

# **UN-OHRLLS Consultative Meeting: LDCs priorities in the post-2015 development agenda and the SDGs**

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## **Thematic Summary**

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### **Session 1: Eradication of extreme poverty in LDCs**

Among the defining features of poverty in the least developed countries (LDCs) are its pervasiveness and persistence. This has been recognized in the Istanbul Programme of Action for the LDCs (IPoA). In fact, progress in poverty reduction in the developing world has largely bypassed these countries. Extreme poverty rates among LDCs are more than double the average for the developing world as a whole. Global poverty eradication will be unattainable without overcoming poverty in LDCs.

The Post-2015 Development Framework should address the special needs of the LDCs, especially in light of their serious constraints on domestic resource mobilization and external borrowing. It is essential that the Open Working Group on the Sustainable Development Goals and Intergovernmental Committee of Experts on Sustainable Development Financing adequately reflect the special situation in the LDCs.

In particular, the Post-2015 Development agenda should have poverty eradication as an overarching goal, as already stated in the High Level Panel Report of Eminent Persons on the Post-2015 Development Agenda and in the UN Secretary-General's report *A Life of Dignity for All: Celebrating Progress towards the Millennium Development Goals and Advancing the United Nations Development Agenda beyond 2015*.

Poverty does not impact all social groups equally. In LDCs, the poverty outlook is characterized by higher poverty rates among women and children as well as high incidence of extreme poverty in rural areas. Additionally, growing urban areas are unable to absorb the increasing number of migrants from the countryside, which has greatly contributed to the emergence of sizeable pockets of poverty in cities.

An integrated approach to poverty eradication must consider various aspects of deprivation such as malnutrition, lack of access to education, maternal health and water and sanitation. Additionally, a stronger emphasis on gender equality and women's empowerment is critical. Given the demographic dynamics of LDCs, creating job opportunities for young people and facilitating access to education will also become increasingly important.

#### ***Growth and Poverty Reduction***

Sustained economic growth is the primary mechanism through which LDCs can eradicate poverty. These countries must secure a higher level and sustained economic growth so as to have a

substantial and long-term impact on poverty. Without rapid and sustained growth, the progress they have made so far on human and social development cannot be sustained.

However growth on its own will not be enough. Economic opportunities must reach the most vulnerable and marginalized groups. Policies that maximize the development impact of growth, particularly in countries with vast natural endowments, are critical. Adequate policies for resource management will be essential in LDCs, where growth has been fuelled predominantly by expansion of extractive industries. An effort must be made to ensure that growth focuses on sectors that lead to broad-based growth that can reach the poor, especially agriculture and industry.

The state should play a catalytic role to ensure that necessary measures for the transformation of the economy and its better integration into global value chains are in place. This transformation should build on the three dimensions of sustainable development, economic, social and environmental. With adequate support from the international community, LDCs can leapfrog to a growth model based on environmental sustainability.

### ***Inequality and Poverty Reduction***

The limited growth dividend story told by the experiences of many LDCs suggest that economic growth alone will not be sufficient to eradicate extreme poverty. Barring a few cases, poverty elasticity of growth is rather low in these countries. Part of the reason for this is the limited progress in reducing income inequality and other forms of social and economic inequalities.

Inequality has outcome as well as opportunity dimensions, both of which are linked one another. Indeed, income and asset inequality may mirror inequality of opportunities. Education, health and nutrition status may determine the extent people or groups of people participate and benefit from improved national prosperity.

Inequality has both outcome and opportunity dimensions, which are closely linked. Indeed, income and asset inequality may mirror inequality of opportunities. Therefore, poverty eradication warrants a people-centered approach. Citizens should become active agents of change and should be empowered to contribute to the development of their countries and communities. Access to education, health and nutrition are important determinants of the extent people or groups of people participate and benefit from improved national prosperity. These should form essential components of a policy framework for structural transformation and a more inclusive and sustainable future.

## **Session 2: Key issues in transforming LDC economies**

LDCs not only have very limited productive capacity but also lack the ability to upgrade it. These structural constraints are the reason why LDCs do not sustain strong economic growth. Even in cases where they grow, the quality of such growth is often sub-par. Getting the most from growth requires a focus on economic transformation, which must be achieved through productive-capacity building.

## ***Productive capacity building and transformation of LDC economies***

Elements of productive capacity building include: resilience building in the face of shocks; infrastructure development, especially transportation, and energy; technological innovation and diffusion; the building of human capabilities, including through education at all levels; agricultural development and food and nutrition security, framework of domestic policy space that is conducive to prudent but supportive macroeconomic policies; the roles of state and private sector, and the management of natural resources. Putting in place all the above building blocks of productive capacity building requires strong national strategies supported by targeted international cooperation. This should target investment in productive sectors so to promote diversification, competitiveness and integration into the global value chain.

### ***Resilience building***

Economic and social development of many LDCs has been held back due to the deep impact of conflict and violence. Re-establishing and sustaining peace and security is a prerequisite for creating an environment where conflict affected LDCs can achieve greatest development gains.

In building more resilient LDCs, more focus must be placed on output diversification. At present, many LDCs are reliant on a small number of products or one sector. Diversifying is increasingly important in the face of increased volatility of global markets and frequency of natural disasters. Economies will not be able to grow except through participation in world trade, which again requires economic transformation to make the LDC economies competitive in the global market.

Addressing climate change is also a key challenge. If the international community does not take adequate and timely measures to tackle climate change, sustainable development will remain out of reach for many LDCs, especially those that are at the forefront of the dire effects of climate change, such as the low-lying and island countries.

### ***Infrastructure and Energy***

Participants underscored that the poor state of physical infrastructure—particularly transportation infrastructure—and the negative impact on within-country and regional connectivity. For instance, the scarcity of feeder roads to agricultural areas and poor condition of existing roads hurt agricultural productivity, as farmers are unable to get their products to market efficiently. Also, weak regional transportation constrains integration between food surplus countries and food deficit countries, therefore hampering intra-regional trade in food staples and growth across LDCs. Addressing infrastructural deficits, both nationally and regionally, should feature high in the discussions on post-2015 Development Agenda and the SDGs.

Energy is the building block for private sector development. Without a reliable energy infrastructure, LDCs cannot expect to attract investments. The co-chairs' Communiqué, "Our Common Action Agenda to Promote Sustainable Energy in the Least Developed Countries," which summarises the discussions of the High-level meeting on Sustainable Energy and LDCs during the 68th High-level week of General Assembly, stresses the importance of sustainable energy for LDCs and calls for addressing the nexus between energy and other development challenges in the post-2015 agenda.

### ***Technological Innovation and Diffusion***

Outdated techniques and low technological content of production processes hold back productivity in LDCs. Nowhere is this more evident than in smallholder and subsistence agriculture, which is heavily under-capitalized and relies on rudimentary technologies and processes.

Improved access to technology by LDCs is critical if these countries are to fully harness their potential. A technological upgrade will enable producers in LDCs to boost their productivity and meet global technical standards, hence competing in global markets. The proposal to establish a technology bank and a science, technology and innovation-supporting mechanism dedicated to LDCs is an important step toward bridging the technological gap of the LDCs vis-à-vis the rest of the world. Turkey offered to host such an institution under the aegis of the United Nations.

### ***Building human capabilities -- Education, including vocational training***

Education is crucial in empowering people to develop, maintaining the development gains achieved and building societies with more resilient people. Better educated people will advance countries' economic transformation and help in adjusting to the constantly changing world. Educational opportunities should match the needs of the labour market. In addition to compulsory primary and availability of secondary education systems, countries must develop vocational and skills training opportunities. These programmes upgrade the skills of participants immediately, deepening the human capacity of countries' workforces and making countries more attractive to foreign investment.

### ***Agriculture development and food security***

There is a persistent mismatch between the contributions of agriculture and the rural economy to total GDP and the shares of total employment. Agriculture accounts for only 20 per cent of total GDP of LDCs, although it employs two-thirds of the population of this group of countries. Rapid and sustained agricultural and rural growth will be a good measure of success in entering a path toward economic transformation. Improvements in agricultural production, combined with opportunities in other areas outside of agriculture, will enable surplus labour in this sector to move into higher productivity activities. This will be essential to generate meaningful productive jobs and enable LDCs to make important strides towards poverty eradication. Such transformation of agriculture and rural economy entails rising productivity, process and product upgrading.

As productivity and capacity increases, LDCs can begin to move up the value chain by adding value to their primary products. Infrastructure improvements are essential to improve connectivity of the rural economy with the value chains.

### ***Role of the state and private sector***

Economic transformation is not only dependent on having a more active and vibrant private sector. The private sector's activities must be facilitated in areas which produce the largest development dividends. The policy framework has a crucial role in this process and rapid economic transformation calls for game-changing strategies. Industrial policies should be country-specific. Policymakers must

evaluate to determine which sectors have the potential for the biggest development gains, be clear on the roles and responsibilities of the government and encourage private initiatives. In addition, industrial policies need to be clearly anchored in national development strategies and plans. The discussion underscored the need for increased coherence between various national strategies, as well as the strategies of various donors.

Transforming LDC economies requires not only new strategies but also a proper balance between state and market. The state should create national policies in a way that encourages the private sector to grow independently, but also directs it toward the sectors with biggest dividends.

### ***Management of natural resources***

Better management of natural resources is an important element of the economic transformation. Countries should have a full knowledge of their natural resources and capacities and a good national resource strategy must be developed, based on evaluation of these resources. This information will be invaluable in putting together a natural resource strategy that conserves limited resources and makes full use of those resources that are available.

The concept of the “resource curse” needs to be challenged. The mix of resource abundance and poor governance often leads to missed opportunities in economic transformation and leveraging of positive spill-overs of resources to other sectors. Governments need to act with long-term development gains in mind. Finding ways to distribute wealth among all groups of the population is a challenge that all resource-rich countries face.

## **Keynote speakers over lunch: Protecting our people and our planet**

Three issues stand out from the discussions on the theme “Protecting our people and our planet”. They comprise sustainable development, particularly from adaptation and mitigation angles, gender equality and empowerment of women, and peace and security.

### ***Sustainable development***

LDCs are disproportionately exposed to the effects of environment degradation, natural hazards and climate change, to which they contributed very little. Because of limited adaptation and mitigation capacities, agriculture-- the primary source of income and employment in most LDCs—ecosystems, health and physical infrastructure are likely to be seriously affected. The low-lying and island countries, some of which are LDCs, are the most exposed to these shocks, for instance. Yet responding to these challenges could catalyse a transition towards green and sustainable growth and development in these countries.

### ***Gender equality and empowerment of women***

A development agenda cannot be successful without adequately incorporating a strategy to empower women. With respect to gender equality there is a need to build on and foster the

implementation of the IPoA, which entails a multifaceted approach with the objective of providing women and girls with full and equal access to education, health, including sexual and reproductive health, economic opportunities, land and property, social protection, decision-making and political participation at all levels, as well as ending violence against women. There is evidence that if women are not included in decision making, little progress can be achieved. As can be seen in Rwanda a high representation of women in parliament through affirmative action can lead to improvements for all. Gender policies should focus on enabling women and men to make choices. It was suggested to include gender equality and women empowerment as a standalone goal in the post-2015 development agenda.

### ***Role of peace and security***

There are deep linkages between peace, security, governance and development in LDCs. Those LDCs that are in conflict or are transitioning out of conflict situations face the greatest challenges. The magnitude of damage to their institutions and human capital is colossal and they face structural handicaps. It may take years or even decades to restore and rebuild trust and institutional capacity. Specific attention must be paid to providing opportunities for youth—especially ex-combatants—and enable them to participate in the rebuilding of the country. Conflict-affected LDCs require context-specific approaches to address poverty, security and governance in an integrated manner.

## **Session 3: Institution building, governance and transparency**

Good governance at all levels is essential to LDCs' progress, as stated in the IPoA. Currently, LDCs are not adequately represented in global decision making processes, many of which are directly relevant to their development.

Countries should focus on those institutions that are most obviously linked to state capacity and effectiveness. Public administration at the national and sub-national level is at the heart of people-state relations, environmental protection, disaster risk management, regional integration and national ownership and ODA. There will obviously be a need to unravel the concept of state capacity into practical and measurable targets and indicators.

Creating a national enabling environment will be critical to generate adequate conditions for accessing additional finance. Strong national institutions will be necessary to ensure that LDCs are able to deal with challenges and foster inclusive and sustainable development. They could facilitate market development, increase regulatory and legal certainty and undertake the necessary regulatory reforms for a more fair and transparent taxation system. This is equally important for better natural resource management.

Development partners should integrate the IPoA into their development cooperation programmes. The LDCs should make sure that the IPoA is mainstreamed across all areas of government as well as into national policy planning. Moreover, the LDC category should be adopted by international institutions, including the World Bank.

### ***National ownership of development***

It is essential that LDCs are empowered to take leadership and ownership of their own national development. They must put in place necessary institutions and mechanisms, ensuring the participation of all stakeholders. These institutions need to take the cultural identities of the population into account, being careful to strike a balance between respecting local customs and taking on traditional practices that are harmful, such as early marriage of girls.

The ownership of development has to be based on a multistakeholder approach. The full participation and commitment of the communities, private sector, and sub-national jurisdictions and all marginalized groups would be crucial for rapid, sustainable and inclusive economic growth and extreme poverty eradication.

Societies that have inclusive political, social and economic institutions where many groups and individuals can participate and innovate are better equipped to sustain development gains for the long term. Particular attention is needed to include women and youth as political and economic actors, and to ensure involvement of the private sector and civil society. In terms of participation, the High Level Panel suggests two targets: “[Ensure] that people enjoy freedom of speech, association, peaceful protest and access to independent media” and “Increase public participation in political processes and civic engagement at all levels”.

### ***Institution building in LDCs***

States must actively create the necessary conditions for the process of structural transformation, and must build necessary institutions that guarantee access to financial and other social services for all citizens. It is also important to set up or improve the institutions of developmental governance to ensure increased transparency and efficiency, particularly regarding the exploitation of natural resources.

Institutional performance has to be assessed from a sustainability perspective and thus has to include other dimensions apart from simply delivering efficient and effective goods and services. Building these inclusive political and economic institutions takes time and resources. Thus, support by development partners should not only focus on short-term progress.

Adherence to the rule of law and the legal empowerment of the poor are closely linked to the maturing of inclusive political, social and economic institutions. Protection of individual property rights, including land titles; legal guarantees of fair, credible and predictable law and contract enforcement; labour regulation; and facilitation of market creation and access (including for example, protecting women’s inheritance rights or legal capability to enter into contracts) . Importantly, the rule of law and access to justice also enables the sustainable use of the environment by protecting environmental rights and defining rules for natural resource exploitation and governance.

### ***Natural resource management***

Many LDCs have vast resources at their disposal. However, they do not have the necessary means to draw full benefit from them. Development depends on the sustainable management of natural resources, which is closely linked to the governance of land and the well-being of many tribal,

indigenous and rural communities. More efforts are needed to ensure that increased access to information and to redress translates into greater accountability for governments as well as private corporations. Contracts with multinational companies are often biased against LDCs. They often get a bare minimum dividend out of their own resources. Because LDCs lack capacity in transforming raw materials to commercial products, they often have little bargaining power.

In addition to enhancing government revenue, improving efficiency on the expenditure side is also crucial. This includes the allocation of expenditures across different sectors in line with priorities to address the most binding bottlenecks to development. Parliaments have a key role in the design of development strategies and allocation of budgets. The public administration and parliament are thus key institutions for strengthening governance, transparency and accountability.

### ***Transparency***

Transparency and development outcomes are closely connected. The positive impact of transparency on development, through better policy debate, better resource allocation and spending, greater accountability and thus less corruption, is recognised. Norms around government openness and transparency are evolving quickly, and expand to other actors, then private sector, civil society, foundations. The HLP suggested “[Reducing] bribery and corruption and [ensuring that] officials can be held accountable”. There are calls to expand this to the private sector as well. The HLP also suggested a target of “Guaranteeing the public’s right to information and access to government data”. This is a laudable step forward and could be expanded to include information on the use of natural resources and development assistance by donors.

### ***Measuring governance***

A key challenge in the area of governance, institution-building and transparency is translating commitments into concrete development goals and results. The quality of governance and institutions are important preconditions, particularly for ensuring the sustainability of the progress made on human development. There is no single model for success. Thus, there is a growing recognition for the need to accept divergence in the way countries address problems and create institutions. The High Level Panel chose the target “Provide free and universal legal identity, such as birth registrations”. A target on revenue collection capability, in line with one of the New Deal Goals may be another option. Decentralisation is also seen as an option to make progress in governance as it can reduce the concentration of power. The HLP did not include a specific target on local government, but the debate continues regarding the possibility of a specific target for sub-national government effectiveness.

Availability of data, preferably disaggregated by regions, gender and other relevant aspects is a precondition for evidence based policy making and monitoring and thus crucial for improved governance. The huge deficits of LDCs in this area need to be addressed. The data revolution mentioned in the HLP report was mentioned in this context.

The notion of governance should be inclusive one, encompassing also global governance. As such, international framework, be they related to trade, economic and financial issues, should fully reflect the concerns and aspirations of LDCs and also ensure their full participation.



## **Session 4: Means of Implementation**

When the list of LDCs was first elaborated in 1971, there were 25 countries and they represented 1% of the world's output. Today, there are 49; they represent 1.19% of world's output. Although the number of LDCs has nearly doubled, their place in the world economy remains largely unchanged.

The IPoA represents the articulation of the commitments of the international community to address the development challenges of the LDCs by creating a compact between development partners and LDCs. Mutual accountability is an intrinsic part of this compact and should be carried on in the articulation of the Post-2015 Development Agenda. An ambitious agenda that will produce an enlarged set of goals and targets will require substantial additional financing. At the moment, immense funding gaps exist, particularly for LDCs, which will require a significant scaling up of resources available for development.

It is increasingly recognized that there is a dual relationship between climate change and sustainable development, which will require the exploration of policies that jointly address them. Mobilizing resources for strengthening climate change resilience, fighting against land degradation and supporting sustainable development should be seen as a sound investment from which all countries will benefit.

The support of the international community remains critical for LDCs. Greater policy coherence is an essential factor in an agenda for development that aspires to enhance the ability of the LDCs to transform their economies and eliminate poverty. The challenges they face in accessing technology and their lack of integration in global markets must be addressed. The goal of duty-free quota-free market access for LDCs should be expeditiously met; currently only about 83% of products are meeting these criteria, whereas the commitment was 97%. Technology transfer is critical to accelerating the transformation of the economies of the LDCs. In this regard, the Technology Bank can be an important means to facilitate LDCs' access to technology.

A more coherent and fair set of global policies must be part of the post-2015 development agenda. South-South cooperation can complement efforts made by developed countries by facilitating productive capacity development, share successful policies and initiatives and further support the developmental state. Additionally, greater transparency, ownership and mutual accountability must be pillars of the post-2015 development framework.

At the global level, the LDCs should articulate their own proposals in the context of the discussions of the Open Working Group on Sustainable Development Goals, especially since it has been recognized that they present a set of challenges and difficulties that are different from those of other developing countries. The priorities of the LDCs are articulated in the IPoA and should be integrated in the post-2015 framework to ensure that the concerns of the most vulnerable countries are addressed in a renewed global compact for development.

## ***Financing poverty eradication, accelerated growth and sustainable development***

### ***Domestic resource mobilisation***

The financing needs arising from an expanded development agenda together with the existing gap in meeting internationally agreed commitments could be partially addressed through enhanced domestic resource mobilization. Many LDCs have made good progress in this area. Average gross domestic savings in LDCs has edged upward, moving from 14.8 in 2000 to 19.5 per cent in 2011, especially thanks to the performance of resource-rich countries. Further expansion of LDCs' domestic resource mobilization capability would require, as a first step, the identification of unmet needs in terms of capacity, finance, legal and institutional obstacles and assess the scope for innovative finance in LDCs. Public resource mobilization would also require a larger tax base as well as a more efficient tax administration system in many cases. Additionally, the support of the international community in fighting against capital flight, tax evasion and avoidance will be critical.

Effectiveness in the mobilization of domestic resources warrants effective legal and regulatory policies at the national level. In order to enhance tax compliance, people need to trust that the resources will be used effectively by government agencies and benefits will be spread equally. Resource leakage remains a major problem. Illicit financial flows from the LDCs have increased from US \$9.7 billion in 1990 to US \$26.3 billion in 2008, and involved both domestic and international groups. This highlights the importance of combating corruption at all levels, including in the developed countries and the private sector. Furthermore, conducive environment for the private sector is a precondition for enhancing domestic resource mobilization. A minimum level of macroeconomic stability, including some financial discipline, could contribute to this objective.

### ***Official Development Assistance***

Official Development Assistance (ODA) will remain critical for LDCs, as it still constitutes one of the largest external sources of finance for these countries. However, partly due to the impact of the economic and financial crisis on some development partners, ODA has been reduced significantly. This reduction has been higher for LDCs than for other developing countries. Development assistance should be allocated on a needs basis and increasingly focused on the LDCs, as they are the weakest segment of the international community.

Additionally, ODA can play a critical role in leveraging additional development finance. This is particularly relevant in a situation in which a substantial increase in resources will be needed. Measuring additional resources for development to have an accurate assessment of their effectiveness and improve accountability present some serious methodological challenges that must also be addressed.

A more ambitious agenda that aims at poverty eradication and a life of dignity for all will require a larger pool of resources. Greater attention should be placed on innovative sources of finance and domestic resource mobilization. It will be essential to widen the fiscal base of the LDCs, improve their taxation systems and strengthen their institutions. Efforts should be made to improve their capacity to negotiate fair contracts with multinationals in the extractive industry and ensure that they are in line with national development priorities.

### ***Innovative Finance***

Private resource mobilization can be an important source of finance, particularly through public private partnerships (PPP). They should, however, avoid an excessive risk burden on the private sector. Additionally, right incentives should be put in place to ensure that PPP brings development gains. Other sources of finance could be relevant, especially to facilitate a better provision of long term development financing. Institutional investors could play an important role in this regard.

One of the defining changes in the global development finance architecture is the burgeoning of a series of new and innovative mechanisms to mobilize the additional resources for development. These mechanisms, which have come to be known as “innovative finance”, take many forms, including levies, taxes, green bonds, voluntary contributions, public and insurance guarantees, thematic global trust funds and distribution systems for global environment services. In view of the complexity of the challenges and huge resource requirements of LDCs, a fair share of these resources should go to this group of countries. Innovative finance should help finance the investments required in addressing the infrastructure and energy deficit as well as employment generation challenges of LDCs, particularly in view of their large and growing youth population.

### ***Risk Management Instruments***

Risk management represents one of the biggest challenges for LDCs, which manifests itself in the difficulties that they face in attracting foreign investment. Risk sharing and guaranteeing schemes can contribute to addressing some of these problems. While there are many success stories of companies investing in LDCs, the reality is that these countries are frequently neglected by international companies.

Reducing transfer costs for remittances as well as developing adequate investment vehicles that channel resources from the diaspora toward productive investment is an area worth exploring.

### ***Climate Change Finance***

The increased burden originated by the adverse effects of climate change in LDCs enhances the urgency of the full operationalization of the Green Climate Fund. The integration of the challenges posed by climate change in the Post-2015 Development Agenda could include the establishment of complementary targets for climate change financing alongside targets for ODA.