (EIF), there are numerous challenges of designing and effectively implementing development strategies for LDCs in the broader context of global development issues which have ramifications for achieving the SDGs slated by UN. These frameworks are all based on interaction among the three pillars of sustainable development *viz*, social, economic and environmental development. The policies to serve the three pillars are complementary and interdependent. Both the IPoA and the 2030 Agenda are based on commitments, accountability, trust and effective partnership between least developed countries and their development partners to undertake concrete actions in a number of inter-linked areas and issues. This requires supportive and effective integrated policies across a wide range of economic, social and environmental issues [1].

UNCTAD’s framework for policy analysis and recommendations for LDCs over the past 15 years is based on the understanding that their social, economic and environmental development towards achieving the SDGs and their graduation from LDC status requires the building of productive capacities and structural transformation. One of the main requirements for prosperity in all countries is a stable macroeconomic environment. There is an urgent felt need to take up the main components of development-friendly macroeconomic policies in the LDCs and explain the relevance of certain macroeconomic instruments for the building of productive capacities and structural transformation in these economies. There needs to be a proper synergy and synthesis and the possible conflicts that may arise in the LDCs between the objectives of accelerating development, on the one hand, and macroeconomic stabilization on the other. Effective measures should be undertaken to tackle these issues globally. Apart from macroeconomic and financial policies, several other types of policies influence the building of productive capacities in all or most of the sectors of economic activity in the LDCs. By definition, these horizontal policies overlap with policies in support of specific sectors and sub-sectors of economic activity in the LDCs to a considerable extent.

It is felt that the structural transformation of LDCs at their current stage of development must occur both within and across broad economic sectors. In fact, upgrading and diversifying agriculture and non-farm rural activities are important elements of such transformation. The main structural change required to set LDCs on a higher growth path is a reduction of the heavy dependence of national income, employment and foreign currency earnings on primary commodities. Thus, one way is to reduce this dependency through the expansion of the share of manufacturing industries and modern services in countries’ economic structures. There is a need to specifically address the policy issues to support the creation and/or acceleration of productive capacities in manufacturing activities with a high potential for productivity and value-added growth. The main

aspect of the LDCs that elaborates on the policy options in the context of structural transformation are agriculture, energy supply and services which are of specific relevance.

International Development and Structural Transformation in Least Developed Countries (LDCs)

Given the strong influence that international developments in trade and finance can have on economic development in LDCs, policies in these areas bring both risks and opportunities for structural transformation. The LDC governments may consider adopting appropriate policies in order to take advantage of the opportunities arising from trade and finance, while simultaneously managing the risks.

The international policy environment also affects the expansion and upgrading of productive capacities and structural transformation in LDCs. The implementation of most policy options implies the need for additional financial efforts on the part of LDCs, as well as additional support from LDC development partners and the international community, as stipulated in SDG 17. A number of policy options for the international community could be developed on the basis of the requirement of the LDCs and how best to support LDCs in their quest for achieving the SDGs [4]. The 2030 Agenda concerns all countries, but some of the SDGs and their related targets are particularly relevant for LDCs which explicitly mention this group of LDCs.

Inter-linkages between the Sustainable Development Goals (SDGs) and the Least Developed Countries (LDCs)

The following SDGs are inter-linked, relevant and applicable in the context of the Least Developed Countries (LDCs) *viz*,

Goal No.1 – No Poverty

LDCs have the highest shares of population living in extreme and abject poverty. The fundamental goal of ending poverty, with the specific target to eradicate extreme poverty by 2030, need to be the central focus and reference of policy making in LDCs. Achieving this goal would imply improving welfare, sustaining livelihoods and in enabling global peace. It would also strengthen domestic growth and promote structural transformation in LDCs. Due to the substantial increases in social spending and spending in other macro sectors of the economies in the LDCs, poverty has been reduced to a great extent in most of the LDCs since 2000, the year when the international community agreed on the adoption of Millennium Development Goals (MDGs). For a sustained and sustainable poverty reduction, income transfers and other forms of public or charitable social spending, must be subsidiary to measures that tackle the root causes of the problem, i.e. the lack of productive and decently paid jobs. Thus, output growth and employment creation in LDCs must be accelerated considerably in order to attain a 'no poverty' situation in the LDCs.

Goal No.2 – Zero Hunger

Enhancing agricultural production remains an indispensable factor of the development strategy of LDCs. The scope for raising agricultural output and productivity is considerable and leveraging this would entail in ensuring food security, raise agricultural exports and increase the quantity and quality of raw materials available for domestic

manufacturing. Moreover, innovative agricultural management including climate-smart agriculture (FAO 2018) would also be necessary to meet the new challenge of adaptation to the impacts of climate change. A rapid expansion of non-agricultural activities must also be taken into account and considered as the central pillar of sustainable development strategies.

Goal No.7 – Affordable and Clean Energy

Energy provision is one of the priority areas of the Istanbul Plan of Action (IPoA) [1]. Inadequate access to energy jeopardizes economic growth and sustainable development in the majority of LDCs. 62 per cent of people in LDCs lack access to electricity and even more do not have access to modern fuels for cooking and heating. While, energy deficiency is most pronounced in rural areas, it is also an obstacle to the expansion of economic activities in the manufacturing and service sectors and in achieving greater participation in international trade. The energy sector contributes directly to gross domestic product (GDP) by generating value added, jobs and, in some LDCs, exports. Energy is also indispensable for the adoption of technological innovations and productivity growth in other sectors. Achieving SDG 7 would require increased power generation, extended distribution infrastructure and upgraded technology to enable the supply of modern and sustainable energy, including an increased share of electricity generated from renewable energy sources. This has posed a serious challenge to the least developed countries.

Goal No.8 - Decent Work and Economic Growth

Achieving virtually all the SDGs requires economic growth at a pace that is significantly faster than in the past. From 2010 to 2016, average annual GDP growth in LDCs was 4.8 per cent, considerably below the explicit SDG target of 7 per cent. Accordingly, average annual growth per capita in LDCs fell from 5 per cent in 2002-2008, to 2.6 per cent in 2012- 2017, a pace far too slow to reach the ambitious SDG targets, let alone catch up with more advanced economies [2]. Therefore, sound national development strategies must be adopted in the LDCs backed by strongly geared sustained acceleration of output growth, combining productivity increases with the creation of productive employment opportunities and an expansion of supply capacities with demand growth.

Goal No. 9 - Industry, Innovation and Infrastructure

As in the case of energy, improvements in water transport and telecommunications infrastructure can directly improve living conditions. Such improvements are also a prerequisite for the viability and profitability of productive activities in LDCs practically applicable in all sectors of the economy. As a complement to private investment in productive capacities, they play a key role in the process of industrialization in the LDCs. Diversification of the production structure; technological up gradation and productivity growth also depend on innovation in the design of products and the application of new production techniques in LDC economies. Policies aimed at accelerating the progresses towards a higher share of the manufacturing industry in income and employment generation must therefore be complemented by measures to ensure that benefits accrue to all groups of society and that the modes of production and consumption are environmentally sustainable and climate friendly. This would go a long-way in achieving the SDGs for the LDCs.

Goal No. 10 - Reduced Inequalities

Despite considerable progress in combating poverty in low and middle-income countries since the early 1990s, disparities in household income between the highest and the lowest income groups have widened in the LDCs. However, in Africa, the continent with the largest number of LDCs, these disparities have shrunk. Still, inequality in Africa is higher than the global average (UNDP 2013). Similar to reducing poverty, reducing income inequality within each country is both an objective and a means to strengthen the domestic forces of growth in the LDCs. Faster growth provides more leeway for policies that influence income distribution, with an aim to progressively achieving greater equality within countries amongst the LDCs. Average real per capita income in LDCs is only about 2 per cent of that in developed countries and about 21 per cent of the average per capita income in the other developing countries, excluding China. The gaps have narrowed somewhat since 2005, mainly due to growth in the Asian LDCs [2]. Significant further reductions would only be possible if LDCs can move to a substantially higher growth path and increase the net earnings from their participation in international trade.

Goal No.13 - Climate Action

Like other developing countries, these economies are obliged to integrate responses to climate change into their national development strategies, but they are more heavily affected than others by the impacts of climate change. The principle of common but differentiated responsibility for combating climate change is of particular relevance for these countries. Whereas developed countries must undertake major efforts for climate change mitigation, the challenge for LDCs is primarily to take effective measures to strengthen their resilience against the inevitable impacts of climate change. The 2030 Development Agenda for sustainable development clearly recognizes the responsibility of developed countries for taking the lead in climate change mitigation and for strengthening the capacity of LDCs, landlocked developing countries (LLDCs) and SIDS to adapt to the economic and social effects of climate change and in turn mitigating their economic and social problems.

Goal No.17 - Partnerships for the Goals

The SDGs are extremely ambitious, especially at a time when climate change poses additional challenges for the international community. Achieving them requires economic progress at a pace similar to the performance of the most successful and newly industrializing countries over the past 50 years. Indeed, the speed of poverty reduction would have to be even faster than it has been in China. This illustrates the scope of the challenge for each of the LDCs and for the international community that could be foreseen. With the 2030 Development Agenda, the international community has acknowledged the fact that LDCs can achieve the SDGs only with the strengthened financial and technical support of more advanced countries. They are encouraged to consider setting their targets even higher.

Economic, Social and Environmental pillars of Sustainable Development: A LDCs Perspective

Human development, with improvements in the living conditions of all population groups, is the ultimate objective of all policy efforts directed at accelerating the pace of development in the poorest

countries including the LDCs. The concept of the SDGs makes it clear that to be sustainable, the development process must be based on all three pillars of sustainable development, which interact and complement each other. These are: social, economic and environmental development (The Least Developed Countries Report (LDCR) 2016). Social sustainability implies that peace, social justice and inclusiveness are indispensable for sustained economic progress and lasting development in the LDCs. Social disruption resulting from excessive discrepancies in the standards of living of different segments of the population including poverty and all its symptoms could eventually bring economic progress to a halt and jeopardize the quality of the natural environment.

Environmental sustainability implies that the quality and protection of the natural environment, as well as successful adaptation to climate change, influence the scope for long-term social progress and economic development. Environmental degradation, waste of non-renewable natural resources and the various impacts of climate change have a direct bearing and effect on living conditions of the people in the LDCs. They also raise the risk of social friction and reduce the scope for economic growth and the allocation of public finances.

'Economic sustainability' implies that macroeconomic and financial stability, as well as the prevention of balance-of-payments crises are basic requirements for sustained balanced economic and social development in the LDCs. It also implies that human and financial resources must be used in a way that ensures continuous and harmonious lasting improvements in standards of living of the people in the LDCs. Inappropriate consumption and production patterns, and waste of human, natural and financial resources compromise the quality of the natural environment and jeopardize peace in the LDCs.

The complementarities of social sustainability and economic development results from the fact that human and social objectives cannot be pursued in isolation in the LDCs and would definitely require the constant support of the international community. The eradication of poverty and a better provision of food, health care and education are important human development objectives that could be taken up for development in the LDCs, but the challenges of poverty cannot be resolved only by the use of social income transfers and the provision of public services (Least Developed Country Report 2014). While these tools are indispensable in instances of extreme poverty and crisis situations, they only address the symptoms, but may not be able to provide long-term solutions to these chronic global issues which the LDCs have been confronting. To combat poverty at its roots, it is crucial to focus on the development strategies particularly on the creation of productive employment possibilities for the poor by expanding productive capacities in LDCs. Greater purchasing power of the lowest income groups then supports economic development dynamics by strengthening domestic demand, which, in turn, improves the willingness of firms to invest in additional productive capacities. Improved economic performance also increases the resources available to the public sector to spend on poverty reduction, health and education in the LDCs.

The economic and environmental pillars of development have various complementary aspects. First, improved access to and better-quality energy and water is crucial for raising overall living standards and increasing production levels in the LDCs. It is equally important to promote efficiency and foster environment-friendly sustainable practices in the use of these resources. In the case of energy, this requires a switch to renewable sources.

Secondly, in agriculture, forestry and fisheries, all activities that provide a major source of income for most LDCs, sustainability hinges on the establishment and maintenance of an ecological balance that allows for the appropriate regeneration of the underlying natural resources and protects biodiversity.

Third, a development trajectory that is sustainable in the long run requires the careful management of non-renewable resources in the LDCs. To ensure long-term sustainability, productive activities in all sectors must be organized in a way that reduces resource-intensity and supports economic growth (Economic Development in Africa Report (EDAR 2012)). For LDCs rich in natural resources, rents from the extraction of minerals and hydrocarbons can serve as a basis for building the productive capacities to develop other economic activities. However, this requires that the depletion of natural capital, rather than fuelling the consumption of mostly imported goods, must be translated into the creation of physical, financial and human capital that creates productive capacities for future generations in the LDCs.

Graduation from LDC Status

Efforts to achieve the SDGs would eventually enable development indicators in a growing number of LDCs to improve beyond the thresholds established for LDC criteria. Graduation is a milestone in a long-term socio-economic development process. However, meeting the graduation criteria does not necessarily mean that a country has achieved a level of economic development momentum that can and will be sustained in the future. It only marks the end of an initial stage of development, at which point LDC-specific international support measures are phased out (LDCR 2016).

LDCs should therefore develop their productive capacities in such a way that enables them to achieve their graduation with momentum. This means giving the highest priority to structural transformation by shifting production to higher-value-added products and sectors, upgrading technology, diversifying the economy and raising productivity by the LDCs.

The graduation-with-momentum perspective entails targeting longer-term development and its underlying processes, rather than focusing narrowly on the graduation criteria and adopting measures aimed at achieving statistical, economic, social, cultural and environmental eligibility for graduation of the LDCs to the developing countries status counterparts.

This recommendation is based on a review of three criteria *viz*:

Per-capita income: GNI per capita exceeds \$1,230 in two consecutive triennial reviews of the criteria.

The Human Assets Index (HAI): This index is composed of:

A health sub-index measuring the under-five mortality rate, the percentage of population that is undernourished and the maternal mortality ratio;

The Economic Vulnerability Index (EVI): This index is composed of measures of:

- Population;
- Remoteness;
- Merchandise export concentration;

- The share of agriculture, hunting, forestry and fishing in GDP;
- The share of population in low-lying coastal zones;
- The instability of goods and services exports;
- Victims of natural disasters; and
- The instability of agricultural production.

While fulfilling these criteria is a pre-condition for graduation, the decision on graduation also depends on an evaluation of the specific circumstances of each country, especially its vulnerability and the likely impact resulting from the loss of LDC treatment. The further information on the formal aspects of inclusion of countries in the LDC category and on graduation from LDC status is available in United Nations 2018 Report.

Production and employment-oriented approach to achieving the SDGs

Several targets under the SDGs explicitly refer to structural transformation, industrialization, technological up gradation, economic diversification and productivity growth. This reflects a production and employment-oriented approach to poverty reduction, and to the achievement of the social and human development-related SDGs. To achieve the SDGs and the objectives of the Istanbul program of Action for the Least Developed Countries (IPoA) [1], LDCs must accelerate output, per capita income and employment creation for a fast-growing population. In parallel, they must reduce the dependence of income growth and foreign exchange earnings on the production and export of primary commodities (LDCR 2016). Progress towards these objectives is largely determined by the skills, level of entrepreneurship, capital investment and innovation capacity of private actors. It is also determined by the effectiveness of public policies in supporting productive activities. A sustainable development strategy must build on all of these factors.

The economic and social situation in LDCs is, by and large a measure and an outcome of past policy choices. The development model that has been pursued in most LDCs over several decades sought to increase the efficiency of resource allocation by market liberalization, both domestically and externally, and to achieve faster income growth through an expansion of export activities. This approach has often been challenging. Deregulation and market liberalization rarely led to stronger capital accumulation, higher productivity and faster growth because of serious market failures. Exports often did not increase as expected, because insufficient attention was given to the need for enhanced capital accumulation and skills upgrading to enable higher export capacity. Moreover, even in countries where export earnings did increase, domestic incomes and employment, a pre-condition for inclusive development, often did not expand at a similar rate (LDCR 2016).

GDP growth in LDCs accelerated from around 4.5 per cent in 2000 to more than 8 per cent in 2007. But this was due primarily to the boom in international commodity prices. After 2007, average GDP growth in LDCs fell and was below 4 per cent in 2015 and 2016 [5,6], before somewhat recovering in 2017. Against the background of the 2030 Sustainable Development Agenda, the current growth trajectory is a reason for serious concern, especially its annual growth target of 7 per cent and the goal of eradicating extreme poverty by 2030 (United Nations 2017).

Reaching and sustaining output growth at the required level would not be possible without major breakthroughs in the expansion of

productive capacities, economic diversification and technological upgrading. Policies to support this approach are characterized by three factors:

- A focus on production and productivity growth;
- A strong linkage between output growth and employment creation; and
- A developmental state that engages in policies to support market forces, stimulates private economic activity and guides it to outcomes that benefit the national economy as a whole and all parts of society.

The concept of productive capacities

In the context of economic development in the LDCs, productive capacities as defined by UNCTAD, have three components (LDCR 2006):

Productive resources: These are natural resources, human resources, financial resources, and physical capital;

Entrepreneurial capabilities: These include core competencies and technological capabilities; and

Production linkages: These are backward and forward linkages, flows of information and exchange of experience, resource flows (human capital and financial capital), territorial production clusters, global value chains (GVCs), links between foreign direct investment (FDI) and domestic entrepreneurs, and links between large firms and small and medium-sized enterprises (SMEs).

The combination and dynamic interaction of these elements determine a country's capacity to produce goods and services, to generate sufficient employment opportunities for a growing population, and to integrate successfully into international trade with the international community. It is primarily through developing their productive capacities in manufacturing activities that the LDCs would be able to reduce their dependence on the production and export of primary commodities. The development of productive capacities is also necessary to reduce aid dependence, to secure the fiscal basis for developmental governance and to ensure effective sovereignty (LDCR 2010).

Productive capacities within a country develop through three closely inter-related processes (LDCR 2006):

Capital accumulation, *i.e.* the process of maintaining and increasing stocks of natural, human and physical capital through investment;

Technological progress, *i.e.* the process of introducing new goods and services, new or improved methods, equipment or skills to produce goods and services and new and improved forms of organizing production through innovation; and

Structural transformation, *i.e.* the change in the intra and inter-sectorial composition of production, in the pattern of inter and intra-sectorial linkages and in the pattern of linkages amongst enterprises. Such change often occurs through investment and innovation and the emerging production structure in turn influences the potential for further investment and innovation.

The challenge for policy makers is to start and sustain a virtuous circle in which these processes reinforce each other. The most critical variable in this context is investment in machinery and equipment, which determines not only the overall supply capacity, but also

embodies new technology. Through its allocation across sectors and sub sectors and as a complement to human skills, capital investment sets the pace of structural transformation.

To achieve an annual GDP growth rate of 7 per cent, the ratio of investment to GDP would need to continue to remain at the current levels, which are above the threshold of 25 per cent, as stipulated in the Brussels Program of Action for 2000-2010 (UN 2006). During the period 2010-2016, gross fixed capital formation in LDCs accounted for 26.5 per cent of GDP on average. In the past, low investment rates in LDCs have delayed the industrialization process and reduced the scope for employment creation. They are also responsible for low productivity in agriculture. To some extent they may reflect insufficient entrepreneurship and limited market opportunities that would make productive investment commercially viable. However, the main constraints in most LDCs are a lack of complementary infrastructure and limited possibilities for long-term investment financing (LDCR 2014). Given the need for strong investment, policies in all areas must be geared towards improving these determinants for capital investment.

Width and Depth of Structural Transformation

Structural transformation implies both productivity increases in traditional economic activities, as well as a change in the intra and inter-sectorial composition of production, value added, and export earnings (LDCR 2014). For LDCs, this primarily means a shift in the composition of total output from primary activities to manufacturing, although the specific circumstances of some countries may be more favourable to an expansion of higher value-added activities within the primary sector or an increase in the share of modern services. Structural transformation also involves changes in the extent and ways in which the sectorial, sub-sectorial, and business activities of enterprises are linked. Changes in these patterns arise predominantly from investment decisions, and from knowledge and skills acquisition, and innovation in products and production techniques that are new to LDCs.

The fastest and most sustained economic growth has occurred in developing countries where manufacturing activities have expanded most rapidly. Although there is no automatic link between structural transformation and growth in LDCs, these processes are closely inter-related (LDCR 2006; LDCR 2014). On the one hand, shifting economic activity to higher productivity sectors raises the growth potential. On the other, structural change is easier to achieve in a growing economy, where it is brought about by differential growth rates in sectors and sub-sectors and does not necessarily imply the absolute shrinking of traditional activities. This is relevant for most LDCs, where agricultural production must continue to grow in absolute terms, while its share in total GDP must decline in favour of manufacturing activities and modern services where output growth is even faster (LDCR 2006 ; LDCR 2015).

In many LDCs, there is a considerable scope for increasing manufacturing output by raising the utilization rate of existing capacities. It is therefore essential to address the various factors that constrain manufacturing firms in the full use of their productive capacities (Diagnostic Trade Integration Study (DTIS) Ethiopia). Furthermore, rapid increases in overall productivity, manufacturing value added, and the shares of manufacturing in GDP and merchandise exports require an increased rate of capital formation and

an upgrading of skills and technological intensity in production (LDCR 2006).

An additional challenge for LDCs is to ensure that productivity growth is not at the expense of employment creation. This means that as the structure of production shifts towards more skill and technology-intensive forms of production in higher value-added activities, overall output growth must exceed the combined growth of productivity and the labor force.

The main challenges to building productive capacities and structural transformation

The critical constraints to a faster expansion of productive capacities may differ across countries, but in all LDCs, structural transformation depends on the existence of a virtuous circle in which enhanced productive capacities enable the generation of higher income and employment. This will then result in an expansion of domestic demand and together with foreign demand, would strengthen the motivation of firms to invest in additional productive capacities with gradually higher skills and technological intensity (LDCR 2006; LDCR 2013). To initiate and sustain such a virtuous circle, LDC governments are faced with five broad challenges:

The capital accumulation challenge: The willingness of firms in LDCs to invest in the upgrading of their production capacities must be strengthened. Moreover, the conditions that enable private investment projects and the possibilities to finance them must be considerably improved. Both the motivation and the ability to invest can be influenced by fiscal instruments, targeted public infrastructure investments and measures that facilitate long-term financing. This is important for support to manufacturing activities with a high value-added content, and agriculture and sectors providing industrial services (DTIS Ethiopia). In some industries, with appropriate policies, FDI can make a considerable contribution to productive capacity building (LDCR 2014; LDCR 2016).

The financing challenge: The effectiveness of the financial sector plays a central role in economic activity and growth in the productive sectors. To the extent that they exist, stock and private bond markets are very small in LDCs. The assets traded are mainly government bonds. The development of a meaningful market for private securities in LDCs takes considerable time and depends on the expansion of the corporate sector in both the number and size of firms. Therefore, the immediate challenge is to widen the scope for financing productive investments from retained profits and to enhance credit provision by the banking system.

The knowledge accumulation challenge: Structural transformation depends on the acquisition of new skills and technological capabilities alongside capital accumulation. Efforts must be increased to enhance technical skills and managerial know-how by improving the quality of education at all levels, including vocational training and learning by doing. To the extent that production technology is embodied in imported capital goods, it is necessary to upgrade the accompanying technical skills of the labor force for its use, maintenance and adaptation and, ultimately, to spur local innovation.

The employment challenge: Combining faster output growth with the creation of employment opportunities is critical for inclusive development and the expansion of domestic consumer demand because work is the most dignified and sustainable way out of poverty

(LDCR 2013). The employment challenge for LDCs is exacerbated by demographic developments, especially the “youth bulge” (LDCR 2013).

When young people in LDCs do find work, it is typically in the informal sector where wages and productivity are low, jobs lack security and the scope for developing skills is quite limited. With a projected surge of the youth population, an additional 630 million people (equivalent to more than one third of the total LDC population) will have entered the labor market by 2050. This involves a substantial shift in the age structure of the population, which can also be viewed as a “demographic dividend” [7]. If the growing LDC youth population could be equipped with the necessary skills and education to obtain decent jobs, it could become a major force of production and a significant driver of local consumption and investment (LDCR 2013).

Total employment can expand only when output and the demand for labor rise faster than labor productivity. Thus, growth is necessary, but not a sufficient condition for employment creation and inclusive development. Policies with a specific focus on employment creation are necessary to avoid an increase in unemployment as a result of productivity growth. They are also needed to ensure that workers are not pushed out of sectors with fast productivity growth and into sectors with low or stagnant productivity, mainly traditional family farming or informal micro enterprises in urban centers (LDCR 2013).

The demand growth challenge: Clearly, domestic demand in LDCs is constrained by limited domestic purchasing power, unequal income distribution and widespread poverty. However, the expansion of domestic demand is critical for economic growth, even in countries that are widely open to international trade (LDCR 2006). Stimulating and stabilizing domestic demand for non-tradable or domestically produced or producible goods is indispensable for an inclusive and poverty-reducing process of economic development. Because the share of agriculture in GDP and total employment is high in most LDCs, a major challenge is to establish a virtuous circle, in which a demand stimulus from agricultural income growth generates investment, entrepreneurship and employment in non-agricultural activities.

External demand allows for the export of primary commodities for which there is no domestic demand. It is also critical for industrialization since economies of scale in manufacturing activities are important for productivity and profitability. The availability of cheap labor is considered to be a comparative advantage of poor countries that favors the emergence of labor-intensive manufacturing activities. However, building on the labor cost advantage to accelerate structural transformation leads to a policy dilemma. Low wages are an important factor for the international competitiveness of domestic producers, while higher wages are necessary to improve a country's income distribution in favor of low income groups and increase domestic demand. It is therefore essential that governments do not encourage a race to the bottom with regard to labor costs. Rather, they must find ways to ensure that productivity gains translate, at least partly, into higher wages.

Mainstreaming Gender Concerns in the Least Developed Countries (LDCs)

Within the policy framework of support for building productive capacities in LDCs, the unused productive and entrepreneurial potential of women must be given due and special attention. Reducing gender inequality is a challenge across all policy areas that are of relevance for structural transformation (LDCR 2016). Women's engagement in economic activities in LDCs is constrained by

discriminatory practices, laws and cultural norms that limit their access to well-remunerated employment and financial services, as well as education and training. These interact with other disadvantages that diminish their productivity and entrepreneurial potential, such as the time constraints that typically arise for women from obligations to care for family members. Gender inequality tends to be particularly marked in rural areas, where specific disadvantages arise from the gendered assignment of roles, tasks and occupations and a lack of women's control over the proceeds from agricultural sales. Women are also discriminated against with regard to extension services, land ownership, titling and inheritance (LDCR 2015; LDCR 2017). The empowerment of women is therefore of particular and paramount relevance for the transformation of rural economies in the LDCs.

Given the traditional gender divisions of labor, improvements in social infrastructure are important for stimulating greater female participation in income-generating activities (LDCR 2014; DTIS Niger). For example, the considerable amount of time many rural women spend collecting water could be substantially reduced through improved access to a safe water supply. Rural electrification helps to accelerate the energy transition as incomes rise, thus reducing the time women spend gathering traditional fuels, as well as the serious adverse health effects, particularly for women and young children, from burning such fuels inside the house. Women's productivity would benefit considerably from improvements in the provision of maternal and reproductive health care. Increasing the number of health facilities could also greatly reduce the time needed to access health services for themselves, and children and relatives who require care.

Gender equality is a value in its own right. Measures to overcome gender-specific disadvantages are also essential for harnessing the economic potential of women for structural transformation and enhancing the response to incentives aimed at building productive capacities (LDCR 2017). Structural transformation, in turn, provides the means for creating new income-generating opportunities for women. Innovative activities in certain sectors, such as horticulture, natural pharmaceuticals, textile manufacturing and tourism can provide substantial benefits for women in particular (LDCR 2017) [8].

Results, Discussion and Conclusion

The research paper entitled 'Least Developed Countries(LDCs) Sustainable Development Goals and the 2030 Agenda' is an attempt to study and analyse the characteristics, behaviour, trends and responsiveness of the LDCs towards the international community in their march for achieving the sustainable development goals and

targets slated by United Nations by the turn of 2030. The study has detailed the various aspects of the LDCs including their economic, social, cultural, political, environmental assessments and in identifying the gaps that arise in attaining the SDGs. It is understood that the LDCs are passing through a stage of structural transformation in their economies in this age of rapid globalization where the focus of almost all the countries and in particular the developed countries are towards the LDCs. It is also learnt that the LDCs need to restructure their economies in terms of development of various macroeconomic indicators such as employment, structural transformational, output growth, export promotion, public and private investments, international trade, health and social sectors, environment etc., this would go a long-way in achieving SDGs by the LDCs. The paper also discusses the issue of gender mainstreaming in the LDCs and how it affects the development of women in the societies in the LDCs. The concepts and the status of how the LDCs graduate into developing ones and the criteria that determine the same have also been dealt in this paper. The study concludes with the proposition that the LDCs need to restructure their economies in light with their developing and developed counterparts so as to gain access to improving their macroeconomic aggregates which in turn would lead to global economic sustainable development and in development of inclusive societies and global peace by mitigating climate change issues and through structural transformation of their economies.

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