



► The least developed countries

Crisis, structural transformation
and the future of work



Report I(B)

▶ **The least developed countries:
Crisis, structural transformation
and the future of work**

Report of the Director-General

First item on the agenda

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► Preface

For the last ten years I have used my report to successive sessions of the International Labour Conference to place before the ILO's global tripartite constituency pressing policy themes. The plenary discussion of these reports has provided invaluable guidance which has served to shape ILO work on these priority issues in a truly strategic manner.

This last report of my mandate is presented at a time when the world in general, and the world of work in particular, face multiple challenges of the greatest gravity. They bring danger and uncertainty and a questioning of the capacity and commitment of the international community to deal with them credibly.

That means that there are numerous contenders for attention in this report. But there are also compelling reasons to focus on the least developed countries (LDCs); they can be summarized under four headings.

Firstly, the international community stands at a key juncture in its relationship with the LDCs. The Fifth United Nations (UN) Conference on the Least Developed Countries, originally scheduled for 2021 but postponed because of COVID-19, will meet in March of next year in Doha. A Doha Programme of Action has already been adopted by the General Assembly and it contains a great deal of relevance to the mandate of the ILO and a strong appeal to our Organization to contribute significantly to its implementation.

Secondly, as the final decade for the implementation of the UN's 2030 Agenda for Sustainable Development (2030 Agenda) advances and the prospects for achieving many of its 17 Sustainable Development Goals become increasingly daunting, the ILO, like everybody else, is challenged over its real determination "to leave no one behind". It is a challenge which speaks directly to the ILO's work with the LDCs which are most in danger of being left behind.

Thirdly, the labour market conditions which prevail in LDCs and which are set out in this report, constitute a particular test for the ILO. Is our Organization, using its established methods of action – above all international labour standards and tripartism – sufficiently equipped to advance the decent work agenda in LDCs and to contribute to the processes of structural transformation upon which their sustainable development depends?

And finally, what happens in the LDCs matters to the entirety of the international community. Solidarity and responsibility are two reasons for committing to the Doha Programme of Action: in an interdependent world facing so many acute vulnerabilities, self-interest is a third. This is a report, addressed not only to the 45 ILO Member States that are LDCs, but to all 187.

I therefore hope that this report will stimulate tripartite debate on the ILO's activities in and with its LDC constituents and thus reinforce its presence and effectiveness in situations where it is much needed.

Guy Ryder

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► Introduction

Pandemic, conflict and crisis in the world of work

1. The transformative processes of change impacting the world of work, which were the backdrop and rationale for the ILO's Centenary Initiative on the Future of Work, have taken a new and dramatic turn since 2019. The COVID-19 pandemic, which is not yet finished, has delivered a hammer blow to the global economy, destroying the equivalent of 255 million full-time jobs in 2020. The process of recovery has been uneven and incomplete. With the benefit of much greater fiscal capacity, and access to vaccines, the advanced economies have bounced back vigorously. By contrast, much of the developing and emerging world, severely disadvantaged on both counts, has struggled to make good the damage done.
2. The overall effect is a global labour market which is flatlining at 22 million fewer jobs than pre-pandemic levels. Alone that is reason for serious concern. But when disaggregated, a still more significant concern emerges – a great divergence between the growth and labour market trajectories of the developed and the developing worlds. From this perspective, the immediate impact of COVID-19 on jobs and incomes – four times greater than the impact of the global financial crisis of 2008 – looks likely to be followed by long-COVID effects which, in sum, will make an already dangerously unequal world even more unequal.
3. The social and economic fallout of the Russian Federation's invasion of Ukraine in February of this year has generated new shocks to the world of work and added considerably to the uncertainties and risks confronting millions of working people and the enterprises that engage them. The large number of conflicts across the different regions all bring suffering and hardship, and are evidence and reminders of the indissoluble link between peace and social justice. But the nature of the war taking place in Ukraine, and its broader context, have unparalleled implications for the global economy.
4. In addition to the destruction caused in Ukraine itself and the disruption in neighbouring countries, including through the large-scale displacement of people, the conflict risks provoking a triple crisis on a global scale: of food, of energy and of finance.
5. The United Nations (UN) has estimated that 1.7 billion people live in the 107 economies which are "severely exposed" to at least one of these three channels of crisis transmission: of these, 553 million are already poor and 215 million are already undernourished.
6. In respect of food, the Food and Agriculture Organization of the United Nations (FAO) in April reported that prices were 34 per cent higher than a year earlier and stood at unprecedented levels. Interruptions of fertilizer supplies have led to forecasts of crop yield reductions of up to 50 per cent. And the United Nations Conference on Trade and Development (UNCTAD) has noted the historic correlation between increases in agri-food commodity prices and civil unrest.
7. As regards energy, the disruption to international markets has led to extreme price volatility, with rates for crude oil and natural gas rising to about 50 per cent above their levels at the beginning of the year, with uncertain consequences for the transition to renewables and the take-up of nuclear energy.
8. The situation in respect of finance is described by the United Nations as "the brink of a global debt crisis." Even before COVID-19 and the war in Ukraine, developing countries were spending 16 per cent of their export earnings in servicing debt obligations. Now, in the wake of the exceptional

expenditure to mitigate the impact of the pandemic, and in the face of resurgent inflation – 5.2 per cent last year – and resulting increases in interest rates, 60 per cent of the least developed countries (LDCs) and other low-income countries are already at high risk of, or in, debt distress. Illustrating the interconnected nature of the three dimensions of the crisis, it is notable that the difference in the cost of borrowing for net food-importing developing countries has widened to two percentage points above that for net food exporters.

9. The combination of circumstances now prevailing is widely seen as a perfect storm for the global economy. And, like many extreme weather events being experienced, it is more violent and harmful than previous storms, bringing the prospect of reversing decades of progress in economic and social conditions. Some 77 million more people are living in extreme poverty than in 2019; 117 million more people are experiencing hunger; and following decades of significant progress, child labour is on the increase.
10. The storm hit just as the international community was embarking on a Decade of Action to deliver the 17 Sustainable Development Goals (SDGs) which make up the UN 2030 Agenda. Recommitment to the 2030 Agenda came with recognition that progress made since its adoption in 2015 had been clearly insufficient to meet the Goals fixed and that there needed to be a major stepping up of action. The pandemic and the triple crisis generated by the war in Ukraine made an already major challenge more formidable still. Yet the intent must be to rescue the SDGs, not abandon them.
11. The injunction “to achieve the Goals by the target date of 2030, leaving no one behind” is central to the overarching intent of the 2030 Agenda and putting an end to poverty. It also resonates strongly with the social justice mandate of the ILO. This commitment to those who are, or risk being, furthest behind requires that particular attention be given nationally to those who are most disadvantaged in labour markets, and internationally to the situation and needs of the LDCs.
12. In the midst of critical challenges to the world of work and on the occasion of the Fifth UN Conference on the Least Developed Countries there are good reasons to focus on this group of countries and to assess the ILO’s contribution to their sustainable development.

► Chapter 1

The LDCs: The story so far

13. The concept of “the least developed countries” became current in the decolonization period of the 1960s and was formalized in 1971 in UN General Assembly resolution 2768, which approved a list of the LDCs. Since then, UN Conferences on the Least Developed Countries have been held at ten-year intervals, with the fifth originally scheduled to meet in March 2021 but postponed due to COVID-19 and then divided into two parts – a short session held in New York on 17 March 2022, and the main event, due to convene in March 2023 in Doha, Qatar. The Doha Programme of Action for the Least Developed Countries for the Decade 2022–2031 was adopted at the first part of the Fifth UN Conference on the Least Developed Countries and endorsed by the General Assembly on 1 April 2022.
14. The list of the LDCs is reviewed every three years by the independent expert Committee for Development Policy and designations made on the basis of three criteria: gross national income per capita, a human assets index, and an economic and environmental vulnerability index. On this basis, countries are able to graduate to developing country status, and six have done so over the years. That means that in the run-up to Doha, there are 46 LDCs (see appendix), all of which, except Bhutan, are Members of the ILO. Of these, 33 are African countries, 12 are from Asia and the Pacific, and 1 is from the Americas. Among them are a significant number of landlocked and small island States.
15. The development performance of the LDCs benchmarked against the ambitions of the decade-long programmes of action launched by successive UN Conferences on the Least Developed Countries has been uneven over time and between countries. UNCTAD’s *Least Developed Countries Report 2021* states that, since 1971, around half of the current LDCs have failed to achieve per capita gross domestic product (GDP) growth at the same pace as average world per capita GDP; 16 have roughly kept pace; and only 7 have reduced their gap with average world per capita GDP.
16. Chronologically, the LDCs enjoyed a period of sustained economic growth from the late 1990s until the outbreak of the COVID-19 pandemic, a performance which was only interrupted temporarily by the global financial crisis in 2008–09. Nevertheless, this growth was heavily dependent on the strength of international demand and international prices. For those countries that relied heavily on the export of a limited number of commodities, the drop in their prices from 2014 came as a blow and exposed their greater vulnerability, as compared to those LDCs that had succeeded in diversifying their production and integrating themselves more into international manufacturing supply chains.
17. In any case, the verdict in the introduction to the Doha Programme of Action on the experience of the last decade is severe: “progress fell short of the goals and targets set out in the Istanbul Programme of Action [adopted by the Fourth UN Conference on the Least Developed Countries in 2011], including achieving sustained, inclusive and equitable economic growth at a 7 per cent rate; poverty eradication, achieving structural transformation; doubling the share of trade, building productive capacity; [and] securing full employment and decent work for all”. It goes on to recognize that progress in respect of the SDGs is not at a pace to achieve the objectives of the 2030 Agenda; the rate of extreme poverty remained at 32 per cent; and although the LDCs made up 14 per cent of the global population, they accounted for only 1.3 per cent of global production, 1.4 per cent of global foreign direct investment, and under 1 per cent of global exports.

- 18.** The evidence is that the COVID-19 pandemic has led to the strongest negative economic shock in the LDCs for several decades, despite the fact that the health impact came relatively late and was less severe than in other categories of country by virtue of the lack of connectivity of many LDCs. The employment-to-population ratio fell sharply by 2.6 percentage points in 2020, with surveys indicating an even more severe impact on earnings from labour. The highly constrained fiscal space available to the LDCs meant that the pandemic response packages were inevitably on a limited scale. Overall, the LDCs invested 4 per cent of their GDP in COVID-19 response up to October 2021, compared to 8 per cent for other developing countries and 16.3 per cent for developed countries. In absolute terms, that meant that per capita spending was 477 times greater in developed countries than in the LDCs.
- 19.** It is of particular concern that the LDCs have suffered acutely from the uneven roll-out of vaccines around the world. As of September 2021, only 10 per cent of the LDC population had had a first dose, compared to 53 per cent for other developing countries, with obvious and dangerous implications for the possible future evolution of the pandemic. Moreover, with falls in many export prices, the collapse of tourism, and the fall in migrants' remittances, which in 2019 constituted 7 per cent of overall GDP in the LDCs, the resumption of economic growth, which was less than 1 per cent in 2020, seems likely to be slower than in other countries. The Doha Programme of Action projects that on average it will take the LDCs three to five years to recover their pre-COVID-19 levels of per capita GDP – a projection that predates the Russian Federation's invasion of Ukraine.

► Chapter 2

The character and challenges of labour markets in the LDCs

20. Despite the inherent variety of conditions prevailing in any group of 46 countries and taking into account the frequent practice of categorizing the LDCs into subgroups – African, Asian, and island – it is both possible and necessary to identify the major characteristics of their labour markets as a basis for coherent and effective sustainable development strategies. Eight key features are of particular relevance.

- (a) The majority of those employed in the LDCs are in agriculture. In fact, the share of employment in agriculture has declined significantly over the last three decades, from more than 75 per cent to about 55 per cent, but that is still twice the level in other developing countries. Over the same period, there has been a gradual increase in the share of manufacturing employment, particularly in Asian LDCs, where it stands at around 10 per cent. This contrasts with the downward trend in other developing countries. Employment in business services has also grown steadily, but remains low in absolute terms, as does employment in mining.
- (b) Linked to the sectoral distribution of jobs, there is a very marked dichotomy in the size, structure and capacity of enterprises in the LDCs; survey data shows 78 per cent of total employment is in units with fewer than five workers and 70 per cent of the labour force are own-account or contributing family workers. At the other end of the spectrum, there are a relatively small number of large firms, leaving a “missing middle” in the enterprise population.

Crucially, this dichotomy in the size of enterprises coincides with the very high levels of informality in LDC labour markets. In the LDCs, 89 per cent of employment was informal before COVID-19 struck, compared to 66 per cent in other developed countries and 61 per cent worldwide. Informality is concentrated in certain sectors – particularly agriculture, commerce and manufacturing, and in small economic units. By contrast, and despite the fact that they are few, very large firms of over 100 employees generate more formal jobs than all small and medium-sized enterprises put together.

This coexistence of a limited number of large firms providing some formal work with a very large number of small enterprises operating informally is the defining feature of the economic duality typical of the LDCs.

- (c) The lack of production and export diversification of LDCs leaves them vulnerable to external shocks, trade imbalances and the accumulation of external debt. Widespread dependence on the production and export of a limited range of agricultural and mineral commodities such as oil, manufactured goods such as garments, and services such as those related to tourism, has led to volatility in growth performance.
- (d) The LDCs have the fastest growing population in the world, with current annual growth of 2.3 per cent. Their combined population grew by 65 per cent to 1.1 billion between 2000 and 2021, and is forecast to reach 1.3 billion by 2030 and to double between 2019 and 2050. While demographic transition, reflected in reduced fertility rates, is under way in the coming years, the LDCs will have the benefit of significant growth in their working-age demographic cohort and correspondingly reduced dependency rates for the economically inactive. With labour

force participation relatively high, this offers the prospect of a demographic dividend if decent jobs can be generated for the large numbers of new entrants. For African LDCs that means creating 8 to 11 million new jobs annually up to 2025, while for Asian LDCs the figure is 2 to 3.5 million. Despite some progress in school enrolment rates, half of the world's out-of-school children are in the LDCs – with girls disproportionately affected. Nevertheless, the proportion of young people not in employment, education or training has declined slowly since 2005.

- (e) Women are over-represented in the types of work associated with poverty-level incomes, particularly in agriculture and informal services. Women in the LDCs, as in many developing countries, are more likely to become and remain unemployed and to have fewer chances to participate in the labour force; and when they do participate, they often have to accept lower-quality jobs. Informal employment is a greater source of employment in the LDCs for women (92 per cent) than for men (86.8 per cent). And women more often work in the most vulnerable segments of the informal economy, for example as domestic workers, as homeworkers engaged on a piece-rate basis in the lower tiers of the global supply chain, or as contributing family workers. Indeed, they are almost three times more likely to be contributing family workers than men (36.1 per cent and 13.3 per cent, respectively).
- (f) The economies and societies of the LDCs are particularly vulnerable to climate change by virtue of their geographic location, their economic structure and labour market composition, and their limited adaptive capacity. Most LDCs are located in latitudes around the equator, where temperature increases are projected to be greatest and extreme weather events most frequent. Already between 2008 and 2015, African LDCs lost 376 working-life years per 100,000 people of working age as a direct result of environment-related disasters – among the highest rates in the world. The fact that economic activity in the LDCs is based largely in primary sectors, and particularly agriculture, means that it is particularly dependent on stable and reliable climate conditions. The fact that 34 per cent of the 50 countries with the highest share of agriculture in total employment are LDCs means that diverse climate events will be transmitted directly into labour market disruption. Despite having contributed only marginally through greenhouse gas emissions to the causes of climate change, the LDCs are not only disproportionately exposed to its consequences but also badly equipped to take effective mitigating and adaptive action.
- (g) The LDCs have severe deficits in practically every metric of social protection coverage and adequacy. Only 14.1 per cent of the population of the LDCs is covered by at least one social protection benefit, compared to a global rate of 46.9 per cent. For example, the rate of benefit coverage for mothers with newborns is 8.3 per cent for the LDCs and 44.9 per cent for the world, and in the case of old-age pensions 21.1 per cent for the LDCs and 77.5 per cent for the world. These severe deficits are the consequence of both limited participation in contributory systems of social insurance and of low levels of government expenditure on social protection. Only 6.2 per cent of the labour force in the LDCs contribute to a pension scheme, compared to 53.1 per cent in other developing countries and 53.7 per cent in the world. At the same time, LDC government expenditure on social protection and healthcare comes in at 2.1 per cent, compared to 9.8 per cent for other developing countries and 17.5 per cent for the world. These figures, and their consequences for human security, not least at a time of pandemic, are in part explained by the low tax-to-GDP ratios in the LDCs, which averaged 16.2 per cent in 2018, but are below 10 per cent in several of them. That, in turn, limits the distributive capacities of the State, and its ability to redress the high levels of inequality.

- (h) With regard to governance of labour markets, the LDCs above all face the challenges resulting from very high levels of informality, which impacts the capacity of governments to make labour law, regulations and processes effective in large segments of the economy, and equally the ability of workers' and employers' organizations to represent their potential constituencies at scale.
- (i) There is no evidence from the records of the ILO supervisory system of any statistical relationship between LDC status and failure to ensure general respect for fundamental principles and rights at work. Nevertheless, the LDCs' score in 2018 on SDG indicator 8.8.2, which measures compliance with international labour standards on freedom of association and collective bargaining, was 3.79, compared to a global average of 5.35, providing evidence of important continuing challenges. Of the 45 LDCs that are Members of the ILO, 35 have ratified all eight of the fundamental rights Conventions, with another 3 lacking only one ratification. A total of 35 LDCs have also ratified the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), while as many as 39 have established formal national institutions of social dialogue with a broad mandate on social and economic policy issues. The existence of these institutions is a positive indication of commitment to social dialogue and tripartism. But their real value depends ultimately on the extent to which their formal prerogatives translate into sustained and substantive contributions to policymaking and labour market governance. While there are positive examples of such contributions, notably in managing the economic and social consequences of the COVID-19 pandemic, resource and capacity constraints nevertheless remain serious obstacles in many cases.
- (j) A sombre end note to this overview of social and economic conditions and challenges in the LDCs is that according to the Doha Programme of Action a total of 24 LDCs had active conflicts in 2019. Moreover, all but 2 of the 20 members of the G7+ group of fragile States are LDCs. That is an apt reminder of the interdependence of peace and social justice and, in an increasingly conflicted world, of what is at stake in the cause of sustainable development and decent work in these countries.

► Chapter 3

An agenda for structural transformation

21. The nexus of economic and social challenges and constraints which confront the LDCs, and which have conditioned their paths of economic and social progress for decades, has given rise to wide acceptance of the need for their structural transformation as a precondition for lasting sustainable development. There is extensive literature on what structural transformation actually involves, and at its heart is the proposition that in order to graduate the LDCs need to act not only to improve their productive capacities, but also their institutional arrangements and governance. The integrated approach implied by structural transformation recognizes that addressing in isolation the different characteristics of the LDCs is unlikely to bring lasting progress across the three criteria by which the LDCs are defined and by which their graduation is decided. From the perspective of the ILO, this means that structural transformation is key to advancing the Decent Work Agenda and, indeed, the SDGs.
22. The point is well illustrated by the interaction between productivity, employment and standards of living in the LDCs. Given their weak productive capacities, increasing productivity is an obvious priority. Classically, this has been pursued through the reallocation of labour from the low productivity agricultural sector to high productivity manufacturing, and eventually into complementary service activities. While in-sector productivity improvement has also played a role, this process of industrialization has long been the template for development and the generation of decent work opportunities. Yet, productivity growth alone, where it has been achieved, has been clearly insufficient to create jobs on the scale required, and to produce broad-based improvements in living standards. The dualism which is so present in the economies of the LDCs is one factor that inhibits the benefits of higher productivity from spreading more widely, and the limited redistributive role of the State is another.
23. The conclusion is not that productivity does not matter, nor that the structural changes of industrialization are to be discarded. Putting aside the related issues of premature deindustrialization observed in some developing countries, with the early appearance of often low productivity service sectors, and of the climate change implications of industrial development, it is rather that alone they are insufficient and therefore need to be accompanied by a series of parallel policy interventions in a conscious and explicit agenda for structural transformation.
24. That is precisely the approach contained in the Doha Programme of Action, which notes that “[s]tructural transformation is not taking hold” and recognizes that “[w]ithout a structural transformation that prioritizes economic diversification and addresses institutional and capacity constraints, the least developed countries will remain vulnerable to various socioeconomic, health and environmental shocks”.
25. Consequently, the Doha Programme of Action identifies “[s]upporting structural transformation as a driver of prosperity” as one of its six key focus areas for action. This focus is complemented by five other areas of action, namely: investing in people; leveraging the power of science, technology and innovation; enhancing international trade; addressing climate change, environmental degradation and recovery from the COVID-19 pandemic; and mobilizing international solidarity. Particular reference is made to the essential nature of achieving gender equality and the empowerment of all women and girls and the full realization of their human rights. The Doha Programme of Action also makes a strong appeal to all multilateral organizations

to contribute to its implementation and to integrate it into their work programmes, including through the provision of finance, technical support, and policy advice and assistance in all priority areas. It urges the international community to “push beyond ‘business as usual’ to agree on innovative and effective support measures for the least developed countries”.

26. The question for this Conference is whether the ILO stands ready to respond to that call, and how.

► Chapter 4

The ILO and the LDCs

27. At present, business as usual for the ILO in the LDCs is reflected in a total of 198 projects worth nearly US\$385 million, the equivalent of 28.5 per cent of the ILO's overall technical cooperation portfolio, in addition to activities financed from the regular budget. These projects are implemented in 36 Member States, of which 18 have Decent Work Country Programmes in place, offering an institutional framework for cooperation decided through tripartite consultations. This means that the ILO has a substantial, if uneven, presence in the LDCs.
28. The most important political documents adopted by the International Labour Conference in recent years, the ILO Centenary Declaration for the Future of Work, 2019, and the 2021 Global Call to Action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient, have been accepted by the Governing Body as the key reference points for the ILO's activities. The Centenary Declaration distils the political conclusions of the Organization's in-depth Future of Work Initiative, the Global Call to Action applies them to the circumstances and challenges arising from the COVID-19 pandemic, and both are operationalized through the programme and budget. But how do these texts relate to the decent work challenges of the LDCs?
29. Somewhat disconcertingly, neither the Centenary Declaration nor the Global Call to Action makes specific reference to the LDCs. Nevertheless, it is abundantly clear from the substantive content and the spirit of both texts that they are not only compatible with a concerted programme of ILO action for the LDCs but, in the context of the 2030 Agenda's admonition to leave no one behind and the ILO's own social justice mandate, are a powerful exhortation for one to be put in place.
30. The challenge to, and the responsibility of, the ILO in this regard, are perhaps more fundamental than even these seminal texts might seem to imply. The real capacity of the ILO to bring its established instruments and methods of work to bear to promote decent work opportunities in situations where informality is overwhelmingly present, poverty pervasive, work institutions weak or absent, and tripartism underutilized, has not infrequently been called into question. These concerns should not be dismissed casually as symptoms of hostility to the aims, structures and objectives of the Organization. On the contrary, they raise issues which need to be addressed and are crucially important for the credibility and universality of its mandate and effectiveness. If the ILO cannot convincingly demonstrate its impact – actual or potential – in the LDCs, it would risk surrendering its claim to be, as the Declaration of Philadelphia instructs it, carrying on “the war against want ... with unrelenting vigour”.
31. To its credit, the ILO has made important efforts to respond to these challenges. In recent years, it has strengthened and focused its normative framework with the adoption of the Social Protection Floors Recommendation, 2012 (No. 202), the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205), and the Domestic Workers Convention, 2011 (No. 189). In a period when new international labour standards have been few by comparison with past decades, it is noteworthy and significant that, in different ways, each of these instruments has particular relevance to processes of structural transformation in the LDCs. Viewed collectively, they reflect genuine political will to extend ILO reach to those sections of the global workforce to which the ILO may be considered to have particular obligations, and to work settings in which past ILO action may be considered to have had insufficient traction. Moreover, this normative

effort has been accompanied by significantly increased attention to corresponding themes, both in the policy outcomes of successive ILO programmes and budgets and in its flagship technical cooperation programmes.

- 32.** This suggests that, in a gradual way, the ILO has over the last decade equipped itself well to address different aspects of the labour-related challenges confronting the LDCs. The question now is whether this can be taken forward further in a way that responds to the ambitions of the Doha Programme of Action, the Centenary Declaration and the Global Call to Action and, above all, to the conditions of crisis facing the world of work and the needs of the Member States concerned.

► Chapter 5

Elements for an ILO strategy on the LDCs

- 33.** The concept of successful structural transformation implies the need for a combination of different areas of policy intervention in a coherent endeavour to catalyse broad-based, inclusive sustainable development. By the same logic, there would be advantage in the ILO bringing together its different areas of activity in an integrated LDC strategy. The looming crises impacting the world of work, and their potential impact on the LDCs, lend urgency to that proposition, and the terms of the Doha Programme of Action provide opportunity and institutional sanction for it.
- 34.** Central to the Doha Programme of Action's approach to what it describes as the "critical challenge" of structural transformation is a commitment "to promoting and supporting the formulation of national strategies aimed at increasing decent employment, diversification, economic transformation, value addition, efficiency and competitiveness in the manufacturing, agriculture and services sectors". The ILO's contribution to meeting that commitment can be to promote national LDC employment policies which are an integral part of such structural transformation strategies and themselves link to or encompass the range of issues which need to be addressed holistically. Existing Decent Work Country Programmes in 18 LDCs offer a solid point of departure but may need to be reviewed, consolidated and, in any case, introduced in those Member States which do not currently have them.
- 35.** The core task of increasing national productive capacities would require an approach combining enterprise development, skills formation, formalization and the application of new technologies – all of which figure extensively in the Doha Programme of Action. So the sharp dichotomy between a limited number of large, often formal, enterprises on the one hand, and a multitude of micro, small and medium-sized enterprises (MSMEs) generally operating informally in the agricultural sector on the other, indicates the need for a two-track approach to enterprise development which both supports growth of productivity and jobs in existing activities, and promotes the reallocation of resources to new areas of activity through coherent enterprise, industrial and employment policies. Existing large enterprises can take up a key role, not only by reinforcing their presence externally in global supply chains, but also internally by forging strong linkages with domestic MSMEs, and by so doing help them to upgrade their own productive capacities and thus begin to fill in the "missing middle" in LDC enterprise structures. Where these large enterprises are local affiliates of multinationals, adherence to the terms of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, as well as to the *UN Guiding Principles on Business and Human Rights*, can help optimize the impact of their activities.
- 36.** While embracing digitalization is recognized as a key enabler of increasing productive capacities, the obstacles and potential pitfalls involved need to be understood and addressed. The ratio of access to the internet in the LDCs increased from 5 per cent in 2011 to 19 per cent in 2019, but that means that some 800 million people still do not have that connectivity. Fixed broadband subscriptions stood at one person in every hundred. Overcoming this digital divide is built into the Doha Programme of Action, which commits to providing universal, safe, affordable and meaningful digital connectivity by 2030. In the absence of major progress in this direction, the danger would be that digitalization could accentuate structural dualism in the LDCs, being concentrated in urban areas and in the formal economy and large enterprises to the exclusion of the others.

37. The challenge of extending digital infrastructure to all sectors of the population goes together with the no less pressing need to equip people with the awareness and skills to take up the economic and social opportunities that would result. With 20 per cent of their people under the age of 25, and the fact that by 2030 one in five of the world's young people will be born in the LDCs, the task of helping young people to become digital natives is key and formidable. According to one recent survey in eight African and Asian LDCs, 80 per cent of respondents said that the main reason that they did not use the internet was because they did not know what it was.
38. Progress in educational attainment and skills acquisition has been recorded in the LDCs and it is significant that higher levels of skills have been associated with lower levels of informality: this is one of the policy levers that needs to be used to promote formalization in line with the provisions of Recommendation No. 204. But there is a concern that the impact of COVID-19 on education could represent a major setback – “a generational catastrophe” in the words of the Doha Programme of Action – particularly for girls. Moving forward to universal quality education and systems of lifelong learning are goals that all countries share. In the LDCs this will go a long way towards determining whether they cash in on the demographic dividend of their youth bulge or rather face the uncertainties of larger cohorts of discouraged and frustrated young people.
39. The high vulnerability of the LDCs to the consequences of climate change and the marginal responsibility of most of them in its causes means that they have specific, although not uniform, needs and opportunities in the just transition to carbon neutrality.
40. The majority of the LDCs present a low-carbon profile. While many advanced economies face sizeable economic and social costs from decarbonization, including the retirement or reconversion of heavily polluting technologies and infrastructure, the LDCs have opportunities to jump-start green economy transition and make them integral components of their processes of structural transformation. Because many of the LDCs have low population densities, extensive availability of agricultural land, agricultural production systems which are, by default, mostly organic and low input, and major potential sources of renewable energy, they have real comparative advantages in reconciling the economic, social and environmental dimensions of sustainability.
41. The ILO has been to the fore in highlighting the positive job-creation potential of just transition, while underlining that the decent work benefits are neither automatic nor evenly distributed across countries and sectors or between women and men. They need to be realized through consciously planned processes with the involvement of the social partners and underpinned by international cooperation. To facilitate these positive outcomes, the ILO has published *Guidelines for a just transition towards environmentally sustainable economies and societies for all* and taken the lead in the Climate Action for Jobs Initiative launched at the UN Climate Action Summit in 2019. At that time, 4 LDCs were among the 46 countries which made commitments, including the formulation of national plans for just transition through social dialogue and the creation of decent jobs. The Doha Programme of Action contains a commitment to the full formulation and implementation of national climate adaptation plans, including national and local action by all the LDCs. Acting on that commitment would offer concrete opportunity to generalize the integration to just transitions in strategies for structural transformation.
42. Social protection is a critical enabler of all processes of significant change at work. The availability of such support makes it possible for individuals to navigate the interruption of income and employment that often comes with a change of activity and makes it more likely that they will embrace new opportunities. For that reason, the major social protection deficits which have already been noted in the LDCs constitute a structural rigidity to sustainable development. Overcoming them is about economic efficiency as well as human rights and social justice.

- 43.** The Doha Programme of Action recognizes that a lack of capacities and limited resources are major constraints in pursuing its targets of a sustainable increase in coverage of nationally appropriate, comprehensive and universal social protection systems, including floors, in all the LDCs. The ILO has quantified the resource constraints, estimating the additional annual financing necessary to put social protection floors in place in all the LDCs at \$122.7 billion. This would allow them to provide basic child, maternity and disability benefits, old-age pensions and essential healthcare to their populations.
- 44.** This, undoubtedly, constitutes a very significant level of investment, but not inconceivable when set against the approximately \$17.1 trillion mobilized globally in response to the COVID-19 pandemic. Nevertheless, it is the equivalent of 11.1 per cent of the 2020 GDP of the LDCs overall. It follows that extending social protection coverage and adequacy will necessarily require a joint national and international effort. The LDCs need to expand their own fiscal space and its use for social spending, including by increasing their tax revenues and efficiency and preventing illicit financial flows. But international support must also be stepped up. As the social fallout from the COVID-19 pandemic brought home the consequences of gaping holes in social protection systems, and with the experience of the wholesale resort to temporary and ad hoc measures to mitigate them, in September 2021, the UN Secretary-General launched the Global Accelerator on Jobs and Social Protection for Just Transition, led by the ILO as a vehicle to channel resources and expertise for precisely this purpose. The Accelerator, if financed and implemented with purpose and on scale, can contribute significantly to structural transformation in the LDCs.

► Chapter 6

National ownership, international solidarity and the question of policy coherence

45. The principle of country ownership is emphasized strongly in the Doha Programme of Action which underscores the “ownership, leadership and primary responsibility” of the LDCs in their own development. Alongside this, it makes a strong appeal for “international solidarity, reinvigorated global partnerships and innovative tools” for a march by the LDCs towards sustainable graduation to developing country status.
46. Involvement of the ILO must be respectful of both principles. LDC country ownership, as well as being a proper expression of national sovereignty, also implies a concerted reinforcement of the capacities of the relevant in-country actors which, from the ILO’s perspective, means giving priority to ministries of labour and representative and independent organizations of employers and workers. In that regard, due consideration needs to be given to the long-term record of ILO capacity-building activities and the sustainability of results achieved, as well as to the real impact on the “end beneficiaries” – a point stressed in the recent *MOPAN Assessment Report: ILO* published by the Multilateral Organisation Performance Assessment Network in 2021. In short, the ILO’s contribution to capacity-building and to policy development needs to make a meaningful and lasting contribution to structural transformation.
47. The appeal to reinforced international solidarity contained in the Doha Programme of Action covers a broad range of policy concerns. In respect of debt, there is focus on addressing debt distress and attaining long-term debt sustainability. On climate change, the international community is called upon to honour the \$100 billion annual financing commitment to developing countries and to step up support to the LDCs. On development financing, there are calls for a target to be set by official development assistance (ODA) providers of 0.2 per cent of gross national income for the LDCs; for specific initiatives to channel the International Monetary Fund’s recent allocation of special drawing rights to those most in need; and for the UN Secretary-General to explore the feasibility of an international investment support centre for the LDCs to reverse the downward trend of recent years. On trade, there are a series of detailed proposals for the World Trade Organization to take action to increase LDC participation in international commercial flows and their access to global value chains, and also to help ensure that any country successfully graduating to developing country status is not unintentionally penalized by the withdrawal of the special and differential treatment accorded to the LDCs.
48. Each of these policy dimensions is ambitious and critical for the future of the LDCs. But the integrated approach that structural transformation demands, coupled with the distribution of responsibilities for various policy areas across the mandate of different entities of the multilateral system, inevitably poses the question of coordination and coherence between them. The Programme of Action itself lays out quite detailed arrangements. Globally, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States is accorded a major role of coordination and its functions are to be strengthened. They will include the preparation of “a comprehensive road map for the accelerated implementation of the Doha Programme of Action”. Regionally, biennial reviews will be undertaken, and at the national level all organizations are called upon to support UN resident coordinators, with their important role of leadership of UN country teams in the reformed

development system so that the Programme of Action is mainstreamed into the development planning of the LDCs.

49. All of this offers the ILO ample opportunity to plug its own activities into the broader system-wide effort: institutional mechanisms for coordination are not lacking. Nevertheless, it remains a challenge to ensure that these formal arrangements translate effectively into substantive policy coherence. The need for the multilateral system to work permanently with common purpose in pursuit of the shared or complementary objectives set out in their respective mandates requires more than periodic participation in these mechanisms. That imperative of reinforced coherence was explicitly recognized in the ILO Centenary Declaration for the Future of Work and was the logic for the Global Forum for a Human-centred Recovery that met in February. It has also been stressed in the UN Secretary-General's call for more effective, participatory and networked multilateralism in his *Our Common Agenda* report. Important though it was, the Forum was only a starting point on a journey towards intensified international policy coherence. Delivering on the Doha Programme of Action could benefit enormously from that intensification and at the same time could provide a valuable opportunity for its realization. In our current circumstances, and in the words of the Secretary-General in his report, the difference for LDCs and for the international community as a whole could be between breakthrough and breakdown.

► Appendix

United Nations list of the least developed countries

Afghanistan	Madagascar
Angola	Malawi
Bangladesh	Mali
Benin	Mauritania
Bhutan	Mozambique
Burkina Faso	Myanmar
Burundi	Nepal
Cambodia	Niger
Central African Republic	Rwanda
Chad	Sao Tome and Principe
Comoros	Senegal
Democratic Republic of the Congo	Sierra Leone
Djibouti	Solomon Islands
Eritrea	Somalia
Ethiopia	South Sudan
Gambia	Sudan
Guinea	Timor-Leste
Guinea-Bissau	Togo
Haiti	Tuvalu
Kiribati	Uganda
Lao People's Democratic Republic	United Republic of Tanzania
Lesotho	Yemen
Liberia	Zambia

Source: United Nations Conference on Trade and Development, *UN list of least developed countries*, 2022.