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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

ADVANCE UNEDITED TEXT

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

Report of the Secretary-General

Summary

This report provides comprehensive information and analysis on recent progress in the implementation of the Istanbul Programme of Action (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 the UN system, civil society and the private sector. The present report is submitted pursuant to General Assembly resolution 72/231 and ECOSOC resolution 2017/28, in which the Secretary-General was requested to submit a progress report on the implementation of the IPoA.

I. Introduction

1. There has been further progress in the implementation of the IPoA in several of its priority areas. As of March 2018, twelve least developed countries (LDCs) met the graduation thresholds, while only 5 countries have graduated since the creation of the category in 1971. Access to ICT and sustainable energy has increased significantly, which, together with the operationalization of the Technology Bank for LDCs, is also contributing towards progress in the other priority areas. Advances have been made on human and social development

indicators - for example health and education, on gender – such as the number of parliamentary seats held by women, on governance indicators, and on domestic resource mobilization.

2. However, there are still significant gaps in reaching the goals of the IPoA. Structural transformation has been slow and the share of LDC exports in world trade declined below its 2011 level and remains concentrated in commodities. This has contributed to GDP growth rates below the 7% target in most LDCs. Expenditures for social protection are still significantly lower in LDCs than in other developing countries, corresponding to relatively low tax revenues. Investments remain limited - public and private, and external and domestic - including from FDI. ODA to LDCs also remains largely stagnant and below the IPoA target. Thus, the implementation of the IPoA needs to be accelerated in order to achieve its goals and targets by 2020, building synergies with the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs), with the Addis Ababa Agenda for Action and with the Paris Agreement. Statistical data used for this report are available online.[1]

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

Growth in LDCs

3. After plateauing at 4.2% in 2015 and 4.3% in 2016, growth in LDCs is estimated to have accelerated to 4.9% in 2017. Due to expected favourable external economic conditions, this upward trend is projected to continue in the near-term. In 2018 and 2019, LDCs are projected to grow by 5.4% and 5.6%, respectively. While lower than in 2012, these projected figures are slightly higher than most of the other years since the adoption of the IPoA in 2011.

4. Overall, the slight improvement in LDC growth mirrors the cyclical upturn in global activity, which commenced towards the end of 2016, driven by, among others, rising investment, increased industrial production, trade and strengthened consumer confidence.

5. Yet, the aggregate figures mask differences. In 2016, only nine LDCs grew by almost 7% or more (Bangladesh, Bhutan, Cambodia, Djibouti, Ethiopia, Lao PDR, Mali, Senegal, and Tanzania), as compared to fourteen LDCs in 2015. A common feature among many of the fastest-growing LDCs is strong public and private investment. Oil commodity exporters, however, showed subdued growth due to lower than expected commodity revenues.

6. All in all, GDP per capita in LDCs increased slightly between 2011 and 2016. While the proportion of people in LDCs living on less than US$1.90 per day declined slightly from 38.9% in 2010 to 33.7% in 2013 (PovcalNet, World Bank), if this trend persists, poverty eradication is not likely to be achieve by the 2020 IPoA deadline. Improving the macroeconomic outlook in LDCs will require significant investment in various priority areas that have been identified in the IPoA and 2030 Agenda.

Graduation from the LDC category

7. While the IPoA's aim of enabling half the number of LDCs to meet the criteria for graduation by 2020 is far from being achieved, considerable progress has been made by a number of countries that have met the criteria for the second time. Among these, Bhutan, Kiribati, São Tomé and Principe, and the Solomon Islands have been recommended for graduation by the Committee for Development Policy (CDP), while for Nepal and Timor-Leste, the CDP will revisit the sustainability of progress at the next triannual review. These countries are to be congratulated for the hard-earned progress on economic development, as well as improved education and health. In addition, three LDCs – Bangladesh, Lao PDR and Myanmar - met the criteria for the first time in 2018, bringing the total number of LDCs reaching the graduation criteria to 12.[2] In the last two years of the IPoA, increased and sustained efforts are needed to accelerate progress towards graduation, but also for support during and after graduation for those leaving the category.[3]

[1] See: http://unohrlls.org/about-ldcs/publications/
[2] See E/2018/33 for details.
[3] A report of the Secretary General on graduation and smooth transition will be published in 2018.

A. Productive Capacity

8. For the LDCs to achieve the IPoA objectives and SDGs, they must generate new dynamic activities characterised by higher value addition and technology content. On average, the contribution of manufacturing value added to growth in LDCs increased from 11.8% in 2011 to 13.2% in 2016, although the contribution of manufacturing to GDP for African LDCs declined and increased only among Asian LDCs. Services, which in most LDCs, are predominantly lower productivity activities, contribute almost half of the growth in LDCs while agriculture accounts for around a quarter. Gross fixed capital formation has been generally constant and accounts for only about a quarter of the economic activity in LDCs between 2011 and 2016. This suggests weak investment growth, which should be reversed to alleviate structural bottlenecks and enhance productive capacity.

Infrastructure

9. Information and communication technologies offer significant opportunities to addressing structural impediments in LDCs. Between 2011 and 2016, mobile cellular subscriptions leapt from 42% to 68%. The subscription rate in 2016 for several countries - Gambia, Lesotho, Mali, Senegal, Sierra Leone, Cambodia, Nepal and Timor-Leste - were either about 100% or more, highlighting the success in connecting both urban and rural areas.

10. In 2016, Internet penetration reached almost 16% relative to 5% in 2011. Mobile-broadband penetration increased in the LDCs, to just above one fifth of the population in 2017, but was still lower than the global rate of 50% and 90% for developed countries. Despite this increase, it is unlikely that universal access to Internet in LDCs by 2020 (SDG 9.c) will be achieved. High-speed broadband internet is also increasing, but at a much slower rate. Key barriers to internet use such as lack of skills and digital literacy can be addressed through increased school enrolment and targeted programmes for those out of school.

11. Transport connectivity has a direct impact on access to world markets. Air freight can help LDCs become globally competitive. However, as a share of global air freight, the proportion is still minuscule, increasing from 0.5% to 0.9% between 2011 and 2016. Among LDCs, Ethiopia accounted for about 85% of air freight, followed by Bangladesh with about 3%.

12. The Liner Shipping Connectivity Index, which captures how well countries are connected to global shipping networks, increased from 7.5 in 2011 to 10.3 in 2016. The low index relative to other developing countries is partly due to quality and accessibility of ports and roads, which impact on access to global shipping.

13. Public-private partnerships can help secure funding and expertise for infrastructure investment and maintenance. However, investment in infrastructure that includes private participation has remained at minimal levels in LDCs. During the first half of 2017, investment commitments with private participation were recorded in several LDCs, for example, Rwanda ($362 million), Nepal ($257 million) and Madagascar ($245 million), as well as Mali, Mozambique, Cambodia, Senegal and Uganda. By nature, PPPs may be better suited to sectors that have positive cash flows to repay the private sector, for example, energy and ICT, but more difficult to structure in social sectors.

Energy

14. Access to electricity nearly doubled from 21.6% in 2000 to 38.3% in 2014. Between 2011 and 2014, the proportion of people with access to electricity increased by almost four percentage points. However, in 2014, only 26.5% of the population in rural areas had access to electricity in comparison to 67.5% in urban areas. Bhutan attained universal access to electricity and was closely followed by Tuvalu (98.5%), while Afghanistan (89.5%) and Nepal (84.9%) also made considerable progress. However, four LDCs had levels that were below 10%. Challenges facing LDCs are not limited to access to electricity, since there is limited access to modern fuels for cooking and heating, and so the use of firewood and charcoal is prevalent as a cooking fuel which has related adverse health and environment impacts.

15. Weak electricity systems in most LDCs result in unreliable supply and frequent power outages, causing income losses to producers and additional costs for imported back-up generators. Attaining universal access to affordable, reliable, modern energy in LDCs by 2030 will require major investments from a range of sources, as well as improved governance of public utilities. Financing is needed for a mix of grid, mini-grid and off-grid solutions, as well as capacity building, addressing the needs of households as well as productive processes that contribute to structural transformation.

16. To accelerate investment flows in sustainable energy - itself a bedrock for achieving most of the SDGs - LDCs should seek to address macro-level issues such as inclusive growth, progressive trade and investment policies. Strengthening these fundamentals would further help attract development finance, develop public-private partnerships and new market players, build capacity, and improve the track record for regulators.

Science, technology and innovation

17. LDCs continued to lag behind on various indicators related to science, technology and innovation. For instance, citizens of LDCs comprising both residents and non-residents filed a total of 1,486 number of patents in 2015. LDCs published only about 7 articles for every 1 million people annually between 2011 and 2013. Expenditure in LDCs allocated to research and development, as a percentage of GDP, was 0.6% or less.

18. One of the long-standing priorities of the LDCs, reaffirmed in the IPoA and in Sustainable Development Goal 17, has been to establish a Technology Bank aimed at strengthening their science, technology and innovation capacities, fostering the development of national and regional innovation ecosystems that can attract outside technology, and generating homegrown research and innovation and take them to market. The United Nations General Assembly established the Technology Bank for LDCs on 23 December 2016. The Bank became operational in September 2017 upon the signing of the Host Country Agreement and the Contribution Agreement by the United Nations and the Government of Turkey. In 2018, the Technology Bank, whose operationalization is currently being supported by OHRLLS, will focus on preparing Science, Technology and Innovation (STI) reviews and technology needs assessments and on promoting digital access to research and technical knowledge in selected LDCs, in collaboration with other UN entities.

Private sector development

19. LDCs have made some progress on creating an enabling environment for the private sector. For example, the cost of starting a business as a percentage of income per capita declined from 101.2% to 55.8%, in LDCs on average. Similar to 2017, only 4 LDCs Rwanda, Bhutan, Zambia and Vanuatu ranked among the top 100 in the 2018 Ease of Doing Business Index. Access to finance is a major constraint to business operations, while private sector development is constrained by limited supply and high costs of energy, skill gaps, and limited connectivity.

B. Agriculture, food security and rural development

20. The contribution of agriculture to GDP declined slightly from 26.3% to 25.4 % between 2011 and 2016. This could have been a result of the 2014-2016 El Niño phenomenon, which affected several countries within Africa. In 2016 alone, LDCs such as Afghanistan, Burundi, Central Africa Republic, Democratic Republic of Congo, Somalia, South Sudan, Sudan and Yemen were affected by El Niño and other climate related shocks, while many also suffer negative impacts from crises and conflict.

21. Agricultural productivity in LDCs, as measured by the gross per capita production index dropped from 110 to 107 percentage points between 2011 and 2014, relative to a baseline of 100 during the period 2004-2006. Fertiliser consumption increased from 22.6 kg per hectare of arable land in 2011 to 26.6 kg in 2014, the latest available year with data. Countries with the highest use of fertilizer per hectare of arable land in 2014 include Bangladesh (279 kg), Nepal (67 kg), Zambia (46 kg) and Malawi (36.5 kg).

22. Food security is a determinant of nutritional outcomes of a population. One of the ways to assess nutritional outcomes is through the prevalence of undernourishment, which shows the population below minimum level of dietary energy consumption. Undernourishment in LDCs remained about the same between 2011 and 2015, at 23%. This is, however, significantly lower than the level recorded in 2000 (34%). Stunting levels, a good predictor of level of nutrition, was still very high (39%, based on the latest available data). Greater efforts are needed on implementing SDG 2, which calls for ending hunger, achieving food security, improving nutrition and promoting sustainable agriculture, if it is to be achieved by 2030.

C. Trade

23. In 2016, the share of LDC exports of goods and services continued to decline to 0.89% of world exports[4], down from the peak value of 1.04% in 2013, therefore moving further away from the target of 2% of global exports, as called for in the IPoA and SDG 17.11. This trend is mainly due to falling commodity prices, especially fuels. In African LDCs, exports of goods and services declined by more than 7%, while they remained stable for Asia-Pacific LDCs. Almost half of LDC exports went to the EU (47%), followed by China (33%) and the USA (17%).

24. The composition of LDC exports continues to change. In 2016, exports of primary products accounted for just under half of LDC merchandise exports (down from 73% in 2005), while manufactured products accounted for 40% (up from 21 % in 2005), with clothing products accounting for 29%. Agricultural products accounted for 13% in 2016. The only group of LDCs to achieve export growth in 2016 were exporters of manufactured goods, which increased by 9%.

25. Following a decade of sustained growth, LDCs exports of commercial services began to slow in 2014. In 2016, services exports fell by 4% as compared to 2015. Exports of African LDCs accounted for more than half of LDCs total commercial services exports, mainly in transport and tourism. In Asian LDCs, 85% of tourists originated from neighbouring countries, while the number was 63% for African LDCs.

26. The call for duty-free and quota-free (DFQF) market access of the IPoA has been echoed in SDG target 17.12. WTO Members continued to provide DFQF market access for LDC products in 2016, with all developed country Members providing either full or significant DFQF market access to LDC products, and several developing country Members granting a significant degree of DFQF access to the LDCs. Chile, China and India have reached comprehensive DFQF coverage. In 2016, the product coverage of duty-free treatment for LDCs has increased by 10 percentage points compared to 2010. In 2015, LDCs faced average tariffs of 6.5% for clothing and 3.2% for textiles, whereas averages for other product groups were below 1% and zero for fuels and minerals.

27. Progress has been made with respect to implementing the Nairobi Decision on Preferential Rules of Origin for LDCs under the WTO. The Committee on Rules of Origin adopted a template for their notification in March 2017 to enhance transparency, and the majority of preference-granting countries have submitted information accordingly. Several countries have expanded cumulation possibilities, including China, Norway and Canada. The EU, Norway and Switzerland have started to implement their new system of self-certification of origin (the Registered Exporter System).

28. The Trade Facilitation Agreement under the WTO, which entered into force in February 2017, contains provisions for expediting the movement, release and clearance of goods and sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. LDCs have been granted additional time for its implementation.

29. An African Continental Free Trade Area was agreed on in March 2018, aiming to create a single continental market for goods and services, with free movement of business persons and investments. This agreement has the potential to significantly boost regional trade, including LDC exports.

30. Aid for Trade (AfT) is an important instrument to complement preferential market access and enhance supply capacity in LDCs. Since its launch in 2005, only 27% of the total AfT has been disbursed in LDCs, despite the large challenges they face in competing in global markets. In 2016, aid-for-trade disbursements to the LDCs amounted to US$9.8 billion, representing a nominal increase of about 10% compared with average disbursement during 2009-2011. Economic infrastructure projects benefitted from more than half of aid-for-trade flows to LDCs, while agricultural projects received about a third.

[4] These figures do not include Equatorial Guinea, which graduated from the LDC category in 2017.

D. Commodities

31. Commodity prices have declined since 2011, which has resulted in a reduction of their share as a percentage of total merchandise exports in the LDCs, moving from 75% in 2011, to 60% in 2016. The decrease of fuel prices has severely affected fuel exporters and contributed to the shrinkage of the weight that commodities over total merchandise exports as it experienced 45 percentage points decrease in 2015 and 21.14 percentage points in 2016.

32. Although commodities prices in international markets showed a slight increase in 2016 of 1.18%, a trend that persisted in 2017 and it is projected to continue in 2018, they are still 34.10% below the prices of 2011. Crude petroleum displayed the largest difference as with prices 142.63% below their 2011 levels. Estimates for 2017 and 2018 show a slight recovery of oil prices, while agricultural prices are forecast to decline slightly in 2017 and stabilize in 2018. The excessive dependence on a few primary commodities constitutes a source of vulnerability and emphasizes the need for promoting structural transformation that leads to greater diversification of the LDC economies.

E. Human and social development

33. The human and social development goals of the IPoA are closely aligned with those of the 2030 Agenda, especially the first five SDGs, as well as the broader objective of targeting marginalized groups and leaving no-one behind. The IPoA specifically address women and girls through targets on gender equality and empowerment of women, children's access to primary and secondary education, infant and maternal health, water and sanitation, and youth development. The IPoA targets on access to housing specifically address slum-dwellers and rural poor, while social protection receives specific attention, particularly for marginalized and vulnerable people.

Education and training

34. In recent years, in LDCs, increasing average enrolment rates have been observed in both primary and secondary education for LDCs, although high pupil-to-teacher ratios continue. In 2015, gross enrolment in secondary education was 46%, compared with 41% in 2011. In only five LDCs do the average years of schooling reach or exceed the expected duration of primary school, while almost two-in-five of all out-of-school children and adolescents in the world are in LDCs.

Population and primary health

35. As a result of high levels of fertility - at 4.3 births per woman in 2010-2015 - the population of LDCs have been growing rapidly, at around 2.4% per year overall. Although this rate of increase is expected to slow, the combined population of the LDCs, roughly one billion in 2017, is projected to increase by 33% between 2017 and 2030.

36. In 2011 in LDCs, the number of maternal deaths per 100,000 live births was 502, but this number fell to 444 in 2015, while infant mortality was 48 per 1,000 live births in 2016, compared to a rate of 56 in 2011.

Youth development

37. Today's global generation of young people includes around 1.8 billion between the ages of 10 and 24, most of them living in developing countries, often comprising a large proportion of the population. Yet, far too many young people are unable to participate fully in society. In 2015, the median age of the population in LDCs was 19.6 years old, and is projected to increase to 20.4 years by 2020, reflecting the large and increasing share of young people.

38. In many LDCs, youth unemployment is very high, due among others to skills mismatch and economic expansion driven more by capital-intensive sectors. Moreover, the youth literacy rate on average for all LDCs between 2012 to 2016, was 74.93%.

Shelter

39. By 2030, an estimated 81% of people globally will live in urban areas, while 55% of the population in developing countries will become urban dwellers. The majority of urban dwellers in African LDCs live in slums, with limited access to adequate shelter and basic social services. On average, populations living in slums as a percentage of the urban population have seen a decrease of 7.1% across all LDCs, from 69.8% in 2005, down to 62.67% in 2014. The decreased percentage of populations living in slums was most significant in Angola, with a 31% decrease (from 86.5% to 55.5%), and a 47.9% decrease for Lao PDR (from 79.3% to 31.4%).

Water and sanitation

40. Non-existent or inadequate sanitation facilities, serious deficiencies in water management and wastewater treatment can negatively affect water provision and sustainable access to safe drinking water. In LDCs, only 61% of the population in rural areas used an improved drinking water source in 2015, which nevertheless represents an increase from 57% in 2011. In some LDCs, over 95% of wastewater is released into the environment without treatment, compared to over 80% of the world overall.

Gender equality and the empowerment of women

41. As at 2010, more than half of the women in LDCs aged 20-24 were married before they were 18; in some of these countries, the figure was 70 per cent. The prevalence of women using modern contraceptives in LDCs more than doubled from 15 per cent in 1994, to almost 34 per cent in 2015, however this rate remains far behind the global average of 64%. In LDCs over the period 2000 to 2015, unemployment rates for women have increased from 6.9 % to 7.2 %, while they were stagnant for men at 5.4 %. However, with regard to the proportion of the employed population below the international poverty line, in LDCs, the gap between men and women has closed. In LDCs, women's participation rates increased for holding elected office, as well as enrolment rates in primary, secondary and tertiary education. LDCs are among the world's top performers in terms of percentage of parliamentary seats held by women, with the highest rates observed in 2017 in Rwanda (61%), followed by Senegal, (42%), and Mozambique (40%). Overall, the average rate of women holding office in LDCs increased from 18% in 2011 to 19% by 2017.

Social protection

42. In LDCs, social protection is concentrated on employment injury, old age, disability and survivors (dependents of a worker who died due to an employment-related accident), but even this is sparse. Out of 11 LDCs for which data exists, only 3 have more than 20% of the population covered. Where such social protection measures exist, benefit levels are often low.

43. LDC average spending on social protection as a percentage of GDP is only 3% which is less than half the MICs average of 6.3%. In at least 8 LDCs, the estimated cost of a more comprehensive package of social protection (child, orphans, maternity, disability and old age) would exceed 6.5% of GDP. This cannot be financed from domestic resources alone, as the average government revenue in LDCs is only 15% of GDP.

F. Multiple crises and other emerging challenges

44. Overall, in 2018 as compared to 2015 values, twenty-two of the 47 LDCs displayed an increase in their Economic Vulnerability Index (EVI). The EVI is one of the three criteria that determines whether a country is in the LDCs category, and itself is a weighted average of eight indicators. Significant increases in the EVI were found in Afghanistan, Benin, Chad, Comoros, Guinea, Malawi, Mali and Yemen. For all countries, this is primarily due to an increase in the shock index component, notably from export instability rather than the natural shock component. A number of LDCs have nevertheless made strides forward in their EVI values, especially Bhutan, Burundi, Cambodia, Haiti, Liberia, Rwanda and Zambia. This progress is due to improvements in the shock index, but this time shared across both its natural shock and trade components.

Economic shocks

45. Some LDCs continued to suffer from the negative impacts of declining commodity prices (see section 3.4). In specific country cases, there has also been disruption arising from non-price external shocks. For example, the recent influx of refugees in Bangladesh and Uganda who were fleeing violence and conflict has required

significant humanitarian assistance, only part of which has been met by the international community. However, the three countries most affected by Ebola – Guinea, Liberia and Sierra Leone – have exhibited gradual economic recovery from the decline in growth resulting from the Ebola crisis of 2014-2015.

46. Based on available data, the average ratio of total reserves to external debt in LDCs in 2016 decreased to 39.6% from 43.4% the previous year, with an improvement registered only in 12 countries. However, on average, debt servicing as a percentage of exports increased in LDCs to 10 in 2016 from 7.5% the previous year, with 7 LDCs experiencing declines.

47. Declining commodity prices have had a severe impact on several LDCs, which are already facing challenges in servicing external debt, especially those that have borrowed excessively on non-concessional terms. As on January 2018, fifteen LDCs are listed as in debt distress or at high risk of distress.

Climate change and environmental sustainability

48. 2015, 2016 and 2017 have been confirmed as the three warmest years on record, a clear sign of continuing global warming from greenhouse gas emissions. In many LDCs, severe extreme weather events and other impacts of climate change have taken lives, forced people from their homes and increased the risk of famine.

49. There has been modest progress over the last year in the flow of financial resources to the LDCs to address the impacts of climate change. As at end January 2018, total cumulative pledges to the least developed countries fund (LDCF) amounted to $1.33 billion, of which $1.26 billion had been paid, and $70.12 million remained outstanding. The demand for LDCF resources continues to exceed the funds available for new approvals; as at end January 2018, $91.7 million were available for new funding decisions, whereas $187.2 million were sought for 26 full-sized projects that had been technically cleared by the GEF Secretariat.

50. As at end January 2018, 50 LDCs (including now graduated countries), had accessed a total of $1.22 million for 198 projects in support of their national adaptation programmes of action (NAPAs), and an additional three global projects with LDCF resources amounting to $13.69 million had been approved to support other adaptations projects. Total funding from the LDCF toward LDCs' NAP processes increased to $51.7 million as at 1 March 2018.

51. As at 9 February 2018, project proposals from a total of 17 LDCs had been submitted to the Green Climate Fund under the support modality for NAPs under its Readiness and Preparatory Support Programme, which provides up to USD 3 million per country.

52. Forests play a role in mitigating climate change by sequestering carbon dioxide, and contribute to preserving biological diversity, combatting soil erosion, and provide ecosystem services. Over the past decade, on average LDCs have lost 6% of their forest cover, especially in African countries. This trend has been observed in 32 LDCs, with a reversal in only two countries over the past five years.

53. Measures are needed to alleviate the extreme vulnerability of the LDCs to external shocks, both economic and environmental. Funding and capacity building to meet climate change adaptation should move from the planning phase to concrete projects that result in increased resilience on the ground. At the same time, governments should preserve ecosystems that provide essential adaptation-related services such as flood regulation and natural barriers to storm surge.

Disaster risk reduction

54. In 2017, disasters had a major socioeconomic impact on populations in LDCs, which are among the most vulnerable countries in the world, affecting an estimated 23 million people. Floods were particularly devastating in Angola, Bangladesh, Haiti, Malawi Myanmar, Nepal and Niger. Drought affected over 8 million people in Angola, Chad, Mauritania and Niger. Cyclones affected 4.6 million people in Bangladesh, Haiti, Madagascar, Mozambique, Myanmar and Vanuatu. However, landslides were the most deadly, responsible for 1,415 deaths.

55. Following the drought in the Horn of Africa in early 2017, the risk of famine has now declined, but malnutrition and drought conditions persist, and the fragile gains could easily be reversed, with populations facing high levels of food insecurity, while the threat to small island developing state LDCs from cyclones and hurricanes

remains high. 1,400 people were killed in monsoon rains that hit India, Nepal and Bangladesh. Heavy flooding and landslides in Sierra Leone claimed the lives of over 500 people and destroyed the homes of 3000 people. The humanitarian situation in Yemen remains of serious concern.

56. Building resilience is a high priority for the LDCs, and efforts to do so under the Hyogo and Sendai Frameworks need to be stepped up through early warning, preparedness and response.

G. Mobilizing financial resources for development and capacity building

57. The large gap between investment needs and available finance in LDCs is not being reduced, as ODA has remained stagnant and FDI has declined. In 2016, both ODA and remittances were larger than FDI inflows to LDCs. Challenges for achieving the IPoA goals and targets include how to incentivize greater investment, and how to ensure that it is long-term, aligned with sustainable development, and reaches those most in need.

Domestic resource mobilization

58. For LDCs, median government revenue increased to 19.8% of GDP in 2016 from 16% in 2012. To improve tax administration, 10 LDCs are participating in the Tax Inspectors without borders Initiative of the OECD and UNDP, which aims to enable sharing of tax audit knowledge and skills in line with the Addis Agenda. While increased support for capacity building for domestic resource mobilization is needed, government revenues are difficult to increase dramatically in LDCs, due to high levels of poverty and a large informal economy.

59. Average gross domestic savings in LDCs declined from 17.5% of GDP in 2012 to 13.3% in 2016, which has been triggered by lower commodity revenues and growth. Savings are partly constrained by the underdeveloped domestic financial sector. In LDCs only 27% of adults have bank accounts, which is almost half the percentage for developing countries. The recent increase in the use of mobile and digital money in several LDCs has contributed to easing this constraint, as often mobile accounts exceed the number of formal bank accounts. Mobile operators in several LDCs are also among the top taxpayers.

Official Development Assistance

60. Bilateral aid from members of the OECD's Development Assistance Committee (DAC) to least developed countries are estimated to have increased by 4 per cent in real terms to USD 26 billion in 2017, following several years of declines. Nine DAC members saw their aid to LDCs decrease from 2015 to 2016. The number of donors that provide 0.15% or more of their GNI as ODA to LDCs – in line with the IPoA targets and SDG 17- decreased from seven to six (Denmark, Luxemburg, Netherlands, Norway, Sweden and United Kingdom), with five of them exceeding 0.20% of GNI. The overall share of ODA to LDCs in donor's GNI increased slightly from 0.08% in 2015 to 0.09% in 2016. Ireland provides the highest share of its total ODA to LDCs at 45% (down from 48% in 2015). Net ODA accounts for roughly 4.5% of LDCs' combined GDP in 2016, compared to 7.7% ten years before, increasing the shortfall in development finance. In addition, the share of budget support declined, despite being an aid modality particularly well aligned with development effectiveness principles such as country ownership.

61. The ODA allocations to LDCs need to be increased, while initiatives to step up innovative flows to LDCs and South-South cooperation need to be strengthened. At the same time, efforts to increase the quality and effective use of ODA for LDCs must be intensified, for example through the DCF Global Accountability Survey and Study.

External debt

62. Levels of external indebtedness have increased across LDCs, both in terms of debt stocks (relative to gross national income - GNI), and – even more so – in terms of burden of debt services (measures as interest payments relative to exports of goods and service and primary income). Between 2011 and 2016, the average external debt stock in LDCs has increased from 23.9% of GNI to 28.6%. The share of private creditors in public and publicly guaranteed debt has doubled in LDCs, from 8% to 16% of total external public debt.

63. This has raised concerns about debt sustainability, especially in African LDCs. Thus, constraints on further debt financing are likely to become more binding at the same time as LDCs face pressing demands for additional public investments in the SDGs.

Foreign Direct Investment

64. FDI flows to LDCs decreased by 13% in 2016 to, USD 38 billion. This is the third decline in the past 4 years. FDI to LDCs equals around 2% of global FDI flows, down from 3% in 2013-14. FDI to LDCs remains heavily concentrated in a few countries, mainly in Africa, and in the extractive industries, often providing few forward and backward productive linkages within the economy.

65. Multinational enterprises from Asian developing countries have increased their investment in LDCs, including in manufacturing and services. Thus South-South FDI can play a major role in diversification in commodity dependent LDCs. Long-term trends in announced greenfield FDI projects suggest that there is growing interest in investment in services, particularly electricity, construction, transport, storage and communications.

66. In order to reverse the recent decline in FDI, LDCs need to implement strategic policies to attract FDI, especially in sectors with a high development potential such as manufacturing, which would contribute to structural transformation and scale up and accelerate development. Furthermore, the availability of skilled labour and high quality local infrastructure, such as transportation facilities, ICT and access to electricity, are all essential for attracting FDI, as well as supporting the achievement of many SDGs. Priority should be given to policies that help the domestic private sector to forge linkages with foreign investors. The 7th UNIDO Least Developed Countries Ministerial Conference, held in Vienna in November 2017, encourages the relevant UN agencies to establish a Capacity Development Program for LDCs in order for Investment Promotion Agencies to attract, diversify and retain sustainable Foreign Direct Investment (FDI) and derive maximum benefit from it and, to foster private sector development in LDCs, thereby contributing to their sustainable graduation.

Remittances

67. Reflecting the global trend, remittances to LDCs fell for a second consecutive year to $37 billion in 2017, down by 2.6% as compared with the 2016 peak of $37.9 billion. The decline is due to weaker currencies of main migrant destination countries against the US dollar and their weak economic growth in some destination countries for migrants.

68. Although LDC share amount to only 6.9% of the world total, remittances are a significant source of external finance in several LDCs. Six countries (Bangladesh, Nepal, Yemen, Haiti, Senegal and Uganda) accounted for three quarters of total remittance flows to LDCs. The resilience of remittances compared with other financing flows may help to ease balance of payment pressure.

69. LDCs have issued new policies and engaged in forms of cooperation with countries of destination, such as the memoranda of understanding between Lao People's Democratic Republic and Thailand to ensure the protection of their migrant workers. The average cost of sending remittances further declined to around 7.2% in 2017, down from 9.6% in 2015, but still far from the 3% committed to in the Addis Ababa Action Agenda.

H. Good governance at all levels

70. The IPoA states that good governance and the rule of law at the local, national and international levels are essential for sustained, inclusive and equitable economic growth and sustainable development. Almost all LDCs (43 out of 47) are party to the United Nations Convention against Corruption.

71. Of the 10 LDCs for which validations were completed by the Extractive Industries Transparency Initiative (EITI) by February 2018, three have made meaningful or satisfactory progress in all or almost all categories, namely Timor-Leste, Sao Tome & Principe and Zambia. Other countries also made significant progress in transparency. Liberia and Sierra Leone use a centralized register of mining licenses which lists the largest mining companies in the country, together with their licenses and relevant payments. Commodity trading

data in EITI Reports from Chad and Mauritania has become significantly more granular, often providing details at the level of each shipment of oil sold. It includes volumes, revenues and price information, enabling an assessment of whether the country is getting a fair payment for the oil. 13 LDCs have disclosed descriptions of legislation and licensing requirements related to the environment.

72. A key requirement for improving governance is strengthening capacity in administration, the legal system and statistics. The EITI encourages participating countries to increase the benefits from the extractive sector towards the rest of the economy, as well as for social development and protection of the environment. The validation process needs to be pursued for those LDCs that have not yet completed it. LDCs also need to build on their progress towards the ease of doing business and those lagging behind need to step up their efforts.

73. The ease of doing business is also a crucial aspect of good governance. The World Bank's Ease of Doing Business project places emphasis on the quality of legal infrastructure and the strength of legal institutions. In the project's 2018 report, Mauritania, Malawi, Niger, and Rwanda made the greatest increases to their score as compared to 2016 Index. For the overall Ease of Doing Business Index the average for all LDCs increased from 45.57 for the 2016 Index to 47.06 for the 2018 Index. The Index for Asia-Pacific LDCs declined slightly in the 2018 Index, while it increased by 2.2 points for African LDCs. On starting a business, progress was also most pronounced in African LDCs, with an average increase of the score by 4.5, while the score for Asia-Pacific LDCs increased by 0.4 points. The areas where the least reforms have taken place continue to be the indicators with a legal focus, for example enforcing contracts. Only Niger, Rwanda and Senegal made considerable progress in this area, whereas the average score remained almost unchanged.

74. At the same time governance of global systems need to take into account the situation of the most vulnerable countries, as progress in this area has been very slow. In line with the Addis Agenda, the voice of developing countries and especially LDCs in international economic decision making and norm-setting processes needs to increase.

75. Assessing progress towards the implementation of the IPoA requires a significant amount of data. While the availability of data has increased since 2011 in some areas, there are still major gaps. For example, only scant data are available in more than 25% of the LDCs on poverty, enrolment in tertiary education and several transport indicators. The SDGs with their 163 targets and 232 indicators are also challenging for many LDCs, which have limited capacities in their National Statistical Offices. The availability of better data would contribute to evidence-based policy-making. Total ODA dedicated to statistical capacity-building activities in LDCs increased from USD 76 million in 2010 to USD 185 million in 2014, but remains inadequate to meet the increased needs from the 2030 Agenda.

76. To increase the availability of high quality data, stronger political support and the necessary legal reform is needed to empower national statistics offices. Additional domestic and external financial resources - both predictable and sustainable - must be mobilized for statistical systems, and supported with capacity development and the latest technology in line with SDG 17.

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

77. The majority of LDCs have mainstreamed the IPoA into their relevant planning documents and are implementing the Programme as part of their national strategies. Following the adoption of the 2030 Agenda in 2015, many LDCs have also integrated the SDGs into their national development frameworks.

78. Progress towards the implementation of the IPoA at country level is discussed annually at a meeting of national focal points from the LDCs, convened by the Office of the High Representative. At their 2017 meeting, LDCs presented on-going strategies for accelerating implementation of the IPoA. Also, LDCs that have piloted the Development Finance Assessments shared their experiences in building integrated national financing frameworks for the SDGs.

79. For example, the Government of Ethiopia implements the IPoA and SDGs as an integral part of its national development framework, with both frameworks being used for the preparation of the Second Growth and Transformation Plan for 2016 – 2020 (GTP II) being further integrated into national priorities and targets. Similarly, the Afghanistan National Peace and Development Framework (ANPDF) 2016, a continuation of the country's post-conflict development planning, integrates the IPoA and SDGs. Afghanistan also emphasizes the

importance of cross-sectoral and inter-ministerial coordination to accelerate the implementation of SDGs and IPoA. An Inter-Ministerial Framework on the IPoA, chaired by the Ministry of Foreign Affairs has been set up, with the aim of ensuring coordination and follow-up of the implementation of IPoA.

80. As a positive development, many LDCs have also included the objective of graduation in their national development plans. In 2018, Bhutan will launch its 12th Five Year Plan, which is seen as the last step towards sustainable and irreversible graduation from the LDC category. Similarly, Lao People's Democratic Republic has identified graduation from the LDC category as an objective. The current 8th Five Year National Socio-Economic Development Plan for 2016-2020 focuses on the three criteria for LDC graduation as well as the three dimensions of sustainable development.

81. Furthermore, at its March 2018 triennial review, the Committee for Development Policy recommended four countries for graduation from the LDCs category - Bhutan, Kiribati, São Tomé and Principe and Solomon Islands, all of which met the gross national income per capita and human assets criteria but not the economic vulnerability criterion. Two more countries, Vanuatu and Angola, are scheduled for graduation, in 2020 and 2021, respectively.

82. Development partners have also continued with the implementation of the IPoA. Several bilateral donors have continued to provide funds to WTO to help LDCs to increase their participation in multilateral trade negotiations, and enhance their trade negotiation skills, as well as help LDCs to improve their sanitary and phytosanitary capacities. In addition, the European Union contributed EUR 10 million to the Enhanced Integrated Framework (EIF), the Aid for Trade programme exclusively designed to help LDCs utilize their trade potential to achieve sustainable development and economic growth (see also Section G above for information on ODA).

83. South-South cooperation has become increasingly important for the LDCs, especially with respect to trade, foreign direct investment and exchange of technological innovations and know-how. However, reporting on South-South cooperation remains challenging as definitions and categories used are often not comparable.

84. The private sector has been engaged in a multitude of activities that contribute to the implementation of the IPoA. Regional meetings of the LDCs in Africa and the Asia-Pacific region, on promoting broadband connectivity, were organized in Senegal in March 2017 and in Vanuatu in October 2017, with active participation from the private sector. The High Representative for the LDCs, LLDCs and SIDS chairs a Working Group on Broadband for the most vulnerable countries, which was established under the Broadband Commission, among others, to identify best practices and opportunities for leveraging broadband investment for national development. It consists largely of private sector entities, UN agencies and academia. Private sector representatives are also members of the Council of the Technology Bank for the Least Developed Countries (see section A above for additional information).

85. OHRLLS has developed, in cooperation with the International Development Law Organization (IDLO), an initiative to support LDCs in their efforts to increase foreign investments and the benefits they derive from such investments. The Investment Support Programme for the LDCs, as an innovative IDLO programme will provide on demand, investment-related negotiation and dispute-settlement advisory and representation services to LDC governments and under-resourced companies. The programme is designed to harness the services of lawyers and other relevant experts who are ready to provide support to the LDCs on a "pro-bono" or reduced-fee basis.

86. Civil society has played an active role in the implementation of the IPoA. LDC Watch has focused on LDC graduation at regional and national levels. A regional consultation of the West African civil society organizations on graduation from the LDC category was held in June 2017 in Senegal. LDC Watch also organized national consultations on graduation in Nepal and Bangladesh. In addition, a regional consultation of Asian LDC civil society organizations was organized in December 2017, in Thailand, on synergy and coherence between the IPoA and SDGs. These meetings have fostered constructive dialogue on the best way forward from the civil society perspective in number of key areas including poverty eradication, conflict and development, climate change, food security and trade.

87. Academia has continued to engage in the implementation of the IPoA with an increased focus on graduation, trade and vulnerability. For example, the Centre for Policy Dialogue in association with the Commonwealth Secretariat, the Friedrich-Ebert-Stiftung, LDC IV Monitor and the Think Tank Initiative organized a public dialogue on "Towards Eleventh Ministerial of the WTO: Reclaiming the Development Agenda" in Bangladesh, in November 2017. Academia, including members of the Committee for Development Policy, has also regularly participated in and contributed to meetings organized by the United Nations.

88. The United Nations system organizations have contributed actively to the implementation of the IPoA, individually and through a range of joint programmes. In keeping with its mandate, the Office of the High Representative for the LDCs, LLDCs and SIDS continued to facilitate the coordinated implementation of the IPoA by all parts of the United Nations system, through biannual meetings of the dedicated Inter-Agency Consultative Group. Special efforts have been made to step up in-depth, action-oriented coordinated support for countries graduating from the category of the LDCs through a dedicated task force.

IV. Conclusions and recommendations

89. With two and a half years left in the implementation of the IPoA, a major drive is needed by all stakeholders in order to overcome the specific challenges of LDCs outlined in the IPoA. This will also directly contribute to efforts to achieve the 2030 Agenda and SDGs, as well as the Paris Agreement and Addis Ababa Action Agenda, where the LDCs also face huge challenges. Efforts should be made to take full advantage of the synergies and complimentary of their implementation and follow-up.

90. In order to further increase the number of countries reaching the graduation thresholds and to reach the goals and targets of the IPoA by 2020, its implementation needs to be accelerated. LDCs need to provide an enabling environment for the private sector and step up efforts to leave no one behind in all priority areas. Likewise, development partners need to fulfill their commitments, especially in the areas of ODA and trade preferences. Support to address the specific challenges of LDCs needs to be enhanced, including leveraging ODA for other development finance, improved mechanisms for resilience building and financial and technical support to ensure the effective operation of the Technology Bank for the LDCs.

91. With the growing number of LDCs meeting the criteria for graduation for the first or second time, it is more important than ever to provide enhanced support to the graduating and graduated LDCs and ensure that smooth transition measures are in place to avoid any disruption to their development plans, programmes and projects. There is a role for all partners, including the governing bodies of UN entities, in providing international support measures. The UN system entities are stepping up their efforts to provide coordinated support for graduation and smooth transitions.

92. The findings of this report suggest that the IPoA has been instrumental in achieving progress towards sustainable and inclusive development, where its provisions were implemented. In order to ensure that this momentum will continue and challenges in its implementation will be addressed, Member States are invited to consider holding a Fifth United Nations Conference on the Least Developed Countries, in order to make a comprehensive appraisal of the implementation of the Programme of Action and to decide on subsequent action. Given the mandate of the Office of the High Representative and the important role it is playing in monitoring the integrated follow-up to the Istanbul Programme of Action, it should play a central role in the preparations for the new conference and new agenda for the LDCs.