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Implementation of and follow-up to major United Nations conferences and summits: review and coordination of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020

Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution 69/231 and Economic and Social Council resolution 2015/35, in which the Secretary-General was requested to submit a comprehensive progress report on the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action).

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I. Introduction

1. The present report, the final one before the high-level midterm review of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action),[1] provides comprehensive information and analysis on progress in the implementation of the Istanbul Programme of Action since 2011, covering all eight priority areas for action and the overarching goal of enhancing graduation. The report also reflects decisions and actions taken by Member States relating to the further implementation of the Programme of Action and the activities of other stakeholders. Statistical data used for the report are available online.[2]

2. The report provides recommendations on ways in which the implementation of the Istanbul Programme of Action can be improved, with the objective of ensuring that the goals and targets therein are achieved in the least developed countries through stronger and more coherent national efforts accompanied by enhanced international cooperation. In addition, it explores how the 2030 Agenda for Sustainable Development,[3] the Addis Ababa Action Agenda of the Third International Conference on Financing for Development[4] and the agreement adopted at the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Paris from 30 November to 11 December 2015, could support the achievement of the priorities of the least developed countries.

II. Progress in the implementation of key priorities of the Istanbul Programme of Action

3. Average growth in the gross domestic product (GDP) of least developed countries, after a dip in 2011 owing to the effects of the economic and financial crisis, stabilized around 5.5 per cent. In 2014, 12 least developed countries reached growth rates of 7 per cent or more, in line with the objective of the Istanbul Programme of Action. However, growth rates have been volatile, with sharp declines in some countries, partly resulting from adverse weather events, a drop in commodity prices and regional security challenges.

A. Productive capacity

4. Changes in the sectoral composition of GDP have been much slower in most least developed countries than in other developing countries, indicating obstacles to structural transformation. The share of manufacturing in least developed countries remained stable, around 10 per cent during the period 2011-2014 as compared with 2001-2010. Only three countries (Angola, Bangladesh and Comoros) significantly increased the share of manufacturing in GDP.

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[1] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (A/CONF.219/7), chap. II.

[2] Available from http://unohrlls.org/custom-content/uploads/2015/12/SG-Report-on-IPoA-2015-Statistical-Annex.pdf.

[3] General Assembly resolution 70/1.

[4] General Assembly resolution 69/313.

5. A major hindrance to building productive capacity across the least developed countries was low investment rates combined with institutional bottlenecks, limited human resource development and lack of infrastructure. Gross capital formation as a percentage of GDP rose only modestly, from an average of 23.2 per cent in 2001-2010 to 25.1 per cent in 2011-2014.

Infrastructure

6. The number of Internet users per 100 people almost doubled, from 4.4 per cent in 2010 to 8.6 per cent in 2014, with progress in almost all least developed countries. Overall, Bhutan had the highest rate, with 34.4 per cent in 2014, followed by the Sudan, Sao Tome and Principe, Yemen and Angola, all with at least 20 per cent. In several Eastern and Central African countries and in Myanmar and Timor-Leste, low one-digit rates persisted.

7. Mobile cellular subscriptions increased from 33 per cent in 2010 to 63 per cent in 2014. Angola, Cambodia, the Gambia, Lesotho and Mali reached penetration rates above 100 per cent in 2014. However, between 2013 and 2014, Haiti, Malawi, Mauritania, South Sudan, the Sudan and Yemen saw a slight decline. Even in countries that did relatively well, significant rural-urban disparities remain and need to be bridged.

8. There have been several initiatives to enhance transport networks in both Africa and Asia. Road and rail networks and conditions continued to improve. Regional projects are also important for least developed countries. One example is the Northern Corridor Transit Agreement to which Burundi, the Democratic Republic of the Congo, Kenya, Rwanda and Uganda are contracting parties and which also extends to South Sudan. The Agreement provides the legal framework for collaboration among these countries on matters of transit transport, customs control, documentation and procedures, as well as the development of infrastructure and facilities relating to sea ports, inland ports and waterways, roads, railways, pipelines and border posts. Thus the agreement facilitates both overseas trade and trade among its members. Road density in least developed countries remains at a much lower level than in other developing countries, despite evidence that public investment in rural roads would have a large positive impact on agricultural productivity.

9. The share of air freight of least developed countries in world transport has almost doubled, from 0.47 per cent in 2010 to 0.81 per cent in 2014. Most of the increase was driven by Ethiopia and Bangladesh. The Liner Shipping Connectivity Index, which measures maritime connectivity, increased from 7.2 in 2010 to 8.9 in 2014. As connectivity is crucial for the participation of least developed countries in global value chains, much higher investment and regulatory reforms are needed for the countries to bridge the infrastructure gap.

Energy

10. Access to electricity in least developed countries increased slightly, from 31.5 per cent of the population having access in 2010 to 34.5 per cent in 2012. Several landlocked least developed countries in Africa are falling behind in improving access to electricity (Burkina Faso, Burundi, Central African Republic, Chad, Malawi, Niger and South Sudan).

11. Least developed countries perform better in urban than in rural areas, with energy access rates of 70 per cent versus 21 per cent in 2012. All least developed countries in the Asia-Pacific region have urban access rates above 50 per cent, with the average about 90 per cent.

12. There has been good progress with efforts to create stronger public-private partnerships, such as the Sustainable Energy for All initiative of the Secretary-General, which promotes partnerships among Governments, business and civil society. However, additional sources of financing and tailored programmes and initiatives appropriate for least developed countries are needed to accelerate progress in this sector.

Science, technology and innovation

13. With respect to science, technology and innovation, least developed countries are lagging behind in all aspects. Citizens of least developed countries filed a total of 628 patents in 2013, up from 516 in 2010. Only a very few of those countries reported filing patents at all and most of them were filed by least developed countries in Asia, with Bangladesh filing half of the total. By contrast, much higher numbers of patents were filed, for example, by Viet Nam (3,995).

14. Similar gaps are seen in other areas, with only 0.185 per cent of scientific and technical articles published in journals worldwide in 2011 coming from least developed countries, which corresponds to 1.8 articles per 1 million people. Similarly, the funds dedicated to research and development in least developed countries have been negligible, contributing to the limited use of advanced technology across sectors.

15. Furthermore, the support and cooperation provisions included in intellectual property rights regimes under the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO) are not fully implemented and utilized.

Private sector development

16. There has been some improvement in creating an enabling environment for the private sector in least developed countries. Several countries, such as Rwanda (46th), Vanuatu (76th) and Solomon Islands (87th), are now among the top 100 in the overall ranking of the Doing Business indicators. Eleven least developed countries were ranked among the top 100 for starting a business.

17. The structure of the private sector, however — with the large majority of firms being small and a few large — reduces inter-firm linkages, hampering opportunities for innovation, learning and skills development and thus productivity growth. In addition, high transport and transaction costs and obstacles to trade restrict the competitiveness of least developed countries.

B. Agriculture

18. Agriculture still employs the largest share of the population in most least developed countries, with an average of 60 per cent. The average share of value added in agriculture as a percentage of GDP has declined somewhat, from 25.4 per cent in 2001-2010 to 23.7 per cent in 2011-2014.

19. It is estimated that 24 per cent of the population — 210 million people — lives with hunger in the least developed countries, mainly in rural areas. The reliance on agriculture for their livelihoods and the high share of expenditure of the poor on food makes agriculture key to alleviating poverty and hunger.

20. Agricultural productivity in least developed countries remained constant from 2010 to 2013. The index of production per capita stood at around 110 from the baseline of 100 during the period 2004-2006. The use of fertilizer increased only marginally for African least developed countries, from 10.2 kilograms per hectare of arable land in 2010 to 11.3 kilograms in 2013. In Asia, the use of fertilizer was much higher, with 60 kilograms in 2013. However, this was mainly driven by very high use in Bangladesh. Most other Asian countries used around 20 kilograms of fertilizer. Irrigation has not improved much, either. Priority should be given to addressing the potentially negative effects of climate change on agricultural production, including severe droughts and flooding and more irregular weather patterns.

21. Almost all least developed countries are food deficit countries. Thus the decline in world prices for food might enhance access to food for the urban poor, but could also negatively affect rural food producers and hamper investment. In general, enhancing productivity in agriculture through improved access to inputs and innovations, including agricultural extension services, remains a challenge for most of these countries.

C. Trade

22. While the percentage of exports from least developed countries in relation to total world exports almost doubled between 2001 and 2010, progress has been slow thereafter, with least developed countries accounting for roughly 1.1 per cent of the world's exports in 2014, slightly declining from 2013, mainly as a result of the decline in commodity prices. Exports from least developed countries also remained highly concentrated, with almost 70 per cent of merchandise exports depending on three main products in 2014 (composition varies between countries). Exports of products with higher value added and use of more advanced technology remain very limited. By contrast, the geographic diversification of exports from least developed countries has increased, with 57 per cent of exports going to developing countries (23 per cent to China alone) and 5 per cent going to other least developed countries.

23. Member States started the implementation of the least developed country package adopted at the Ninth Ministerial Conference of the World Trade Organization, held in Bali, Indonesia, in 2013, and the agreement on trade facilitation. Duty-free quota-free market access for least developed countries in developed economies increased only slightly, reaching 84 per cent in 2014. However, access varies significantly by product, with agricultural and manufactured exports (except textile and clothing) having almost completely free market access (98 per cent and 97 per cent respectively). The African Growth and Opportunity Act, which grants African countries, including 26 least developed countries, preferential access to the market of the United States of America, was renewed until 2025. As of the end of 2015, Australia, New Zealand, Norway and Switzerland provided 100 per cent duty-free quota-free coverage, while the European Union provided 99 per cent coverage, excluding arms. At the Tenth Ministerial Conference

of the World Trade Organization, held in Nairobi from 15 to 19 December 2015, participants agreed to eliminate export subsidies for agricultural products of developed countries immediately and of developing countries by the end of 2018, with some exceptions. It was also agreed that subsidies for cotton would be reduced and that cotton and cotton-related products would be provided duty-free, quota-free market access.

24. In addition, the design and application of preferential rules of origin play a crucial role in enhancing least developed country exports. Recently, the European Union and Japan simplified their rules of origin. To join international value chains, the least developed countries need to be able to use intermediary products from other developing countries. Participants in the Tenth Ministerial Conference decided on requirements for the assessment of transformations and on rules for cumulation.[5]

25. At least 18 developing countries are providing preferential market access to least developed countries, most recently Chile and Thailand. Least developed countries have benefited on average from a preference margin of 5 per cent in the past few years, mainly for clothing, textiles and agriculture. Several developing countries improved their preferences for least developed countries recently. China has been granting duty-free, quota-free market access on 97 per cent of its tariff lines since 2015 and India increased duty-free, quota-free coverage to 96 per cent of its tariff lines in 2014.

26. The least developed country share of exports of commercial services in world exports started to increase significantly in 2008, despite the financial crisis, and reached 0.7 per cent in 2014. Some least developed countries depend on service exports, mainly tourism and transport. Communications services were the fastest growing service exports. A service waiver for least developed countries was adopted in 2011 and by February 2015, 25 countries and regional groups had indicated sectors and modes where they intended to provide preferences to least developed country services and service providers. At the Tenth Ministerial Conference it was decided to extend the service waiver until the end of 2030, and WTO members were encouraged to enhance notification of preferential treatment with commercial value under the waiver.

27. Between 2011 and 2014, three least developed countries acceded to the World Trade Organization (Lao People's Democratic Republic (2013), Vanuatu (2012) and Yemen (2014)). The accession packages for Afghanistan and Liberia were approved at the Tenth Ministerial Conference.

28. Aid for trade to least developed countries has also seen some improvement, with disbursements increasing from $9 billion for the period 2009-2011 to $11 billion in 2013, mainly for economic infrastructure. Phase two of the Enhanced Integrated Framework was launched in 2015, and a total of $90 million was raised at a pledging conference in December 2015 to help the countries to integrate trade into national development strategies and develop a comprehensive action plan for the export sector in order to use it as a vehicle for economic growth.

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[5] See World Trade Organization, "Preferential rules of origin for least developed countries", Ministerial Conference, Tenth Session, Nairobi, 15-18 December 2015 (WT/MIN(15)/47-WT/L/917).

29. As trade can be a major contributor to employment, growth, technology transfer and structural transformation, more needs to be done to expand and diversify exports.

D. Commodities

30. Exports of least developed countries are still dominated by primary commodities (including oil and minerals), precious stones and non-monetary gold, accounting for almost 80 per cent of exports over the past 5 years, with some fluctuation owing to price volatility.

31. Commodity prices continued their decline, which had been accelerating after a peak in 2011, reaching 2009 levels. Food prices fell by 27.5 per cent between 2011 and October 2015, while the prices of agricultural raw materials declined by 46 per cent. Price drops were especially large for cotton (-55 per cent), sugar (-47 per cent) and coffee (-45 per cent), which are all commodities of high relevance to least developed countries. Metal prices also declined by 45 per cent. Oil prices remained relatively constant initially but dropped sharply in 2015, by 51 per cent as of October. However, mechanisms to mitigate and manage the risks associated with the volatility of commodity prices are largely lacking.

E. Human and social development

Education and training

32. While incremental progress is being made, achieving universal primary education remains a distant goal. Net primary enrolment in least developed countries stood at 84 per cent for the period 2011-2013 compared to 83 per cent in 2010, and in 2013 more than 21 million children of primary age were not attending school.

33. The rate of enrolment in secondary education was low compared to other developing countries. In 2013, 19 million adolescents of lower secondary age were not enrolled in lower secondary school programmes.

34. The demographic path of many least developed countries increases pressure on their education systems. The cohort of children aged 5 to 14 has substantially increased in many of the countries, which complicates the provision of adequate education services in a context of limited resources, especially in rural areas, where the cost of providing education services is higher. High pupil-to-teacher ratios, poor infrastructure, inadequate training of teachers and deficiencies in equipment are contributing to underperformance.

Population and primary health

35. Maternal mortality continues to be substantially higher in least developed countries than in other developing countries, despite progress in the last five years. It is estimated that the number of maternal deaths per 100,000 live births was 382 for these countries in 2015, a decrease of 17 per cent since 2010.

36. Resources for family planning in least developed countries are limited. As a result, it is estimated that 34 per cent of women of reproductive age that are married

or in a union used modern contraceptive methods and 22 per cent have unmet needs for family planning.

Youth development

37. Fertility rates are higher in least developed countries as compared with other developing countries, resulting in 60 per cent of the population being under 25 years of age.

38. Youth gaps in unemployment are persistent in least developed countries. Between 2000 and 2014, youth employment growth was 2.2 per cent per annum, lower than the average for adults of 3 per cent per annum. Young people and women were the groups most affected by the rise in unemployment in the wake of the global economic and financial crisis. The difficulty of generating sufficient employment opportunities, moreover, is compounded by the demographic trend in the least developed countries, with a large number of young people entering the labour force every year.

Shelter

39. In 2014, 69 per cent of the population of least developed countries lived in rural areas, slightly down from 70 per cent in 2011. Internal migration from rural to urban areas has resulted in exponential growth of their urban populations, with an average growth rate over 4 per cent since 2010. Lack of public services and adequate urban infrastructure and the limited capacity of the public sector to respond to an increasing urban population have resulted in a high share of slum dwellers, 63 per cent in 2014.

40. In rural areas, inadequate shelter, often unsafe and overcrowded, and the lack of adequate basic services and access to water or sanitation increase the vulnerability of already vulnerable populations to the impact of disasters.

Water and sanitation

41. Since 2011, 16 million people in least developed countries have gained access to an improved source for drinking water, an increase of 2.9 per cent. Nevertheless, 32.8 per cent of the population had no access in 2014. In rural areas, 40 per cent of the population lacked access to an improved source of drinking water versus 16 per cent in urban areas.

42. Access to healthy sanitation facilities is still very limited in least developed countries. In 2014, 63.7 per cent of the population did not have access to improved sanitation facilities.

Gender equality and the empowerment of women

43. The ratio of girls to boys enrolled at the primary level in least developed countries was 0.94 in 2013, almost achieving gender parity in primary education for the least developed countries as a whole. Disparities are larger in secondary education, although some countries display significant progress. The gender gap for tertiary education remains very wide.

44. The representation of women in parliament has consistently increased over the last 10 years. In 2015, 19.23 per cent of seats of parliament in least developed countries were held by women, an increase of 1.43 per cent since 2011.

Social protection

45. Social protection in least developed countries is essential to eradicate poverty, reduce inequality and increase the resilience of vulnerable groups. Although most of these countries have developed some form of social protection programme, coverage tends to be very limited. As a result, the majority of the extreme poor do not have comprehensive social protection. Underemployment and precarious employment constitute a serious challenge for least developed countries, with over a third of their total employed population living in extreme poverty. In 2013, the employment-to-population ratio was 65 per cent, although 10 countries had ratios lower than 50 per cent.

F. Multiple crises and other emerging challenges

Economic shocks

46. The global economic and financial crisis of 2008 resulted in lower growth rates in least developed countries. While many of them managed to build stronger policy buffers with rising foreign exchange reserves and declining government debt as a result of the commodity boom, their economies remain vulnerable to economic shocks owing to limited structural transformation. The decline in prices for oil and other primary commodities has aggravated the difficulties arising from the absence of a diversified economy and the excessive reliance on resource-extracting industries in many least developed countries. The deterioration of fiscal balances signals a reduction of the available fiscal space that is needed to provide vital services and social protection.

47. The average debt service as a percentage of exports remained low, at 4 per cent from 2010 to 2013. On average, the ratio of total reserves to external debt improved from 50.1 per cent to 60.1 per cent, although marked differences exist across countries. As of November 2015, the Sudan was the only least developed country remaining in debt distress. Nine other least developed countries are classified as being at high risk.[6] Debt relief has been the dominant influence on the indebtedness of these countries over the last decade. A majority of countries had graduated from the list of heavily indebted poor countries by 2013, and debt relief has subsequently played a progressively smaller role in reducing debt ratios. Heightened vigilance is needed to capture financial risks early and ensure debt sustainability, including through sound debt management policies.

Climate change and environmental sustainability

48. Evidence shows that climate change disproportionately affects least developed countries. From 2010 to mid-2013, people living in these countries were five times more likely to die from climate-related disasters than people living elsewhere. Rapid

[6] See debt sustainability analyses, Joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries, 1 October 2015. Available from http://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

urbanization and population growth also mean that both human and economic losses from disasters are on the rise. Furthermore, the high incidence of poverty exacerbates vulnerability to climate change.

49. Adaptive capacity or resilience with respect to climate change is determined by a complex set of social, economic and institutional factors. Least developed countries need financial and technological support to adapt to climate change, as recognized in article 4.9 of the United Nations Framework Convention on Climate Change.[7] As of 16 September 2015, all but one least developed county had officially submitted implementation project proposals for a national adaptation programme of action under the Global Environment Facility and the Least Developed Countries Fund. A total of 48 current and former least developed countries had submitted at least two projects, and 45 countries had submitted three or more projects. The majority of the projects were on agriculture (31 per cent), disaster risk management (19 per cent), coastal zone management (13 per cent) and water resources management (12 per cent).

50. The Global Environment Facility also reported that, in total, 164 Least Developed Countries Fund projects (excluding preparation of national adaptation programmes of action) had been approved for funding by the Global Environment Facility Council, with grants from the Fund amounting to $919.3 million since 2007. The demand for the Fund's resources considerably exceeded the funds available for new approvals. A total of $248 million was newly pledged by 11 donors at the start of the twenty-first session of the Conference of the Parties, providing a much-needed boost to clear the backlog of some 35 projects for climate adaptation in least developed countries that had already been approved by the Facility but for which resources were unavailable.

51. At the twenty-first session of the Conference of the Parties, the aim to limit global warming to 1.5 degrees Celsius, as advocated by least developed countries, was acknowledged. Commitments by developed countries to provide $100 billion annually by 2020 were reiterated in recognition of the importance of adaptation finance. The board of the Green Climate Fund decided to simplify the funding proposal template to facilitate the application process.

52. Without adequate resources for adaptation, the devastating impact of climate change in least developed countries threatens to undo social and economic progress. Financing their adaptation needs will require a substantial increase in international public finance, particularly in the form of grants, without excluding other forms of concessional financing. In addition, technology development and transfer, capacity-building and transparency of action and support are required.

Disaster risk reduction

53. The damage from natural disasters is far more severe in least developed countries, especially in least developed small island developing States. Property damage and lost output from Cyclone Pam, which hit Vanuatu in March 2015, were estimated at 61 per cent of its GDP. The economy is expected to contract by 2 per cent in 2015. In April and May 2015, Nepal suffered devastating earthquakes, with economic losses amounting to a third of its GDP, reversing development gains and increasing the vulnerability of the country. Many least developed countries continue

[7] United Nations, *Treaty Series*, vol. 1771, No. 30822.

to face desertification, including the drying up of wells, exacerbating the challenges of water scarcity. A substantial increase in seasonal droughts and a higher frequency of forest fires have negatively impacted least developed countries. Many of the countries have designed and implemented national disaster reduction strategies and have embedded them in national development plans.

54. Natural disasters often expand public debt by triggering more borrowing owing to lower revenues or increased spending, thus intensifying balance-of-payments pressures. In addition, many least developed countries are severely challenged by rising economic losses from natural disasters, as most losses are uninsured and Governments do not have the financial reserves or sufficient, rapid access to contingency financing that would allow them to absorb the losses, recover and rebuild.

G. Mobilizing financial resources

Domestic resource mobilization

55. The rate of gross domestic savings as a percentage of GDP in least developed countries increased from 17 per cent in 2001-2010 to 20 per cent in 2014. The ratio of government revenue to GDP, excluding grants, has also increased from 13 per cent to 16 per cent over the same period. Although domestic resource mobilization has improved, the current level stands far below the requirements and potential of the least developed countries.

Official development assistance

56. After increasing in 2013, bilateral official development assistance (ODA) flows to least developed countries dropped sharply in 2014, reaching $43.7 billion, a decline of 9.3 per cent in real terms from the 2013 level. ODA flows to least developed countries in 2014 were still below the level reached in 2008, prior to the global economic crisis. Looking forward, there are indications that the declining aid trends are likely to be reversed. A survey of donor country spending plans through 2018 suggests that country-programmable aid is likely to increase from 2015.

57. In 2014, a total of 8 Organization for Economic Cooperation and Development (OECD) Development Assistance Committee donors (Belgium, Denmark, Finland, Ireland, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland) reached the goal of providing at least 0.15 per cent of gross national income (GNI) in ODA to least developed countries, down from 9 in 2013 and 10 in 2011.

58. Commitments on delivering untied aid, however, have yet to be fulfilled, with 13 per cent of ODA channelled to least developed countries in 2013 still subject to requirements regarding suppliers in donor countries. In addition, challenges related to the fragmentation and predictability of such assistance also persisted.

External debt

59. In 2014, the total external debt of the least developed countries amounted to $217 billion, an increase of 8.8 per cent compared with 2013. International reserves increased by 6.1 per cent to $76.3 billion, helping to raise the coverage of reserves to short-term debt from 539.5 per cent in 2013 to 550.2 per cent in 2014. Despite

the increase in total debt stock, the ratio of debt to GDP remained stable at 24.7 per cent in 2014 as it did in 2013. To avoid unsustainable debt situations, new attempts for sovereign debt restructuring need to be considered.

Foreign direct investment

60. Foreign direct investment (FDI) flows to the least developed countries increased by 4.1 per cent in 2014 to $23.2 billion led by greenfield investment projects. Around half of all greenfield investment in these countries originated from developing countries in 2014. Following very strong growth between 2005 and 2010, overall FDI flows to least developed countries have remained broadly constant over the past five years, accounting for 1.9 per cent of world FDI.

61. Foreign direct investment inflows are concentrated in a few countries, with five countries accounting for 58 per cent of the total in 2014: Mozambique ($4.9 billion), Zambia ($2.5 billion), the Democratic Republic of the Congo ($2.1 billion), the United Republic of Tanzania ($2.1 billion) and Equatorial Guinea ($1.9 billion). The Lao People's Democratic Republic and Myanmar saw strong FDI growth of 69 per cent and 62 per cent, respectively. In 2014 greenfield FDI in mining, quarrying and petroleum increased again; although FDI in the service sector declined, it remained the largest sector. Greenfield investment in manufacturing was the lowest, reflecting limited structural transformation. For least developed countries, it is important to attract not only more FDI but FDI that contributes to structural transformation, employment creation and equitable and sustainable growth.

Remittances

62. Remittance flows to least developed countries increased from $25.47 billion in 2010 to $35.8 billion in 2014. The cost of remitting continues to be a challenge. In some of the corridors, costs of remitting continue to be exorbitant, particularly to the African countries, partly because of limited competition among service providers. The introduction of money transfer services has somewhat reduced the costs of remitting, which declined by two percentage points to 7.7 per cent in 2015 compared to 2009, but is yet to be generalized in many countries. Such services also present challenges that relate, inter alia, to safety and reliability safeguards and the level of literacy required for their use.

H. Good governance

63. The commitment to the fight against corruption increased significantly, with 42 least developed countries being parties to the United Nations Convention against Corruption,[8] as it has been ratified by five additional least developed countries and five others acceded between 2011 and 2015.

64. Since 2010, 12 additional least developed countries have been considered compliant with the Extractive Industries Transparency Initiative, increasing the total to 14. In addition, 6 least developed countries became candidate countries between 2011 and 2014. Compliant countries make information on revenue data from extractive industries publicly available. Nevertheless, corruption remains an issue in a number of least developed countries.

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[8] United Nations, *Treaty Series*, vol. 2349, No. 42146.

65. E-government can help to address many of the challenges least developed countries are facing, including providing greater access to public services, by enhancing disaster risk reduction and enabling greater government efficiency and transparency to ensure more effective use of limited resources. However, the least developed countries score lowest on the e-government development index, with an average of 0.21 in 2014 as compared with 0.41 for lower middle-income countries.[9] The low score results in part from the lack of information and communications technology infrastructure. However, while all least developed countries have some basic e-governance in place, they are making little or no progress in moving to the more advanced stages of e-government development, including the provision of e-services, e-participation and open government data.

66. The general lack of data in all areas covered by the Istanbul Programme of Action and the Sustainable Development Goals, especially in such areas as poverty, employment, road coverage, air transport and agricultural inputs, makes policy planning very difficult.

67. While voice and representation in international forums have increased for emerging and middle-income countries, least developed countries are still largely underrepresented. For instance, none of the 48 least developed countries are represented on the Basel Committee on Banking Supervision or on the Financial Stability Board of the Group of 20. Furthermore, least developed countries have only 3.5 per cent of the voting share at the International Monetary Fund (IMF). As a result, their concerns and priorities remain largely unrepresented in many international forums, and global standards are not always relevant to least developed countries or within their near-term capacity to implement.

III. Performance and prospects towards graduation

68. A direct consequence of the economic and social progress made by several least developed countries has been the recent remarkable increase in the number of countries meeting the graduation criteria. Only 3 countries had graduated up to 2011, namely Botswana, Cabo Verde and Maldives. Samoa graduated in January 2014 and 10 additional least developed countries had reached the graduation thresholds as of March 2015.

69. Equatorial Guinea is scheduled to graduate in 2017. A decision on the postponement of the graduation of Vanuatu until 2020 was recently adopted by the General Assembly in view of the serious disruption of its economic and social progress caused by Cyclone Pam in March 2015. The Economic and Social Council will consider the issue of the graduation of Tuvalu in 2018. Angola met the graduation thresholds for the second time in 2015 and was recommended for graduation by the Committee for Development Policy. Kiribati was also found to have met the thresholds for the second time in 2015. However, given the particular situation of this small island least developing country, which scores the highest on the vulnerability index among all countries, the Committee decided to postpone consideration of its graduation to 2018. Five additional least developed countries

[9] Department of Economic and Social Affairs, *United Nations E-Government Survey 2014* (United Nations publication, Sales No. 14.II.H.1).

met the graduation thresholds for the first time in 2015, namely Bhutan, Nepal, Sao Tome and Principe, Solomon Islands and Timor-Leste.

70. An encouraging number of least developed countries have announced their ambition to graduate around 2020. In Asia, such countries as Bangladesh, Bhutan, Cambodia, the Lao People's Democratic Republic, Myanmar and Nepal have included clear timetables for graduation in their national development plans and have started preparing assessments of the impact that the loss of least developed country status would have on official development assistance flows and trade preferences, including through an exchange of views with already graduated countries. The long-term national development visions of several least developed countries in Africa, including Ethiopia, Rwanda, Uganda and the United Republic of Tanzania, lay out plans to foster economic growth, eradicate poverty, bring about structural transformation and enable the countries to reach middle-income status and graduate from the least developed country category in the next decade or so.

71. Underpinned by the ownership and leadership of the least developed countries, the process of graduation and smooth transition needs to be accompanied by concrete and substantially enhanced international support measures provided by development and trade partners in a spirit of shared responsibility and mutual accountability.[10] At both the bilateral and multilateral levels, support measures need to be tailored to the particular situation of each graduating and graduated country, including a gradual phasing out of the support measures to ensure that their development process is not jeopardized by the sudden loss of least developed country-specific preferences.

IV. Best practices and new initiatives to accelerate the implementation of the Istanbul Programme of Action

72. After the Istanbul conference, all stakeholders began implementation of the Istanbul Programme of Action at the national, regional and global levels. The least developed countries started with mainstreaming the Programme of Action into their relevant planning documents and development strategies, then moved towards implementation, follow-up and monitoring of the Programme of Action. Progress at the country level has been discussed annually by the national focal points of the least developed countries at workshops convened by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. Many least developed countries prepared national reports on the implementation of the Programme of Action in preparation for the midterm review.

73. Aligning national planning documents with the Istanbul Programme of Action was only a starting point; the main challenge remains in the implementation, monitoring and follow-up. Guinea provides one example of the difficulties least developed countries are facing with respect to implementation. There, the Programme of Action has been fully integrated into the national poverty reduction strategy for 2011-2015. However, implementation has faced challenges at all levels: global, regional and national. The global financial crisis decreased the level of development aid, conflicts in neighbouring countries led to an increased number of

[10] See General Assembly resolutions 67/220 and 67/221.

refugees and the Ebola crisis, which affected the country for two years, until the end of 2015, placed an unprecedented burden on the health sector and destabilized the economy of the country, diverting much-needed resources from structural transformation and human development.

74. Concerns specific to least developed countries have been reflected in various global processes. The 2030 Agenda, the Addis Ababa Action Agenda and the agreement on climate change adopted at the twenty-first session of the Conference of the Parties acknowledge the specific development challenges of least developed countries, especially in comparison to the Millennium Development Goals. The least developed countries held high-level events on the side-lines of relevant global forums and the meetings of development and finance institutions. The meetings, which were organized with the support of the Office of the High Representative, were attended by Heads of State and Government of least developed countries and by many of their development partners to analyse their situation and formulate priorities.

75. Announcements of increased support for least developed countries have come from several development partners. For instance, the Council of the European Union noted in its Council conclusions of May 2015 that the international community should help to target resources where the need is the greatest, especially the least developed countries and countries in states of fragility and conflict. In addition, the European Union committed to meet collectively the target of 0.15-0.20 per cent of official development assistance/gross national income to least developed countries in the short term, and to reach 0.20 per cent of ODA/GNI within the time frame of the 2030 Agenda.

76. Numerous initiatives in support of least developed countries were launched during the first five years of implementation of the Istanbul Programme of Action, including the provision of concessional loans to facilitate their industrial development and economic stability. The Department of Economic and Social Affairs, with the collaboration of other international organizations, is developing a new electronic sanitary and phytosanitary measures/technical barriers to trade notification toolkit, which will help to remove institutional constraints in utilizing trade-related international support measures for the least developed countries.[11]

77. Relations with other developing countries have become increasingly important for the least developed countries, especially with respect to trade and foreign direct investment. South-South cooperation increased during the first five years of the implementation of the Istanbul Programme of Action, in accordance with its principles, to attain the objectives of supporting national and regional development efforts, strengthening institutional and technical capacities and improving the exchange of experience and know-how among developing countries.

78. The South-South Technology Transfer Facility for least developed countries was launched in 2014. In September 2015, the High-Level Roundtable on South-South Cooperation, jointly hosted by the President of China and the United Nations in September 2015, advocated for the building of infrastructure and the enhancement of connectivity to benefit from global value chains. The importance of promoting the green economy and environmental protection, including such initiatives as the Silk Road Economic Belt and the Twenty-first Century Maritime

[11] Available from www.epingalert.org.

Silk Road, which utilize the Asian Infrastructure Investment Bank, the New Development Bank BRICS and other financing platforms, to unleash cooperation potentials and achieve integrated sustainable development was highlighted.

79. An empowered civil society is a crucial component of the implementation of the Istanbul Programme of Action. Civil society has remained active in its implementation in recent years. Many civil society organizations are operating in least developed countries and are advocating for their interests and concerns. LDC Watch campaigned to engage least developed countries in the post-2015 process and called for a coherent alignment of the post-2015 agenda with the Programme of Action. The ONE campaign has also continued its advocacy work to end extreme poverty in least developed countries. The Office of the High Representative, the ONE campaign and the Executive Directors representing the least developed countries on the Boards of Directors of the World Bank jointly organized a ministerial breakfast for the least developed country members of the World Bank Boards of Governors in April 2015 to raise awareness of the importance of the third International Conference on Financing for Development.

80. Academia has remained involved as well. After an extensive research phase, LDC IV Monitor[12] and the Commonwealth Secretariat convened an expert group meeting in June 2015 in Johannesburg. Participants strategized on the next phase of the LDC IV Monitor initiative, when it will resume its task of monitoring delivery of the Istanbul Programme of Action, keeping in perspective the upcoming midterm review.

81. Academic experts contributed to the establishment of a technology bank and a science, technology and innovation facilitation mechanism for the least developed countries through a feasibility study prepared by the high-level panel of experts on a technology bank for the least developed countries convened by the Secretary-General.

82. Parliamentarians have also contributed to the implementation of the Istanbul Programme of Action. Caucus meetings of least developed countries have been convened by the Office of the High Representative on the margins of several Development Cooperation Forum high-level symposiums over the past 5 years. They included parliamentarians from least developed countries and civil society representatives. The meetings were aimed at catalysing a shared vision and a common course of action, for example on how global partnership and development cooperation in post-2015 could better reflect the multidimensional development challenges for least developed countries and the goal of leaving no one behind.

83. The Office of the High Representative continued to engage actively with private sector partners. As a member of the Advisory Board of the Sustainable Energy for All initiative, the High-level Task Force on Global Food and Nutrition Security and the Broadband Commission for Digital Development, the High Representative advocated for the interests of least developed countries to pave the way for enhanced access to energy, food and nutrition security and digital connectivity. The Office organized an event gathering private sector partners to discuss the financing challenges the countries face in scaling up their energy initiatives, including how to best leverage all available funds. A dedicated financing

[12] LDC IV Monitor is a group of think tanks and academic institutions. For more information, see http://ldc4monitor.org/.

facility, which would look at the energy financing issues in least developed countries in a holistic and comprehensive manner, could help to achieve that end.

84. The Office of the High Representative has institutionalized system-wide support to the implementation of the Istanbul Programme of Action within the framework of the Inter-Agency Consultative Group for least developed countries. The Office developed a set of guidelines and best practices as a toolkit[13] for mainstreaming the activities of the United Nations system, which was considered by the members of the High-level Committee on Programmes of the United Nations System Chief Executives Board for Coordination. The toolkit will be launched at a United Nations system high-level event during the midterm review with a view to further consolidating and enhancing the mobilization of the United Nations system in support of the least developed countries and to ensuring the coordinated and timely implementation by the United Nations system of the Programme of Action and outcome of the review.

V. Conclusions and recommendations

85. Almost five years after the Fourth United Nations Conference on the Least Developed Countries, many of the countries have made good progress in pursuing development aspirations set out in the Istanbul Programme of Action. Contingent upon a favourable domestic and global environment, there is a strong possibility that progress will continue in the coming years. However, such headway is neither unidirectional nor uniformly distributed across the countries and sectors. Moreover, it will certainly not be automatic.

86. One of the lessons learned from the five-year implementation of the Istanbul Programme of Action is that speedy progress requires a holistic and multi-stakeholder approach, a strong sense of direction, commitment to implementation and effective monitoring and follow-up in order to realign implementation strategies with changing circumstances and lessons learned. All the above-mentioned ingredients of success depend on cogent national leadership, robust international support and mutual accountability.

87. Another lesson is that sustained, equitable and inclusive economic growth, meaningful poverty reduction and sustainable resilience-building are possible only when they are driven by the structural transformation of the economy. This transformation, in turn, can happen only if due priority is given to productive capacity-building.

88. Productive development is manifested through sustainable agriculture and rural development, inclusive and sustainable industrialization with higher value added and improved competitiveness, and development of a service sector based on natural and human endowments. Productive capacity development enables least developed countries to enter a virtuous cycle of sustained wealth and employment generation, the broadening of the domestic resource base and the increased investment needed for building and maintaining productive assets. It requires a comprehensive productive sector development strategy, which entails increased labour productivity through skill development and technology and innovation, infrastructure development, sustainable access to energy, private sector development

[13] Available from http://unohrlls.org/mainstreamingtheipoa/.

with a focus on small and medium-sized enterprises, improved access to finance for all — but particularly for women and rural populations — a supportive policy environment, transparency and respect for the rule of law.

89. The human resource potential of the least developed countries is immense. This potential is yet to be fully tapped, as a large majority of people are still unskilled, unemployed or underemployed, and a large proportion of women are either outside the workforce or perform work that is not accounted for. A long-term vision resting on the delivery of quality education — including vocational education — and learning opportunities to all, as well as providing women and young people with entrepreneurship development skills and access to start-up finance, could unlock the vast economic potential of the majority of the population in the least developed countries.

90. Least developed countries face unprecedented exposure and vulnerability to financial and economic crises, natural disasters and climate change-related shocks. Such exposure and vulnerability to shocks impinge upon human and social progress and economic development. Building the countries' resilience, including through the promotion of structural transformation and debt sustainability, and protecting their natural resource base, their territorial ecosystems and marine biodiversity are critical for the sustained development of least developed countries. The fact that these countries — even those that have so far been relatively successful — have limited capacities and face multiple challenges makes a case for strong international support for risk mitigation and adaptation strategies. Support mechanisms to strengthen their capacity to build resilience in a more comprehensive manner need to be developed further.

91. Least developed countries affected by conflict and those in post-conflict situations lagged behind other such countries in terms of progress towards meeting the goals and targets of the Istanbul Programme of Action. Peace and security and protection of fundamental human rights are an inalienable part of the development process. If conflict undermines development, lack of development also fuels conflict and prolongs transition. More than anywhere else, policies in these countries should include not only the cessation of hostilities and an inclusive political process, but also effective delivery of public services, job creation and the promotion of economic activities as part of their integrated strategy.

92. Transparency, accountability and the rule of law at the national level will greatly contribute to accelerating progress towards the implementation of the Istanbul Programme of Action. Similarly, the governance of global financial, economic and trade institutions and other global rule-making bodies needs to be more inclusive of the least developed countries and more responsive to their concerns and aspirations. The spread of Ebola and recent large flows of refugees and migrants also illustrate the growing interconnection and interdependence of countries irrespective of their levels of development and the need for concerted action at the global level on matters that affect the least developed countries but have a global reach.

93. Owing to their vulnerability, high poverty rates and limited capacities, least developed countries have been highly dependent on global support in terms of resources, capacity development and technical assistance. At a time when their vulnerability is growing and capacities are still limited, international support will be

critical in the full implementation of the Istanbul Programme of Action in the years ahead.

94. The development partners need to fulfil at the earliest possible date the upper limit of their commitment to provide the equivalent of 0.2 per cent of their GNI as official development assistance to least developed countries. In the meantime, a strong policy signal would be to commit to channelling a higher share of their total ODA to these countries. It is also important to uphold the principles of aid and development effectiveness, including predictability and transparency, harmonization, country ownership and untied aid. The impact of ODA will have a multiplier effect, if a greater amount of ODA goes to the productive sector and if it is used to leverage more resources for infrastructure development and energy.

95. Similarly, South-South cooperation and triangular cooperation should be able to leverage more resources and investment and serve as a platform for peer learning in support of the implementation of the Istanbul Programme of Action. Such a role and a more institutionalized contribution of South-South and triangular cooperation to least developed countries would be in order in view of the growing capacity of partner countries from the South.

96. Greater domestic resource mobilization should be an essential pillar of overall resource mobilization. That approach would not only secure access by least developed countries to a stable stream of resources but also provide increased policy space in the use of those resources. Improved domestic resource mobilization will require strong and sustained growth and the pursuit and consolidation of ongoing reforms, including the modernization of tax systems, making them more progressive; the streamlining of tax incentives; addressing problems with transfer pricing; and improving tax compliance. Equally strong support of the international community to those ongoing efforts will enable the countries to generate more resources in the medium term. Private sector development and an enabling business environment will play a crucial role in domestic resource mobilization.

97. While trade flows originating from and going to least developed countries, in absolute terms, have steadily increased, their relative share is still far below potential, with the huge challenge of persistent trade imbalances. Meaningful and stable preferential market access for all least developed countries, elimination of non-tariff barriers, simplification of rules of origin and support for supply-side responses, with more resources under the Aid for Trade initiative and the Enhanced Integrated Framework channelled to the least developed countries, along with effective bilateral and regional support initiatives, would go a long way towards improving the trade performance of these countries and help them to transform their economies and build resilience.

98. To meet the acute need of least developed countries for rapid industrialization, energy generation, infrastructure development and technology and innovation, more foreign direct investment is required. The current level of FDI is not only low; it is also concentrated in a few countries and sectors. Both home-country and host-country measures need to be initiated and/or strengthened. The international community should increase coordinated investment support for the countries with the contribution of all stakeholders, in line with the pledge made in the Addis Ababa Action Agenda to adopt and implement investment promotion regimes for the least developed countries. In that regard, key measures could include (a) financial and technical support for project preparation and contract negotiation, (b) advisory

support in investment-related dispute resolution, (c) access to information on investment facilities and (d) enhanced risk insurance and guarantees such as those available through the Multilateral Investment Guarantee Agency. Least developed countries will need to further improve their business and regulatory environment to attract larger and more diversified FDI flows.

99. Similarly, scaling up the development impact of remittances will require reducing their transaction cost, channelling a growing share of the flows towards the productive sector and leveraging their potential for the development of the financial and banking industry.

100. Science, technology and innovation are conducive to rapid economic development and transformation and to the building of resilience. A holistic approach that caters to all segments of the science, technology and innovation ecosystems is required to bring about those gains. In that regard, the technology bank and science, technology and innovation supporting mechanism dedicated to the least developed countries should be made operational at the earliest opportunity, with support from all development partners, the global private sector and philanthropic organizations.

101. Given the paucity of reliable data across the field, due priority should be given to least developed countries for building capacity to collect and process timely and accurate data. The data will greatly enhance the implementation and monitoring of the Istanbul Programme of Action and the Sustainable Development Goals and promote accountability.

102. National efforts and sustained global support will contribute to promoting the graduation of least developed countries. Recent progress towards graduation is encouraging. If current trends persist, more than 10 additional least developed countries are likely to meet the graduation criteria in the coming five to seven years. Such an increase would represent a major change compared to the previous decade, during which only two countries exited least developed country status.

103. There are clear signs of better performance and brighter hope. However, it is important that graduation be seen, not as a cut-off point, but as a resolute move towards better and sustained economic development and virtuous structural transformation. The development partners and international organizations should therefore provide sustained support for smooth transition measures so that graduated countries do not fall back into least developed country status. They should also support aspiring-to-graduate countries to move towards graduation in the years ahead. The United Nations system, led by the Office of the High Representative, should continue to harness its substantive activities and operational programmes in support of the graduation and smooth transition of least developed countries.

104. The 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, the agreement on climate change adopted at the twenty-first session of the Conference of the Parties and the outcomes of other global processes have delineated the contours and content of the global and comprehensive development framework for the years to come, with strengthened global partnerships at its core. The concerns and aspirations of least developed countries have been well reflected in their outcome documents. It is with the implementation of those outcome documents, together with the provisions of the Istanbul Programme of Action, that poverty will be eradicated, economic structure will be transformed and resilience will be built up

in the least developed countries. Coherence among the processes will be critical to ensure their effective implementation, monitoring and follow-up on the ground.

105. The Office of the High Representative will continue to advocate for the interests and concerns of least developed countries at the global level and contribute to global follow-up and review of the implementation of the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and the agreement on climate change adopted at the twenty-first session of the Conference of the Parties. The Office will continue its efforts to build linkages and synergies between those follow-up and review processes and that of the Istanbul Programme of Action. In addition, the Office will enhance coordination between the programmes, funds and specialized agencies of the United Nations system to ensure better coherence among all the processes at the regional and global levels while also advocating for better integration at the national level.

106. For the first time, the international community has aimed at eradicating extreme poverty from the face of the earth. Various studies have shown that if we do not accelerate our programmes in a substantial way, a larger share of the extreme poor are likely to live in least developed countries over the medium term, given the higher rate of their population growth and higher ratio of poverty to population. Owing to the advances that have been made in science and technology, knowledge and information and to the availability of a larger global pool of financial resources, the eradication of poverty is not only desirable but also possible with stronger international cooperation and ever stronger national efforts. The world has so much at stake in the least developed countries. If the world can do it in the least developed countries, it can do it anywhere. The midterm review should be the occasion to reinforce global commitment and redouble efforts towards attaining common objectives in the least developed countries in a more accelerated and coherent manner.