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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 71/238 and ECOSOC resolution 2016/15, in which the Secretary-General was requested to submit a progress report on the implementation of the Istanbul Programme of Action (IPoA).

I. Introduction

This report provides comprehensive information and analysis on recent progress in the implementation of the IPoA, covering all eight priority areas for action and the overarching goal of enhancing graduation. It also reflects decisions and actions by member states on the further implementation of the IPoA, including the Outcome of the comprehensive Mid-term review of the IPoA, which took place in Antalya, Turkey in May 2016. Furthermore, it highlights activities by other stakeholders, including civil society and the private sector. Statistical data used for this report are available online.[1]

The report provides recommendations on how the implementation of the IPoA can be improved with the objective of ensuring that its goals and targets are achieved in the LDCs using synergies with the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs) and the Addis Ababa Agenda for Action as well as the Paris Agreement. 2016 marked the first year of the implementation of these agreements, which reflect the specific development concerns of the LDCs and priority areas of the IPoA.[2]

II. Progress in the implementation of key priorities of the IPoA

Average growth in the gross domestic product (GDP) of LDCs is estimated to increase in 2016 to 4.5% from 3.8% in 2015. The growth forecast by UN-DESA for 2017 has been revised downwards, from 5.6% to 5.2%, and for 2018 LDCs are forecast to grow at 5.5, well below the 7% target in the IPoA and SDGs.

Five LDCs grew at the 7% target or faster in 2015, down from 9 LDCs in 2014. While only three LDCs experienced negative growth rates in 2014, six have seen their economies contract in 2015, although these recessions are forecast to gradually phase out by 2018. The fastest growing economies in 2015 included Ethiopia (9.6%), and Mali and Lao PDR (7.6%) and Myanmar (7.3%). In 2016 Myanmar was estimated to have grown at 8.3%, followed by Cambodia and the United Republic of Tanzania (all with 7%).

This mixed performance can be attributed to several macroeconomic developments. Fuel-producing LDCs and other commodity exporters have been adversely affected by the decreases in commodity prices, leading to slow growth, fiscal imbalances and a weakening of their foreign reserves. LDCs with more diversified export bases are doing better.

Some LDCs are struggling due to lower remittances, natural disasters or conflicts, and macroeconomic tightening. Sierra Leone, which was hit by the Ebola epidemic in 2014, saw

[1] See: link to website. The data are compiled from the official statistics produced by international organizations.
[2] The OHRLLS 2016 edition of the State of the LDCs provides a mapping of the IPoA goals and targets with the SDGs, see: http://unohrlls.org/custom-content/uploads/2016/08/State-of-LDCs2016.pdf.

its economy contract by 20.3% in 2015. Countries affected by conflict have also suffered economic contractions, including South Sudan and Yemen, with growth rates of -13.1% and -4.0% in 2016, respectively, which are also affected by famine.

Poverty in LDCs remains persistent, although its monitoring is limited by the paucity of data. The latest available information shows reduction of poverty in several LDCs, including Burkina Faso, Mauritania and Niger. Of the 19 LDCs with poverty data since 2011, seven have poverty rates in excess of 50%, while four have rates under 20%. Of the 16 LDCs with two or more data points since 2001, poverty rates have declined in nine and increased in seven.

A. Productive Capacity

Structural transformation in LDCs has been slower compared to other developing countries. The average share of manufacturing in LDCs increased marginally from 12.1% in 2014 to 12.7 in 2015. 14 of the 30 LDCs for which data for 2015 was available showed a decrease in the share of manufacturing in GDP (11 in Africa and 3 in Asia-Pacific).

Gross capital formation as a percentage of GDP has been constant around 24% since 2011, compared to an average of 31.6 in developing countries as a whole. In 2015, LDCs' investment actually declined to 23.5% of GDP, down from 24.9 in 2014.

Infrastructure

The number of Internet users per 100 people continued to increase, reaching 12.6 in 2015, up from 10.3 in 2014 and triple the rate in 2010. Five LDCs had more than 25 internet users per 100 people in 2015 – Bhutan (39.8), Sao Tome and Principe (25.8), Sudan (26.6), Tuvalu (42.7) and Yemen (25.1). However, 19 LDCs still had internet access rates below 10%, including 11 countries below 5%.

Mobile cellular subscriptions also increased from 63.6 per 100 people in 2014 to 68.6 in 2015 (more than double their 2010 rate). Cambodia, the Gambia, Lesotho, Mali and Timor-Leste had penetration rates above 100% in 2015. However, twelve LDCs still had more than half their population without access to mobile telephones. Furthermore, rural-urban disparities remain even in countries with high overall mobile access.

The share of air freight of LDCs in world transport has marginally increased, from 0.8% in 2014 to 0.9% in 2015 (having nearly doubled from 0.47% in 2010). Ethiopia and Bangladesh account for 85% of LDCs' air freight (accounting for 74% and 11%, respectively), while 12 LDCs have either zero or negligible air freight.

The Liner Shipping Connectivity Index, which measures how well countries are connected to global shipping networks, declined from 8.6 in 2015 to 8.2 in 2016, although this level is still 31% higher than in 2011. In terms of the quality of maritime infrastructure, in 2015 LDCs scored 2.9 on the World Economic Forum's Quality of Port Infrastructure measure (which ranges from 1 to 7), not far behind developing countries as a whole at 3.5.

Public-private partnerships in infrastructure investment have the potential to strengthen productive capacity. Recent examples from the World Bank's Private Participation in Infrastructure Database include the Dakar-Diamniadio Toll Road Extension in Senegal with an investment of $ 173 million, and the Kathmandu-Kulekhani-Hetauda Tunnel Highway in Nepal, totalling $350 million. Much more investment and regulatory reform, however, are needed for LDCs to bridge their infrastructure gap and enable them to participate in global value chains.

Energy

In LDCs, the percentage of the population with access to electricity increased from the figure of 35.8% in 2012 to 38.3% in 2014. Progress in Asia-Pacific LDCs was faster than LDCs in Africa. Among the African LDCs, the fastest progress was observed in Sao Tome and Principe, Rwanda and Sudan. The growth in electricity access has been uneven. In six LDCs, the percentage of population with access has declined between 2012 and 2014. Likewise the gap between access to electricity between rural and urban populations remains vast: in 2012, only 26 % of the rural population had access, as compared with 68% of the urban population.

Factors hindering faster growth of access to energy include the slow expansion of energy supply, high user fees due in part to an energy mix that is tilted towards fuel-powered energy plants, and enduring losses in transmission and distribution of electricity as well as lack of investment. The notable improvement in the competitiveness of renewable power generation technologies offer new opportunities to many LDCs to increase access and make it more affordable and accessible.

Science, technology and innovation

With respect to science, technology and innovation, LDCs are lagging behind in all aspects. Citizens of LDCs (both residents and non-residents) filed a total of 542 patents in 2014, down from 639 in 2010. For comparison, 516 patents were filed in Sri Lanka alone in 2013. Furthermore, the filing of patents was concentrated in a few LDCs, with Bangladesh accounting for 54%, Cambodia for 12% and Yemen for another 10%. Madagascar and Zambia led patent filing in African LDCs, with 6 and 7% of the total, respectively.

In 2013, only 0.3% of scientific and technical articles published in journals worldwide came from LDCs (up from 0.27 in 2010), which corresponds to 7.2 articles per 1 million people. The limited data relating to expenditure on research and development in LDCs indicates it is probably less than 0.5% of GDP, compared to 1.4% in developing countries. This low rate of spending partly explains the limited use of advanced technology in LDC economies. Other obstacles to technological diffusion include isolation from global research networks, limited domestic capacities in science and technology, and the paucity of technicians and researchers in R&D.

The UN General Assembly officially established the Technology Bank for LDCs on 23 December 2016 as a new UN institution, which is a long-standing LDCs priority provided for in the IPoA and reiterated in SDG 17. The Technology Bank for LDCs aims to build national and regional capacities in the areas of intellectual property rights and technology related policies, as well as facilitate the transfer of technologies on voluntary and mutually agreed terms and conditions.

Private sector development

There has been some improvement in creating an enabling environment for the private sector in LDCs. Bhutan (73rd), Rwanda (56th), Vanuatu (83rd) and Zambia (98th) are among the top 100 in the overall ranking of the Doing Business indicators. 14 LDCs were ranked among the top 100 for starting a business and seven were in the top 100 for trading across borders.

The prevalence of small firms in LDCs' private sector, however, hampers linkages across firms and reduces the scope for innovation and economies of scale, which is constraining productivity growth. Other obstacles to private sector development in LDCs are high transport and transaction costs and trade barriers, which limit LDCs' competitiveness in global markets.

B. Agriculture

Agriculture is still the largest employer in most LDCs, with an average of 60% of the employed population. The average share of value added in agriculture as a percentage of GDP has remained constant at around 26% in the past three years.

It is estimated that in 2015, 22.3% of the population — 177 million people — lived with hunger in the LDCs, mainly in rural areas. The reliance on agriculture for their livelihoods and the high share of expenditure of the poor on food makes them especially vulnerable to poverty and hunger. In February 2017 famine was declared in South Sudan, where nearly half the population is considered to be severely food insecure. In two other LDCs, Somalia and Yemen, famine looms.

Agricultural productivity in LDCs remained constant from 2010 to 2014, with the index of production per capita at around 112.3 as compared to the baseline of 100 during the period 2004-2006. The use of fertilizer increased only marginally for African LDCs, from 24.1 kilograms per hectare of arable land in 2013 to 26.7 kilograms in 2014. In Asian LDCs, the use of fertilizer was much higher, with 81.7 kilograms in 2014. However, this was mainly driven by very high use in Bangladesh and Nepal. Most other Asian countries used around 20 kilograms of fertilizer. Irrigation is also the exception in most LDCs, with only 8.3% of total agricultural land being irrigated.

Recent decreases in food prices have made food less expensive for the urban poor while negatively affecting the incomes of rural food producers. Furthermore, price declines and volatility have increased uncertainty and reduced investments in agriculture.

C. Trade

The share of LDCs' export in world trade further declined to 0.97% in 2015 from 1.09% in 2014, for the first time below 1% since 2007 and further below the IPoA and SDG target of 2%. The concentration of LDC merchandise exports has shifted with 67% consisting of primary commodities, precious stones and nonmonetary gold in 2015, down from 76% in 2014. This is partly due to the recent decline in commodity prices but also the increasing importance of clothing exports, mainly from Bangladesh and Cambodia.

WTO Members continued their efforts to advance duty-free and quota-free (DFQF) market access for LDC products in 2016. All developed Members provide either full or significant DFQF market access to LDC products. A growing number of developing Members, including top trading partners of LDCs (China, India, Thailand), grant a significant degree of DFQF access to the LDCs and some have reached comprehensive DFQF coverage.

The transparency of rules of origin related to trade preferences has further increased. On 1 January 2017, the EU, Norway and Switzerland introduced a new system of self-certification of origin for registered exporters from LDCs.

Progress has been registered in the area of preferential treatment for LDC services and service suppliers. Following the decision on the LDC services waiver at the Nairobi WTO Ministerial Conference, Members have continued work on the operationalization of the waiver. So far, 23 Members have notified their service preferences for LDCs at the WTO.

The MTR included the objective of increasing aid for trade support, and to strive to allocate an increasing proportion of Aid for Trade (AfT) to the LDCs. In 2015, AfT disbursements to LDCs amounted to US$10.5 billion, representing a nominal increase of 18% as compared to average disbursements during 2009-2011. Economic infrastructure projects benefitted from more than half of AfT flows to LDCs, while agriculture received more than a quarter of flows. AfT flows to LDCs represented 27% of total disbursements in 2015, compared to 25% in 2014.

The IPoA called for the facilitation and acceleration of accession negotiations with LDCs based on the LDC accession guidelines. At present, 36 out of 48 LDCs are WTO Members. Two LDCs, Afghanistan and Liberia, officially acceded the WTO in July 2016, and accession negotiations were initiated for two other LDCs, Somalia and Timor-Leste, in December 2016. Six additional LDCs are currently in the process of accession (Bhutan, Comoros, Equatorial Guinea, Ethiopia, Sudan, Sao Tomé and Principe).

The Trade Facilitation Agreement of the WTO entered into force on 22 February 2017 with ratifications from Chad and Rwanda. According to a WTO study, LDCs are likely to see an increase of up to 35% of the number of new products exported once the Agreement is fully implemented. This could have a positive impact on LDCs terms of trade, as the total value of exports from LDCs is likely to increase.

D. Commodities

The percentage of exports of primary commodities by LDCs declined significantly from an average of 80% in 2011 to 67% in 2015. The decline in merchandise exports was mainly observed in fuels (21 percentage points). However, export of manufactured goods increased by about 12 percentage points during the same time period.

These changes occurred within a context of continuing declines in commodity prices post 2011/12 when the last price spikes were experienced. Strong oil supply resulted in a sharp decline in annual crude petroleum prices, by over 50% between 2011 and 2015. Oil prices modestly recovered in 2016 but remained below the 2012 to 2014 prices. Non-fuel commodity prices also weakened, with the price of food declining by about 22% between 2011 and 2015, which was primarily driven by a drop in cereal prices, owing to higher global cereal production. In 2016, food prices increased slightly by 4%, on average, and further slight increases are expected. Commodity prices are expected to remain low in the near-term, thus, further weakening growth prospects for commodity exporters.

Deteriorating terms of trade led to economic contraction in most of the net oil-exporting LDCs including Angola, Chad, South Sudan, Timor-Leste and Equatorial Guinea. Net LDC oil-importers, who are expected to gain from low prices on account of improving terms of trade, exhibited subdued growth rates. This suggests that the effect of the declining prices on the economic activities in oil-importing LDCs has been limited.

E. Human and social development

Education and Training

Although substantial progress has been made since the beginning of the decade, universal primary education remains a challenge for many LDCs. Net primary enrolment stands at 83.2% for 2014, compared to 81.9% in 2010. More than 31.95 million children of primary age were not attending school in the LDCs for the period 2009-2015. The rate of enrolment in secondary education was low compared to other developing countries. For the period 2009-2015, 19.4 million adolescents of lower secondary age were not enrolled. High pupil-to-teacher ratios, poor infrastructure, inadequate training and deficiencies in equipment contributed to subpar educational outcomes.

Population and Primary Health

The population of the LDCs in 2015 was 954 million, an increase of 43% since 2000. Projections indicate that this trend will persist, with an estimated increase in population of 38.9% between 2015 and 2030.

Maternal mortality continues to be high. The number of maternal deaths per 100.000 live births was 435 in 2015 for the LDCs. Less than 40% of mothers and only a quarter of newborns benefit from a postnatal health check within two days of birth. The large segment of the population living in rural areas, where there is limited access to adequate health facilities and skilled personnel, pose additional difficulties for the adequate provision of services.

Youth Development

The LDCs median age in 2015 was 19.7, the lowest of any country grouping. The fertility rate, which was 4.27 for the period 2010-2015, was also high compared to other developing countries. Resources for family planning in the LDCs are limited, with only 36.3% of women of reproductive age, that are married or in a union, using modern contraceptive methods and 22% with unmet needs for family planning.

Shelter

In 2016, 68.1% of the LDC population lived in rural areas, down from 70.6% in 2011. Internal migration from rural areas has resulted in an increasing share of the population living in urban areas, passing from 24.4% in 2000 to 31.9% in 2016. Projections indicate that the urban population of the LDCs will reach 39.3% of their total population by 2030.

Currently, half of the urban population of the LDCs lives in cities with less than 300,000 inhabitants. These cities will experience high population growth, forecasted at 3% per year from 2014 to 2030. A tenfold increase is expected in the number of cities between five to ten million inhabitants. The increase in urban and peri-urban population is often not accompanied by the necessary services and adequate infrastructure. As cities grow, inequalities in access to essential services, such as health, water and sanitation, also increase. In addition, external shocks, such as epidemic emergencies, are compounded by poor infrastructure.

Water and Sanitation

Between 2011 and 2015, 39 million people have gained access to an improved drinking water source in the LDCs, an increase of 7.8%. Yet, 30.8% of the population lacked access in 2015. In rural areas, 38.3% of the population doesn't have access versus 14.3% in urban areas.

In 2015, 62.5% of the population did not have access to improved sanitation facilities, which represents a decrease of 1% from 2014. Since 2011, 62.9 million people have gained access, an increase of 21% over the period 2011-2015.

Gender Equality and the Empowerment of Women

Eleven LDCs have achieved gender parity in enrolment at the primary level. However, none of them has achieved it at the secondary and tertiary levels. Disparities are larger in secondary education, although some countries display significant progress. The gender gap for tertiary education remains very wide.

Women representation in parliaments has consistently increased over the last 10 years. As of March 2017, 23.5% seats of parliaments in LDCs were held by women, an increase of 3.3% of seats since 2011. Six of the top twenty countries by percentage of parliamentary seats held by women were LDCs.[3]

Social Protection

Underemployment and precarious employment constitutes a serious challenge for the LDCs, with over a third of the total employed population living in extreme poverty. Employment to population ratio was 69.4% for the population over 15 and 53.4 for those between 15 and 24 years old in 2014.

The structural features of the economies of many LDCs hamper the creation of decent employment. Employment growth for the LDCs between 2000 and 2014 was 2.8% per annum, for adults 3.3% per annum and for youth only 2.2%, thus lower than average growth rates for the same period.

In the LDCs, coverage of social protection and labor reaching the poorest quintile of the population was 21%, using the latest available value since 2009. Limited domestic resources, and the small space to increase them given the structure and, in some cases, the size of the economy of the LDCs, constrain the ability of the public sector to increase social spending. The size of the informal sector is among the factors that make it difficult reaching the poorest in the LDCs.

F. Multiple crises and other emerging challenges

Economic shocks

[3]Rwanda (61.3%), Senegal (42.7%), Mozambique (39.6%), Ethiopia (38.8%), Timor-Lest (38.5%) and Angola (38.20%). These figures correspond to percentage of seats occupied by women in the lower house. Depending on the configuration of the political system, some countries also have upper house or senate.

Global uncertainties continued to affect LDCs, and, in specific country cases, there has been significant economic disruption arising from conflicts, natural disasters and the Ebola outbreak as well as declining commodity prices, leading to lower growth.

Against this backdrop, the average ratio of total reserves to external debt in LDCs decreased to 52.4% from 55% the previous year, with an improvement registered only in eight countries. Fourteen LDCs increased their foreign exchange reserves over the past year. However, on average, debt servicing as a percentage of exports increased in LDCs to 7.5 from 6%, with four LDCs improving performance.

Climate change and environmental sustainability

The past year saw global temperature reach a record high, sea level rose unabated while sea ice reached exceptionally low levels. The strong El Niño event compounded warming from long-term climate change caused by greenhouse gas emissions. Severe droughts threatened millions across southern and eastern Africa and Central America. Tropical storms caused widespread suffering, while heavy rains and floods hit eastern and southern Asia. The LDCs were severely affected by these events. Food insecurity and the threat of famine threatened several LDCs, and climate-induced migration was reported to be on the rise in Pacific LDCs.

Some progress has, however, been made in supporting the LDCs in addressing the challenge of climate change. By end February 2017, the total cumulative donor pledges to the LDCs Fund (LDCF) for national adaptation programmes of actions (NAPAs) amounted to USD 1.22 billion, while paid contributions totaled USD 1.14 billion. By March 2017, a total of 248 NAPA implementation projects had been approved by the GEF Council for funding from the LDCF, while an additional 20 NAPA implementation project proposals had been cleared technically and were awaiting the availability of resources. USD 41.7 million from the LDCF was made available to support National Adaptation Plans in five LDCs under the NAP Global Support Program.

In addition, the Green Climate Fund (GCF) has allotted USD 3 million per country towards the formulation of national adaptation plans. Liberia and Nepal have already accessed this funding. Furthermore, under the GCF Readiness and Preparatory Support Programme, for which there is an allocation of up to USD 1 million per country per year, a total of USD 5.8

million has been committed to 20 LDCs. Nine LDCs have also accessed funding from the GCF for the implementation of adaptation projects. Many LDCs, however, have difficulties accessing and absorbing climate finance due to complicated application procedures, as well as limited institutional capacity. Furthermore, these amounts only meet a small fraction of the estimated overall funding required for adaptation.

Forests contribute to mitigating climate change by sequestering carbon dioxide. They also help preserve biological diversity, combat soil erosion, and provide ecosystem services and economic benefits. Deforestation continues to be an issue of concern in LDCs, with forested area declining over the past year in in all but three LDCs.

Disaster risk reduction

Disasters caused by climate extremes such as droughts, tropical cyclones and severe storms, floods and heat waves lead to significant loss of life and socioeconomic impacts. Disasters can significantly compromise development and growth, particularly in countries with the least capacity to respond.

In October 2016, the south of Haiti was hit by hurricane Mathew. Much of the area's infrastructure was destroyed, including communication, transport, health facilities and schools. In March 2017, Cyclone Enawo affected almost half a million people in Madagascar, destroying more than 40,000 houses and up to 85% of planted subsistence crops in some areas.

The Sendai Framework for Disaster Risk Reduction recognizes the special needs faced by LDCs (as well as certain other groups of countries), in view of their higher vulnerability and risk levels, which often greatly exceed their capacity to respond to and recover from disasters. In response to Sendai target (g), the UNISDR, WMO, and World Bank together with other partners launched the Climate Risk and Early Warning Systems (CREWS) initiative, which aims to increase significantly the capacity for Multi-Hazard Early Warning Systems in SIDS and LDCs. Under this initiative, by 2020, all relevant SIDS and LDCs are expected to have at least moderate early warning system and risk information capacities. CREWS aims to mobilize US$ 100 million by 2020 in order to fill the gaps in the exiting bilateral and multilateral cooperation programs. A trust fund hosted by the Global Facility for Disaster

Reduction and Recovery will support the development of implementing institutions and organizations and their activities.

G. Mobilizing financial resources for development and capacity building

Domestic Resource Mobilization

Gross domestic savings in LDCs declined from 16.2% of GDP in 2014 to 12.9% in 2015, which is triggered by lower commodity revenues and growth. The exceptionally low domestic revenues by LDC governments are the by-product of their economic structures, high poverty rates, their weak tax administration and the nature of their tax systems. However, in recent years most LDCs were able to increase their tax revenue as a percentage of GDP from a median of 13.0% in 2010 to 14.8% in 2014. Thus, around half of the LDCs reached tax revenues of 15% of GDP or above, which is considered to be the minimum below which countries face serious difficulties to execute basic state functions. This has been driven by reforms of the tax system in many LDCs in order to reduce tax evasion, broaden the tax base and enhance transparency. In several LDCs, revenue authorities have been removed from ministries and set up as autonomous units.

To enhance domestic resource mobilisation ODA towards the tax system has increased. The share of aid specific to tax policy and administration of total ODA to LDCs by OECD/DAC members increased from 0.06% in 2014 to 0.30% in 2015, but was concentrated in very few LDCs.

Official Development Assistance

Total ODA from OECD-DAC countries to LDCs declined from $41 billion in 2014 to $37.3 billion in nominal terms in 2015, whereas in real terms it increased by 8% due to the depreciation of the currencies of DAC members against the US dollar. Preliminary data show that bilateral net ODA to the LDCs was USD 24 billion in 2016, representing a fall of 3.9% in real terms compared to 2015. In 2015, 28% of total ODA was allocated to LDCs down from 30 % in 2014. Seven OECD-DAC donors (Denmark, Finland, Ireland, Luxembourg, Norway, Sweden and the UK) reached the goal of providing at least 0.15% of gross national income (GNI) in ODA to LDCs, down from 8 in 2014 and 9 in 2013. The overall share of ODA in donors' GNI remained constant at 0.09, far below the lower bound of 0.15 called for in the IPoA and SDGs. Ireland provided the highest share of ODA to LDCs with 48%. Belgium has committed to spend at least half of its ODA to LDCs by 2019[4]. In several cases, development partners have designated a large share of LDCs as focus countries. For example, 11 of the 12 focus countries of Norway are LDCs.[5]

Progress with respect to the quality of aid has also been slow, according to the 2016 OECD progress report on making development co-operation more effective. The annual predictability of ODA[6] has not increased overall and was still lower in LDCs (79%) than in other developing countries (88%) in 2015. The use of country systems[7] has slightly improved but was also much lower in LDCs (45%) than in other developing countries (56%).

External Debt

LDCs' external debt burden increased from 25.6% of GDP in 2014 to 28.8% in 2015, surpassing its previous peak of 27.2% in 2010. During this period, Mozambique and Zambia registered the largest percentage point increases (17.6 and 14.9, respectively), while 13 LDCs saw their debt-GDP burden decrease somewhat in 2015, with the biggest drops in Sudan, Somalia and Chad. To avoid unsustainable debt situations new attempts for sovereign debt restructuring need to be considered.

Foreign Direct Investment

FDI flows to the LDCs increased by one third in 2015 to US$35 billion, led by greenfield investment projects. Around half of all greenfield investment in these countries originated from developing countries. However, FDI flows to LDCs account only for 2% of world FDI.

Furthermore FDI inflows are concentrated in a few mineral and oil extracting countries. However, in 2015 and early 2016 FDI inflows in several LDCs also increased in the services sector (electricity, gas and water, construction and transport) as well as in light manufacturing, including food and beverages, namely in Bhutan, Ethiopia, Mozambique,

[4] Statement at Annual Ministerial Meeting, 24 Sept 2016
[5] Norway's Statement at Annual Ministerial Meeting, 24 Sept 2016
[6] As measured by the proportion of development co-operation funding that is disbursed to a country's government within the fiscal year in which development partners schedule it.
[7] As measured by the proportion of development co-operation disbursed for the public sector using the country's own public financial management and procurement systems.

Myanmar, Rwanda, Tanzania and Zambia. This is partly due to changes in policies. Proximity to major markets also played a role.

The sources of FDI also changed over the past years. Greenfield FDI projects from developed countries amounted to USD 17.5 bn in 2015 as compared to USD 28 billion from developing economies. Most of this was from Asia but African investors also provided a significant amount of USD 4.9 bn.

Some developed countries have specialised agencies that provide long-term financing for private sector FDI projects through loans and equity financing. However, most providers allocate relatively small shares of their support to LDCs.

Remittances

Remittance flows to LDCs continue to increase and have reached US $37.5 billion in 2015, up from US$36.2 bn in 2014, amounting to over 4% of GDP. The five largest recipients of remittances as a share of their GDP in 2015 are Nepal (32%), Liberia (31%), Haiti (25%), Comoros (23%) and the Gambia (19%). While remittances are private flows, they can stimulate demand for formal money transfer channels which in turn provides greater opportunities for banks to extend credit for productive investment.

The average cost of sending remittances to LDCs (including a transaction fee and an exchange rate margin) have declined somewhat, from 11.5% in 2012 to 9.6% in 2015. However, this is still well above the less than 3% of the amount transferred agreed in the Addis Ababa Agenda for Action.

H. Good governance at all levels

In 2016 Bhutan ratified the United Nations Convention against Corruption, bringing the total number of LDCs being party to the agreement to 43. SDG target 16.5, to substantially reduce corruption and bribery in all their forms, is expected to encourage efforts to curb corruption. which could be fostered through eenhanced participation in EITI and the spread of e-governance.

As at June 2016, 14 LDCs were considered compliant with the Extractive Industry Transparency Initiative (EITI), and eight LDCs were EITI candidate countries. Implementing the EITI Standard improves government systems and can lead to improved tax collection and budgetary planning. It also signals commitment to the transparent and accountable management of natural resources.. For example, Timor-Leste has made meaningful progress in implementing the EITI Standard in its oil sector. A 2017 validation report notes that recent information about licenses, production, revenues and spending of the petroleum fund is readily available to the public.

E-government aims at increasing participation in decision making, and making public institutions more transparent and accountable through electronic and mobile services. It can contribute to making public services delivery more effective, accessible and responsive to people's needs. Bridging the digital divide has been identified as a crucial factor for advances in e-government. Making data, for example on government spending, available online is also a crucial element of enhanced transparency. There is empirical evidence that countries with high corruption rates in the public sector generally score poorly on their ability to deliver public services via ICTs, including the provision of open government data.

The average E-government Development index (EGDI) for LDCs increased somewhat from 0.21 in 2014 to 0.24 in 2016. The number of LDCs with EGDI values of less than 0.25 remained largely constant at 29 in 2016. Most of these LDCs have extremely low ratings for telecommunications infrastructure. Countries that have progressed from low- to middle-EGDI levels are Nepal, Togo and Zambia. The highest EGDI ratings of more than 0.45 are held by Bangladesh, Bhutan, Uganda and Tanzania. Meanwhile Congo, Madagascar and Yemen have fallen from middle- to low-EGDI levels due to adverse political and socio-economic conditions. [8]

LDCs are disproportionally affected by armed conflict. Of the 14 countries with grave violations against children during armed conflict on the agenda of the Security Council 9 were LDCs in 2015. This has long-term effects on development outcomes as it destroys productive assets and social capital. Especially children are very vulnerable in armed conflicts and suffer long-term consequences due to lack of education and poor health.

[8] UN-DESA (2016) United Nations E-Government Survey.

Children are also most at risk in the three famine affected LDCs - Somalia, South Sudan and Yemen - with around 1 million at imminent risk of death in 2017 from severe malnutrition. Furthermore, armed conflicts have resulted in forced displacement, internally and externally (A/70/836 – S/2016/360).[9] Thus, LDCs and development partners need to put more emphasis on conflict prevention.

III. Performance and prospects towards graduation

Progress towards the target of half the number of LDCs to meet the criteria for graduation by 2020 has accelerated. Samoa graduated in January 2014 and ten additional LDCs reached the graduation thresholds in 2015. Equatorial Guinea is scheduled to graduate in June 2017, Vanuatu in 2020 and Angola in 2021. Five LDCs (Bhutan, Nepal, Sao Tome and Principe, Solomon Islands and Timor-Leste) met the graduation thresholds for the first time in 2015. These five LDCs and Kiribati[10], which met the graduation thresholds for the second time in 2015, will be considered for possible graduation at the next triennial review of the Committee for Development Policy in 2018.

Several LDCs have set explicit timetables for graduation and are pursuing the attainment of the three graduation criteria – GNI pc, Human Asset Index (HAI) and Economic Vulnerability Index (EVI). Furthermore, several countries have established institutions to support and monitor their graduation process. Progress towards reaching the graduation criteria is also closely linked with other development frameworks. For example SDG 8.1 reiterates the IPoA target of 7% growth of GDP. The components of the HAI relate to health and education, which also feature prominently in the SDGs and are crucial for sustainable development. In recent years the focus of the international community towards reducing vulnerability has increased including through the Sendai Framework and LDCs have made efforts with respect to disaster risk reduction. However, only one of the group of LDCs which are otherwise meeting the graduation criteria has met the EVI threshold so far (Nepal).

[9] See: A/70/836 – S/2016/360
[10] Due to Kiribati scoring the highest on the vulnerability index among all countries and associated concerns on the sustainability of its current level of income, the Committee for Development Policy decided to defer its decision on a recommendation on Kiribati's graduation to 2018

The LDCs that are scheduled for graduation are at different stages of preparations for a smooth transition.[11] The government of Angola has started to work on a road map for a smooth transition strategy with support of the UN system and has established an Advisory Committee. It is also planning to start a consultative process with relevant stakeholders, including development and trading partners as well as the private sector. For Equatorial Guinea the impact of graduation is expected to be minimal as the country did not benefit significantly from LDC specific support measures. In 2015 a graduation process report by the Government and UNDP suggested actions regarding the smooth transition process.

IV. Engagement of stakeholders in the implementation of the IPoA in the implementation of the Istanbul Programme of Action

The Midterm Review of the Istanbul Programme of Action provided an opportunity for all stakeholders to recommit to the internationally agreed programme to lift the LDCs from poverty. It was preceded by various consultations at national, regional and global levels and brought together high-level officials and representatives from governments, parliaments, international and regional organizations, civil society, private sector, foundations, think tanks and the media. The Political Declaration outlines concrete actions and initiatives in support of LDCs and reaffirm the importance of effective and durable multi-stakeholder partnerships.[12]

In the lead-up to the Mid-term Review, 32 LDCs prepared their national reports assessing progress in the implementation of the IPoA during the first five years. These reports were discussed in the workshop of national focal points of the LDCs and OHRLLS prepared a report on lessons learned from five years of implementing the Istanbul Programme of Action.[13]

As reflected earlier in this report LDCs have made progress in the implementation of the IPoA and there has been a range of efforts by LDCs to integrate the IPoA in their national planning documents. Ethiopia mainstreamed the IPoA to its First Growth and Transformation Plan (2010-2015) as well as to the Second Plan (2015 – 2020) and has continued to

[11] The CDP undertakes regular monitoring of the Graduated and Graduating Countries from the LDC category, see E/2017/33.
[12] A/CONF.228/3
[13] http://www.ipoareview.org/lessons-learned/

implement the Programme as an integral part of its national development programmes. This has resulted in pro-poor economic growth and improvements in domestic resource mobilisation.[14] Similarly, Lao PDR has remained committed to the implementation of the IPoA, incorporating it into the current 8th Five-Year Socio-Economic Development Plan 2016-2020, which focuses on the three LDC graduation criteria and the three dimensions of sustainable development.

Many LDCs have faced challenges due to the large number of development frameworks they have agreed to mainstream, including global agreements such as the Agenda 2030 and the Paris Agreement, as well as regional agreements like the Agenda 2063 of the African Union and the Vienna Programme of Action for landlocked developing countries. While there are synergies especially between the 2030 Agenda and the IPoA, these frameworks have different monitoring mechanisms, creating added data collection and reporting burdens.

Structural constraints have also hindered the implementation of the IPoA. In Liberia, the impacts from the Ebola Virus outbreak, and declining global commodity prices, have continued to affect national development plan implementation and as achievement of objectives under the IPoA. An effective implementation of Liberia's Post-Ebola Economic Recovery Plan is critical for stabilizing and spurring rapid social and economic recovery, while at the same time, it can help to improve the economy's resilience to any future shocks[15]. Likewise many LDCs in conflict situations have struggled to mainstream and implement the IPoA.

Many bilateral donors have continued to provide support for the implementation of the IPoA. The Government of Italy with the International Development Law Organization (IDLO) and OHRLLS have launched a new initiative on investment advisory support to the LDCs, building on the potential of FDI to help LDC economies to diversify, reduce their dependence on commodities, and promote new activities in the manufacturing and services sectors.

[14] Ethiopia's statement at the Annual Ministerial Meeting, 24 Sept 2016
[15] Liberia's report for MTR

Several countries have provided funds to the WTO to help LDCs increase their participation in multilateral trade negotiations, including support for training workshops for government officials to improve their negotiation skills.

South-South cooperation has intensified and new initiatives in support of LDCs have been launched in recent years. Following the High-Level Roundtable on South-South Cooperation, organised jointly by OHRLLS and China in 2015, the Institute of South-South Cooperation and Development was established in May 2016. The institute is one of several institutions offering masters and PHD programmes focused on national development to students from LDCs.

Civil society has continued to contribute actively to the implementation of the IPoA and offer perspectives from groups working in LDCs. A four-day long LDC Civil Society Forum, which was organised by LDC Watch in collaboration with OHRLLS on the margins of the Midterm Review,[16] resulted in a Civil Society Declaration reiterating the call on 'No SDGs without LDCs' and underscoring the need for increased synergy and coherence between the IPoA and other recently agreed internationally agreed development goals.

Academia has continued to engage in the IPoA implementation. Prior to the Midterm Review, LDC IV Monitor, a partnership of think tanks and international organisations, produced a report titled, "Tracking Progress, Accelerating Transformation: Achieving the Istanbul Programme of Action by 2020" . The report highlighted recent accomplishments, missed opportunities and key challenges for the LDCs, which was presented at a side event during the mid-term review.[17] Furthermore, half of the members of the Governing Council of the Technology Bank for the LDCs have academic backgrounds.

Members of Parliament held a parallel event at the Midterm Review to assess the contribution of national parliaments to the implementation of the IPoA and explore ways to further strengthen it. Participants reaffirmed their commitment to the implementation of the IPoA and the importance to include it as part of national legislative agendas.

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[16] http://www.ldcwatch.org/
[17] http://ldc4monitor.org/wp-content/uploads/2016/05/Achieving-the-Istanbul-Programme-of-Action-by-2020.pdf

The private sector has shown an increasing interest in the IPoA. OHRLLS in cooperation with the World Association of Investment Promotion Agencies (WAIPA) organised a private sector forum on investment opportunities in LDCs in May 2016. The Forum brought together about 300 participants and speakers from the LDCs, investment promotion agencies, private sector, financial institutions and investors.. The importance of better alignment and coordination between trade and investment policies at the national level was underscored by speakers at the forum, as was the need to increasingly focus on small and medium enterprises and entrepreneurs.

The private sector was also represented at meetings co-organised by OHRLLS and respective governments. Regional Meetings of the African and Asia-Pacific LDCs on financing sustainable energy, were organised in the United Republic of Tanzania in December 2016 and in Nepal in March 2017 respectively with a focus on increasing private sector contributions towards energy investment. Likewise, private sector representatives attended a multi-stakeholder regional meeting for African LDCs in Senegal in February/March 2017.[18]

In 2016, OHRLLS continued to coordinate United Nations system support for the implementation of the IPoA. The Toolkit for Mainstreaming the IPoA was launched at the United Nations System High-level Event during the Mid-term review[19]. In addition, the implementation of the IPoA by the United Nations system is discussed in the framework of the Inter-Agency Consultative Meeting on the IPoA for the LDCs.

V. Conclusions and recommendations

The implementation of the IPoA including its mid-term review can enhance progress towards achieving the SDGs and vice versa, due to interlinkages and synergies. However, more focus by LDCs and development partners is needed, especially in those areas that were not explicitly addressed under the MDGs, such as productive capacity building, adaptation to climate change, and sustainable energy solutions.

[18] For details see: http://unohrlls.org/ldcs-meetings-archive/
[19] The toolkit is available at: http://unohrlls.org/mainstreamingtheipoa/

The recent slowdown in growth, famine-linked humanitarian crises and relatively slow reduction in poverty all highlight the need to diversify production and exports and enhance agricultural productivity. There is consensus that building infrastructure, especially in ICT and energy, is a precondition for reaching all of the SDGs, and thus financing such infrastructure from all sources needs to increase rapidly. There is also a need to enhance the capacity of governments to design policies to ensure that accelerated growth will be sustainable and to leave no one behind.

LDCs still lag way behind other countries in science, technology and innovation. Thus the funding and operationalisation of the Technology Bank needs to be implemented in 2017 in line with the SDGs, in order to help trigger greater productive capacity and sustainability, and accelerate progress in health and education.

As agriculture still employs the largest share of the population in most LDCs, the development of this sector is crucial. Agriculture faces tremendous challenges from the impacts of climate change. LDCs need to revitalise support for the agricultural sector, including through agricultural extension services and urban-rural connectivity. At the same time, support is needed to develop climate-resistant higher-yield varieties of staple foods in LDCs.

The decline in the share of LDCs in total trade is partly a result of declining commodity prices and a slowdown in world trade. Should these trends continue, it will be very difficult for LDCs to meet certain IPoA and SDG targets. Enhanced support is needed beyond DFQF market access for exports of goods. The LDC services waiver needs to be implemented and LDCs need support to implement the Trade Facilitation Agreement.

The deterioration in economic prospects for the majority of commodity exporters underscores the need for LDCs to expand their export base. It is essential to develop mechanisms to mitigate and manage risks associated with commodity price shocks. For example, commodity-rich countries should consider creating sovereign wealth funds or stabilization funds that can be utilized during periods of significant reduction in commodity revenue. Other options include creating tighter fiscal rules and deploying counter-cyclical macroeconomic policies.

With respect to enhancing human development, major efforts are needed to reduce poverty through employment creation. One crucial area is infrastructure for education, including vocational training. Access to reference materials, adequate facilities and necessary equipment is critical, as well as enhanced focus on qualifications for which there is high demand. Furthermore, understanding the interlinkages between improvements in health and nutrition and better educational outcomes should be taken into account when designing policy interventions.

The effects of climate change are being felt in LDCs, exacerbated by the recent El Nino phenomenon, as evidenced by drought in a number of African LDCs and tropical storms that devastated parts of Haiti and Madagascar. The international community needs to step up efforts to meet the targets of the Paris Agreement, increase the level of ambition, scale-up support for adaptation and mitigation to climate change, and make this support more accessible to LDCs.

More investment –public and private, as well as domestic and external - should be channelled into productive capacity-building, including infrastructure, energy and private sector development, in order to enable structural transformation and to enhance the tax base in the long-term.

In order to enhance domestic resource mobilization and at the same time enhance growth and equality, the analysis of the effects of taxation in LDCs - including compliance costs - needs to be improved. Furthermore support for tax reforms in LDCs needs to be customized to fit country conditions and strengthen country ownership and leadership.

Despite improvements from some donors, the ODA target of the IPoA has not been achieved, limiting the ability of LDCs to invest in infrastructure and service provision in order to enhance productive capacity and reduce poverty. Efforts to reach the ODA target of 0.15-0.2% of GNI of ODA to LDCs should be stepped up and aid should be more predictable and aligned with LDC priorities.

The international community should increase coordinated investment support for LDCs with the contribution of all stakeholders in line with decisions in the AAAA (para. 46) to adopt and implement investment promotion regimes including (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 (MIGA).

The IPoA principle of country ownership and leadership remains crucial in order to accelerate progress with respect to sustainable development in LDCs. In this respect, governance is a key element, which includes: improved institutions, the formulation of coherent economic and development policies and strategies and the alignment of resource allocations with national priorities. The statistical capacity of LDCs also needs to be strengthened in order to design evidence-based policies and improve monitoring of the implementation of various agreements.

Recent progress towards graduation from the LDC category is encouraging, with several LDCs having expressed their aspiration to graduate from the category by 2020 or shortly thereafter. Upon request by graduating and aspiring-to-graduate countries, United Nations support, under the leadership of OHRLLS, has been stepped up in recent years. Substantive activities and operational programmes of OHRLLS in support of graduating LDCs need to be enhanced to match the expected increased demand as more LDCs move towards graduation in the years ahead. Comprehensive support measures in the areas of ODA, trade, investment, technology, and debt sustainability are needed to ensure the smooth transition of countries that have graduated from LDC status. In order to enhance the effectiveness of smooth transition measures, monitoring and follow-up needs to be further strengthened.

There are many encouraging examples of global partnerships with LDCs. Nevertheless, to fully achieve the overarching goals of the IPoA and the SDGs, an increased number of development partners should align their national development cooperation strategies with the IPoA, including complying with the ODA targets set in the IPoA[20], as recalled in the political

[20] 0.15-0.20% of donor GNI provided as aid to LDCs

declaration of the Midterm Review. Also continuous efforts are needed to ensure increased predictability and transparency of aid.

South-South and triangular cooperation need to be deepened and scaled up, through a more institutionalized approach to collaboration. Deploying financing from all sources, including innovative sources, can have a positive impact on the implementation of the IPoA.

During the remaining four years of the implementation of the IPoA, all stakeholders will have an important role to play to achieve the global goals. Synergies and complementarities between the IPoA and the 2030 Agenda and other recent frameworks need to be taken into account, and the monitoring of these various agendas at national, regional and global levels needs to be aligned.