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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 73/242 and ECOSOC resolution 2018/26, in which the Secretary-General was requested to submit a progress report on the implementation of the IPoA.

I. Introduction

1. There has been notable progress in the implementation of the IPoA in several of its priority areas. With the adoption of General Assembly resolution 73/133 on the graduation of countries from the least developed country (LDC) category, a further five LDCs will graduate by the end of 2024 - the same number as have graduated to date since the creation of the category in 1971. Important advances have also been made on access to ICT, sustainable energy, health, education, gender, export concentration and governance. Over the past year, economic growth has slightly accelerated on average, but has been uneven across LDCs. International trade has rebounded, while official development assistance (ODA) has increased. However, foreign direct investment (FDI) has further declined, the share of LDC exports in world trade remains low, structural transformation and productive capacity gains have been slow, economies are still largely commodity-based, and growing undernourishment is a concern. With only one and a half years left in the IPoA, LDCs, their development partners and the UN system entities should accelerate efforts towards achieving its goals and targets.[1]

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

Growth in the least developed countries

2. Growth in gross domestic product of the LDC group as a whole accelerated moderately to 5% in 2018, up from 3.6% and 4.6% in 2016 and 2017, respectively. Economic activity across LDCs is expected to remain relatively robust in the near-term, with aggregated GDP of the group reaching 5% in 2019 and 5.7% in 2020. Only a few countries, including Ethiopia, Rwanda, Senegal, Cambodia, Bangladesh, South Sudan and Burkina Faso, exhibited economic growth of 7% or more in 2018. The majority of these countries have more diverse economies than other LDCs. In 2018, negative growth rates were experienced in Sudan as a result of balance of payment constraints, and in Yemen due to the on-going conflict.

3. A longer-term assessment of economic performance of the group shows uneven growth across LDCs, with more LDCs exhibiting structural vulnerability and economic volatility. Annual percentage change in growth between 2010 and 2017 showed that fewer countries are growing at 7% - the target set in the IPoA and the Sustainable Development Goals. Furthermore, over that period, four LDCs exhibited negative growth, relative to two in 2018.

4. In the near-term, until 2020, growth is expected to remain relatively robust in LDCs but to fall short of the 7% target. Rising levels of debt, negative impacts of climate change and elevated global policy uncertainty, including from trade tensions, may act as drag on economic activity and further depress projected GDP growth.

5. As GDP growth increased only slightly from 2017 to 2018, per capita growth was limited. This makes it challenging to eradicate poverty. Medium-term prospects for per capita

[1] Statistical data used for this report are available online at: http://unohrlls.org/about-ldcs/publications/

incomes in many LDCs are subdued. This calls for accelerated investments to improve economy-wide productivity and create more decent jobs, along with increased budgetary allocations towards social protection and human capital development. However, LDCs face barriers in attracting public and private investments, due to macroeconomic, regulatory, market and other perceived risks, as well as difficulties in pipeline origination and project preparation.

6. The most recent data show that the rate of extreme poverty in LDCs, measured as the population living below $1.90 per day, declined to 35.5% in 2015 from 36.2% in 2013. In addition, the poverty gap, which reflects both the depth of poverty as well as its incidence, declined more slowly from 13.5% to 13.1%. Recent projections indicate that nearly 30% of the population will remain in extreme poverty by 2030. If poverty in all its forms is to be eradicated by 2030, as agreed by the global community in the 2030 Agenda, stepped-up action is needed to implement development goals for the LDCs.

A. Productive capacity

7. Enhancing productive capacity involves, inter alia, creating new areas of activities and shifting resources from low value-added and low productivity to higher value-added and high productivity activities. Comparing 2010 and 2017, the share of agriculture, forestry and fisheries marginally decreased from 22% to 21%, manufacturing's share increased from 10% to 12%, while that of services increased from 44% to 45%. This suggests only modest improvements in productive capacities. These were not uniformly distributed across LDCs. Changes in emerging technologies in manufacturing have made this sector much more capital and skill intensive. However, the low levels of physical and human capital in LDCs make further expansion of structural transformation more challenging. In addition, investment - which is key to building productive capacities - remained relatively low in LDCs. Gross fixed capital formation has generally been constant and accounted for only about a quarter of the economic activity in the LDCs between 2011 and 2017.

Infrastructure

8. Sustainable and resilient infrastructure is a prerequisite for achieving the IPoA and SDGs. In 2017, mobile cellular subscriptions in LDCs rose from 33 per hundred people in 2010, to almost 70 per hundred in 2017. Basic mobile telephony services in LDCs have served as a platform for various applications to improve livelihoods, for example basic health and financial inclusion.

9. In contrast, Internet access remains low in the LDCs, standing at17.5% in 2017, an increase of about two percentage points since 2016. There is great variation among LDCs, with Bhutan and Djibouti having an internet penetration of over 40% while in 6 LDCs, internet access was less than 5%. At slightly over 20 per 100 inhabitants in LDCs, mobile broadband subscription rates remain even lower. Improvements in high-speed connectivity, affordability

and skills will be essential for LDCs to benefit fully from the most promising broadband applications for education, health, and e-commerce.

10. Transport infrastructure has a direct impact on access to world markets and on improving global competitiveness. In 2017, LDCs accounted for only 1.1% of global air freight, with Ethiopia representing 87% of the LDC group's share. Expansion of air freight is constrained by inadequate infrastructure, restrictions in traffic rights and limited multimodal transport connectivity. Between 2015 and 2018, the average value of LDCs on the liner shipping connectivity index remained at around 8. The low value relative to other developing countries is partly attributable to poor infrastructure and protracted customs procedures.

11. Public-private partnerships are an important source of funding and expertise for infrastructure investment and maintenance. However, investment in infrastructure that includes private participation has remained at minimal levels in the LDCs. During the first half of 2017, investment commitments with private participation were recorded mainly in the energy sector. Some of the LDCs that benefitted include Myanmar ($293 million), Cambodia ($100 million) and Mali ($95.7 million). LDCs require large-scale investment to build and maintain resilient infrastructure and adopt new technologies, yet private investment is declining and is not diversified. Several MDBs have stepped up efforts to mobilize private investment in LDCs, although greater efforts are required, especially in infrastructure.

Energy

12. In 2015, 66% of final energy consumption in LDCs was from renewables, 84% of which was traditional biofuels, which have negative health and environment effects. Access to electricity in LDCs increased by about 10 percentage points from 34% in 2011 to 45% in 2016. Disparities persist across countries and regions, with only 34% access in rural areas, as compared to 74% in urban areas. Afghanistan, Bhutan, Kiribati, Lao PDR, Nepal and Tuvalu have achieved electrification rates of 80% and above. Access rate in three LDCs (Burundi, South Sudan and Chad) is below 10%. The low overall rates of access in LDCs are a result of, among others, high costs of power generation, transmission and distribution, low population density (especially in rural areas), high leakage rates, high operational costs, and low investment.

13. To attain universal access to affordable, reliable, modern energy by 2030, LDCs will require a higher level of investment in infrastructure, including a combination of off-grid / mini-grid and decentralized grid-connected solutions to reach more remote populations. However, such distributed solutions rely primarily on private investments and third-party ownership. Fostering investments for renewables, improving technology transfer, "pay-as-you-go" business models, and enhancing regional integration can help to bridge the gap.

Science, technology and innovation

14. New and emerging technologies are being used to enhance sustainable development in some LDCs, yet they still lag far behind. Available data in R&D, which drives both imitation and invention shows that the median ratio of R&D expenditure as a share of GDP was 0.75% or less in 2015-2016, as compared to the global figure of around 2%. As a share of the world figures, citizens of LDCs, comprising both residents and non-residents, filed only 922 patents in 2016. The LDCs published only about 9 journal articles for every 1 million people in 2016. The Technology Bank for the LDCs is expected to make a positive contribution in advancing science, technology and innovation, for example through its work on Digital Research Access, which will facilitate online access to scientific journals, books, and databases.

Private sector development

15. The LDCs have continued to make 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 about 89% to 42% on average between 2010 and 2017. Only five LDCs ranked in the top 100 in the 2018 ease-of-doing-business index (see also section G). Access to finance, limited supply and high costs of energy, skill gaps and limited ICT continue to constrain private sector development in LDCs.

B. Agriculture, food security and rural development

16. Overall for the LDCs, the value added of agriculture, forestry and fisheries as a percentage of GDP was 21% in 2017, a slight decline from 22% in 2011. In 2017, 67% of the population lived in rural areas and 60% of the population was employed in the agricultural sector. Agriculture remains primarily rain-fed. Despite an increase in use of fertilizer per hectare of arable land (from 27.2 kg in 2016 from 24.2 kg in 2011), agricultural productivity remained low and experienced a decline from 111.5 in 2011 to 107.9 in 2015 (per capita production index, with baseline period 2004-2006), in part due to high exposure of the sector to adverse weather events.

17. The number of undernourished people in the LDCs increased by 32.7 million people during the period 2011-2017. The percentage of undernourished people in the world living in the LDCs also rose from 26.7% in 2011 to 29.9% in 2017. Recurrent extreme weather events and natural disasters seriously hampered agricultural productivity, which was compounded by inadequate infrastructure and limited disaster management capabilities. Conflict and instability exacerbated the food security challenges faced by vulnerable populations. For example, in South Sudan, large scale violence contributed to acute food insecurity, by disrupting agriculture and food systems and increasing the population at risk of malnutrition across the country. The prolonged conflict in Yemen led to a major humanitarian crisis, with 67% of the population facing acute food insecurity. In the Central African Republic, food insecurity affected host and displaced communities, while access to agricultural inputs remained limited.

C. Trade

18. After three years of negative growth due to low energy prices, merchandise exports of LDCs witnessed a strong rebound in 2017, expanding by 16.4%, faster than world merchandise exports which grew only by 10.4%. However, even such a significant expansion was not enough to reverse the LDC's long-standing marginalization in international trade. In 2017 the LDC share in world merchandise exports increased only slightly from 0.91% to 0.96%, thus remaining for the third consecutive year under the one-percent-threshold. With only one and a half years until the 2020 target date of the IPoA, this underscores the difficulties in meeting the target of doubling LDCs share of global exports, particularly given the modest rebound of international commodity prices and possible risks associated with growing tensions in international trade and reduced global demand.

19. The prevalence of primary products in total merchandise exports of LDCs continued to decline, accounting for only 55% in 2017 as compared to 73% in 2010. The share of manufactured products reached 40% (up from 22% in 2010), mainly reflecting an increase in the share of clothing products from 12% to 29% during the same period. Agricultural raw materials and food represented 14% of total LDC exports in 2017, up from 10% in 2010. China and the EU were the top destinations for the merchandise exports of the LDCs, each accounting for more than a quarter of total exports in 2017. While China imported more than half of LDC exports of fuels and mining products, the European Union was the leading importer of agricultural and manufacturing exports. The USA, India, Thailand and Japan also continued to be important export markets for the group.

20. The participation of LDCs in world services trade continues to be quite low due to their small domestic supply base and concentrated in a few economies. Following a decade of sustained growth, trade in commercial services by the LDCs began to slow in 2014 only to finally pick up again in 2017. Exports increased by 6.9%, reaching US$34.2 billion, while imports grew at a rate of 8% reaching US$67.7 billion. Export of travel services remained the top category representing more than half of services exports by LDCs in 2017, with transport and other business services each accounted for roughly a quarter. In the period since 2011, tourist arrivals to LDCs grew from 20 million to nearly 29 million bringing an increase in travel receipts which reached over US$21 billion in 2016.

21. LDCs continue to benefit from preferential market access to both traditional and emerging trading partners with the vast majority of their exports entering most developed markets duty-free. The non-utilization rate of tariff preferences for eligible exports of LDCs accounts for about 5% to 15% of total exports to developed country markets.

D. Commodities

22. The average export concentration index for LDCs as a group fell from 0.425 in 2011 to 0.225 in 2017, which shows a positive trend in export diversification. Despite this reduction, the economies of the LDCs continue to exhibit a high degree of export concentration, particularly compared to other developing countries (not including the LDCs), where the export concentration index in 2017 was 9%. Commodity exports constituted 64% of total exports in 2017 an increase from 62% in 2016, although there has been a decrease from 78% in 2011. Of the 47 LDCs, 38 countries (80% of LDCs) were commodity dependent.

23. The dependence on primary commodities highlights the importance of diversification, particularly for countries dependent on commodities subject to high price volatility such as petroleum, gold, rice, cocoa, coffee and cotton. Diversification to non-traditional exports and value-addition through processing could mitigate exposure to price shocks and increase the resilience of the economy. Targeted and sectoral policies could be accompanied by horizontal policies in the areas of macroeconomic governance, training and skill development, and infrastructure development, to create favourable conditions and support building linkages between the commodity sector and the rest of the economy.

E. Human and social development

Population and primary health

24. Population growth is forecast to continue decreasing in most of the world but is accelerating in the LDCs. Although fertility levels have declined (from 4.4 births per woman in 2011 to 4.1 in 2016), the combined population of the LDCs is projected to increase from 1 billion in 2018 to 1.3 billion in 2030, at more than double the pace of world population growth.

25. Despite progress over the past two decades, in 2017 alone an estimated 2 million children died in LDCs, mostly from preventable causes. More than a third of all under-five deaths occurred in these countries. Due to growing child populations and a shift of the population distribution towards high-mortality regions, the share of global under-five deaths that occurred in LDCs is only expected to increase further in the next few decades. Scaling-up preventive and curative lifesaving health interventions is essential to further combat child mortality.

Education and training

26. 287 million young people of primary and secondary school age live in LDCs – approximately 19% of the world's population in this age group. School life expectancy has risen from 5.1 years in 1990 and 6.5 years in 2000, 8.9 years in 2011, to the current value of 9.3 years but is still nearly 3 years shorter than the global average. The percentage of children of primary school age who are in school reached 81% in 2017. However, about 28 million children or more than one in 5 children of primary age are still not in school.

27. Enrolments in primary and secondary education in LDCs have more than doubled from 107 million in 2000 to 215 million in 2017, while participation in tertiary education is much lower in LDCs than the rest of the world. The gross enrolment ratio in 2017 was 10% in LDCs compared with 38% worldwide. Teacher numbers in primary and secondary education have increased at a slightly faster pace than enrolment since 2000 resulting in a decrease in the pupil-teacher ratios by 2017.

Youth development

28. There are more than 1.2 billion young people in the world between 15 and 24 years of age, who are embarking on the path to adulthood with high job aspirations. However, for the almost 200 million youths in LDCs, such aspirations will most likely not be met. Many will not finish school and, given the large informal sector, insufficient job creation, low productivity and weak labour standards, will struggle to find decent jobs.

29. The educational systems of many LDCs result in a substantial proportion of the population being left behind. Many adolescents leave school prematurely, before having acquired sufficient skills to transition into productive occupations in the labour market. The number of upper-secondary-age out-of-school youth has increased, contrary to the trends for the out-of-school population of primary and lower secondary age. On average, fewer than 68% of 15-24 year olds are literate. Even for those who are educated and trained, there will likely be some mismatch with the skills in demand in the labour market. Factors such as extreme poverty, early pregnancies and sexually transmitted infections lead to high early school dropout rates with negative consequences on employment prospects for the young. Rapid growth in the number of youths over the coming years could challenge sustainable development, if labour markets are able to keep pace.

30. Nearly three out of five LDCs have adopted a national youth policy, but more needs to be done to improve the effectiveness and inclusiveness of such policies and ensure that public and private investments target the most vulnerable and disadvantaged among the youth.

Shelter, water and sanitation

31. By 2030, an estimated 40% of the population of LDCs will become urban dwellers, up from 33.5% today. On average, the percentage of the urban population living in slums has decreased from 70.2% in 2005 to 62.7% in 2014.

32. Inadequate sanitation facilities and deficiencies in water management and wastewater treatment continue to represent major hurdles to the sustainable provision and access of drinking water. In 2015, only 61% of the LDC population used at least basic drinking water services, up from 51% in 2000.

33. Solid waste collection is also low and irregular at best, leading to illegal practices such as illegal dumping or open burning of wastes.

Gender equality and the empowerment of women

34. There has been some progress on gender parity in education in LDCs. At the primary level, the gender parity index of the gross enrolment ratio – the ratio of the female to male enrolment ratios – increased from 0.79 in 1990 to 0.95 in 2017, which is still short of the range 0.97-1.03 in which it is assumed that gender parity has largely been achieved. At secondary and tertiary education levels, disparities are larger despite noticeable progress since 1990. By 2017, one-third of the LDCs have achieved gender parity at the primary level, almost one in every six at the secondary level, and none at the tertiary level.

35. Some African LDCs are among the world's top performers in terms of the percentage of parliamentary seats held by women, with the highest rates in 2018 observed in Senegal (42%), followed by Mozambique (40%) and Rwanda (38%). However, overall, the average rate of women holding office in the LDCs reached only 19% in 2017, compared to a world average of 24%.

Social protection

36. The lack of basic social protection floors in most LDCs leaves people vulnerable to ill-health, poverty, inequality and social exclusion throughout their lifecycle and poses a significant obstacle to economic and social development. Only nine countries, of the 37 LDCs for which data exists, have more than 20% of the population covered. The average spending on social protection as a percentage of GDP has increased to 4.2%. Policy reforms to identify financing options and fiscal space are needed to ensure that the right to social protection becomes a reality for all.

F. Multiple crises and other emerging challenges

37. The Economic Vulnerability Index (EVI) is one of the three criteria that is used to determine whether a country is in the LDCs category. During the 2018 review by the Committee for Development Policy (CDP), nine LDCs were found to have met the EVI graduation threshold, namely Bangladesh, the Democratic Republic of Congo, Guinea, Haiti, Myanmar, Nepal, Togo, Uganda, and the United Republic of Tanzania. Significant increases in the EVI values were registered in Afghanistan, Benin, Chad, Comoros, Guinea, Malawi, Mali and Yemen, primarily due to increased export instability. None of the three LDCs that were designated for graduation by the General Assembly in December 2018 – Bhutan, Sao Tome and Principe, and the Solomon Islands - have met the EVI.

Economic shocks

38. The current account balance for the LDCs overall deteriorated, from a deficit of USD 50,219 million in 2016 to USD 52,581 million in 2017. While LDCs as a group continued to be reliant on a limited set of commodities, their average export concentration index fell to 0.225 in 2017.

39. External indebtedness remains a serious concern in LDCs. Although debt servicing as a percentage of exports of goods, services and primary income decreased on average across LDCs to 7.8% in 2017 as compared to 9.9% in 2016, fifteen LDCs experienced increases. In 2017, three LDCs - Bhutan, Djibouti and Mozambique - had debt stocks which were greater than 100% of their GNI, and another eight had debts stocks that were between 50% and 100% of their GNI. As at November 2018, twelve LDCs were listed at high risk of distress and five in debt distress (see also section H).

Climate change and environmental sustainability

40. The 20 warmest years on record were in the past 22 years, with the last four being the hottest. The Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C reported that the average global temperature for the decade 2006-2015 was 0.86°C above the pre-industrial baseline, and for the past five years, 2014-2018, it was 1.04°C above the pre-industrial baseline.

41. Against this backdrop, there have been modest improvements in adaptation finance to the LDCs, through several multilateral financial mechanisms. In June 2018, the LDC Fund under the UNFCCC raised the maximum amount that each country could access from $40 million to $50 million to enable full implementation of the GEF Programming Strategy on Adaptation for the LDCF and the SCCF (2018-2022). In GEF Fiscal Year 2018, the LDCF received over $95.3 million in new pledges. Thirteen new full-scale projects were approved, to support adaptation planning and NAP processes, and help countries to enhance resilience.

42. As at January 2019, 38 LDCs benefited from funding through the Green Climate Fund (GCF), from funding proposals in LDCs totalling USD 2.8 billion, leveraging co-financing of over USD 1.6 billion, and fromthe Readiness and Preparatory Support Programme, countries in strengthening institutional capacities to engage with the GCF, and with developing projects.

43. At its 24th session in November 2018, the Conference of the Parties to the UNFCCC updated the LDCs work programme to reflect the needs of the LDCs, thereby continuing the support provided on a range of issues including, *inter alia,* training, capacity building, the NAP process, nationally determined contributions, public awareness, adaptation technology development and transfer, meteorological and hydrological services, and reporting and review.

Disaster risk reduction

44. In 2018, extreme weather events continued to impact nations worldwide, and LDCs were particularly hard hit. Africa was the region where climate events had the biggest impact on acute food insecurity and malnutrition and requiring urgent humanitarian action. Over the past year, hydrological disasters were the deadliest, together with the resulting floods, mudslides and landslides. Climate-related disasters have also caused large scale internal displacement. This season's hurricanes and cyclones were among the most intense and costly, affecting overall an estimated 1.5 million people in LDCs. The Son-Tinh tropical storm caused extensive flooding in Laos, impacting an estimated 780,000 people. Flooding also affected many parts of East Africa in March and April 2018, including Ethiopia, Somalia, and Tanzania. Drought in Afghanistan affected an estimated 2.2 million people in 2018.

45. The United Nations Office for Disaster Risk Reduction (UNISDR) estimates average annual losses in LDCs in 2017 as a result of disasters to be 8.5% of GDP. As at December 2018, 20 LDCs had received technical support from UNISDR to formulate or update national disaster risk reduction strategies and to ensure coherence with the sustainable development and climate change agendas. UNISDR is also supporting the UNFCCC LDC Expert Group to develop a guidance document for national authorities and stakeholders in the LDCs on synergies and coherence between disaster risk reduction and national climate adaptation strategies, and to integrate disaster risk reduction and climate change adaptation into sustainable development plans, which will save on recovery costs.

G. Mobilizing financial resources for development and capacity building

Domestic resource mobilization

46. After a steady increase in previous years median government revenue in LDCs (excluding grants), stagnated around 18.8% in 2016 and 2017. The exceptionally low domestic revenues collected by LDC governments are the by-product of their economic structures, high poverty rates, weak tax administration and the nature of their tax systems, as well as the role of international tax agreements, financial secrecy jurisdictions and tax havens in facilitating tax evasion and illicit tax avoidance that involves wealth transfers across borders. Median gross domestic savings recovered to 12.5% in 2017, after a dip to 10.7% in 2016.

47. Savings are partly constrained by low per-capita income, high dependency rate, and underdevelopment of the domestic financial sector. However, the percentage of the adult population in LDCs with account ownership at a financial institution or with a mobile-money-service provider has drastically increased from 9% in 2014 to 34% in 2017.

Development Cooperation

48. ODA from members of the Development Assistance Committee of the Organisation for Economic Cooperation and Development to the LDCs increased to US$42.5 billion in 2017, following several years of decline. The share of total ODA to LDCs increased from 27% in 2016 to 29% in 2017, while the overall share of ODA to the LDCs in donor's GNI remained constant at 0.09%. The number of donors providing 0.15% or more of their gross national income (GNI) as ODA to the LDCs — in line with the targets of the IPoA and SDG 17 — fell further from six to five (Denmark, Luxembourg, Norway, Sweden and United Kingdom of Great Britain and Northern Ireland), all of them exceeding the higher threshold of 0.20% of GNI. However, ODA inflows to LDCs are still larger than private flows, FDI or remittances.

49. ODA has mobilized much less private capital in LDCs than in other developing countries: of $119.5 billion mobilized in 2012– 2017 for all developing countries, $9.3 billion (8%) was for LDCs, mainly generated through credit and risk guarantees. Thus, while an increase in blended finance for LDCs could increase overall funding for the SDGs, it needs to be aligned with national priorities and not decrease the amount of ODA for other purposes.

External debt

50. In 2017, external indebtedness of LDCs slightly decreased from its 2016 peak. The average debt stocks declined from 30.6% of GNI to 29.9%. However, they were much higher for African LDCs with 33.8% in 2017, despite the fact that several of them had benefitted from HIPC and MDRI. At the same time there was a large variation among LDCs with debt stocks ranging from 113.3% of GNI in Bhutan to 1.9% in Timor-Leste.

51. The composition of the debt stock of LDCs has also changed, with a higher share of non-traditional bilateral creditors (notably China) and from private creditors (including bond issuance and syndicated commercial bank loans) in public and publicly guaranteed debt. This exposes countries to interest rate and refinancing risks, with borrowing costs expected to increase, which might have a negative impact on debt sustainability.

Foreign direct investment

52. Foreign-owned companies account for a significant share of formal private sector employment in LDCs and rank among the largest individual employers. FDI flows to the LDCs decreased again by 17% in 2017 to US$26 billion following the decline of 13% in 2016. Flows to the LDCs equal less than 2% of global flows, down from 3% in 2013–2014. FDI in the 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.

53. Greenfield FDI projects that were announced in 2017 declined by 43% to a four-year low, as investors mainly from developing countries scaled down their capital spending plans, especially in the services sector, including electricity, construction and telecommunication. In

the medium-term, prospects depend on the implementation of large infrastructure projects. African LDCs could benefit from increasing investment driven by the African Continental Free Trade Area. At the 2018 World Investment Forum, the importance of establishing an investment promotion regime for LDCs was highlighted.

Remittances

54. Remittance flows to LDCs are estimated to have increased to USD 43.8 billion in 2018, an annual increase of 11% partly due to the increase in outward flows from the Gulf Cooperation Council countries. However, downside risks to economic growth and restrictive immigration policies in many destination countries may moderate the future growth of remittances.

55. Remittances inflows are concentrated in a few LDCs, with six countries (Bangladesh, Haiti, Myanmar, Nepal, Senegal, and Yemen) accounting for more than 80% of the total. In addition, for some smaller countries, including Comoros and the Gambia, remittances amounted to 20% or more of GDP.

56. The average cost of sending remittances remained almost stagnant at 6.9 in the third quarter of 2018, more than twice the 3% committed to in the Addis Ababa Action Agenda. In many LDCs, such costs are even higher reaching up to 20%. Factors contributing to high costs include de-risking measures taken by commercial banks and exclusive partnerships between national post office systems and a single money transfer operator.

H. Good governance at all levels

57. The IPoA has a target to strengthen and effectively implement measures to prevent corruption and to increase transparency of budgets and expenditure. Almost all the LDCs (45 out of 47) are party to the UN Convention against Corruption. Combating corruption is crucial for reducing illicit financial flows.

58. E-governance can enhance transparency and contribute to improving the responses of governments to external shocks and various crises, for example through the use of digital technologies like Geographic Information Systems in managing emergency responses. The average E-government Development Index (EGDI) for LDCs increased from 0.235 in 2016 to 0.296 in 2018 but remains much lower than for other groups of countries and the world average of 0.549. The Telecommunication Infrastructure Component for LDCs is 0.152 - less than half the world average. However, there are large variations among the LDCs. Bangladesh is the top performer with an EGDI of 0.486, followed by Nepal with a value of 0.475 and Rwanda of 0.459. At the other end of the spectrum Somalia has an EGDI of 0.057.

59. In May 2018 the Extractive Industries Transparency Initiative (EITI) Board concluded that Senegal had made satisfactory progress in meeting EITI requirements, making it the first country in Africa and the fourth EITI implementing country to reach this level of progress.

Senegal had used the EITI to support reforms in the oversight of the extractive industries and public financial management. Timor Leste was also rated as having made significant progress. In addition, 9 LDCs made meaningful progress (Burkina Faso, Madagascar, Mali, Mauritania, Mozambique, Sao Tome and Principe, United Republic of Tanzania, Togo and Zambia).

60. The ease of doing business is a crucial aspect of good governance. The Doing Business 2019 report lists Rwanda at rank 29 with a score of 77.88, followed by Bhutan (Score 66.08), Zambia (65.08), Vanuatu (62.87), and Djibouti (62.02). Rwanda and Djibouti are also among the top 10 reformers, together with Togo and Afghanistan, which leads the list with an increase of more than 10 points in its score. Afghanistan focused on enhancing the legal framework for businesses, through strengthening minority investor protections and adopting a new insolvency legal framework. Djibouti is in the list of top 10 improvers for the second consecutive year, strengthening its legal framework and digitizing its land registry. Overall, the average value on the ease-of-doing-business index for all LDCs increased from 45.43 in 2017 to 46.23 in 2019.

61. Significant gaps also persist with respect to the statistical capacities and data collection in LDCs, which are crucial for policy planning and monitoring. For example, the proportion of children under 5 years of age whose births have been registered with a civil authority was 40.5 in 2017 for LDCs as compared to a world average of 73.1%.

II. Engagement of stakeholders in the implementation of the Istanbul Programme of Action

62. As the decade 2011–2020 draws to an end, many stakeholders engaged in the implementation of the IPoA have increased their focus on LDC graduation and smooth transition in their activities.

63. The majority of LDC governments have mainstreamed the IPoA into their national plans and strategies to achieve the targets set and to meet the criteria for graduation. For example, since the adoption of the IPoA, Bangladesh took concrete steps towards achieving sustained, equitable and inclusive economic growth by strengthening productive capacity through a national strategy towards structural transformation. These steps have included promoting an enabling environment for manufacturing led export, enhancing labour skills to boost productivity, developing special economic zones, replacing and upgrading technology, and enhancing R&D. As a result of this approach, Bangladesh was one of the few LDCs to meet all three criteria for LDC graduation, in the 2018 review by the CDP.

64. Another example is Zambia’s Seventh National Development Plan (2017-2021) which aims to create a diversified and resilient economy for sustained growth and socioeconomic transformation, without leaving anyone behind, and while mainstreaming the IPoA and the SDGs. Zambia has demonstrated progress in various sectors, including economic growth, electricity generation, net enrolment rate at primary and secondary level, and the percentage of the population living below the poverty line. Despite these improvements, Zambia still faces

challenges in meeting the IPoA targets on human asset and economic vulnerability indexes needed for LDC graduation.

65. The UN system organizations have contributed actively to the implementation of the IPoA, individually and through a range of joint programmes and activities. For example, the World Intellectual Property Organization (WIPO) implemented training programmes on intellectual property rights in the global economy for the LDCs, focusing on technology transfer, copyright for development and general IP programmes. The UN system entities continued to meet biannually at dedicated meetings of the Inter-Agency Consultative Group, which aims to ensure full mobilization, coherence and coordinated implementation. To further enhance the coordinated support for countries graduating from the LDC category, the Office of the High Representative established an interagency Task Force on LDCs graduation in late 2017. The Task Force met on a regular basis in 2018 with the objective of providing strengthened and coordinated UN system-wide support to the graduating countries. The work of the Task Force focuses on increased information exchange, coordination of activities including joint missions, common messaging, provision of LDC-specific smooth transition measures and additional incentives. In 2018, UN DESA also launched an internet portal called *Gradjet*, which provides tailored information and suggests a series of activities for each stage of graduation. The portal also directs the users to relevant UN contacts for further assistance.

66. Development partners have continued to implement the IPoA through their national development policy strategies at various level (see section G). The importance of South-South cooperation has grown, to address the persistent development challenges of LDCs through trade, FDI and technology transfer. In 2017, South-South trade accounted for 28% of the global trade flows and China has become the main export destination for goods from LDCs. Reflecting the increasing importance of South-South cooperation for the LDCs, the Office of the High Representative and United Nations Office for South-South Cooperation signed a Statement of Intent in November 2018 to enhance substantive collaboration between the two Offices.

67. Civil society has been engaged in several activities that contribute to the implementation of the IPoA. LDC Watch - a global alliance of national, regional and international civil society organizations based in the LDCs - prepared a Civil Society Organization (CSO) Strategic Paper, which draws the future course of action after 2018 and initiates a discussion on the LDC priorities for the next LDC programme.

68. LDC Watch, in collaboration with other civil society organizations, convened several national workshops, including consultations on the implementation of the IPoA and the SDGs, in Senegal, in March 2018, in Myanmar, in April 2018 and in Mali, in May 2018. The consultation in Myanmar also had the objective of raising awareness among civil society representatives, parliamentarians, LDC governments and development partners on Myanmar's graduation process from the LDC category.

69. Academia has remained actively engaged in the implementation of the IPoA with an increasingly strong focus on graduation and smooth transition. LDC IV Monitor authored

various articles on this topic and Centre for Policy Dialogue published a book[2] analyzed Bangladesh's experience with graduation from the LDC group. Also, the Least Developed Countries Universities Consortium on Climate Change, which aims at enhancing LDCs own capacity to address climate change through research, knowledge-sharing and education, has been actively engaging with the members and preparing a 5-year work plan. The consortium includes a core group of ten universities in Bangladesh, Bhutan, Nepal, Ethiopia, Sudan, Tanzania, Uganda, The Gambia, Senegal and Mozambique.

70. Similarly, private sector engagement has remained strong. The High Representative chaired 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, and engage with various private sector representatives, UN agencies and academia. Private sector representatives are also members of the Council of the Technology Bank for the LDCs.

71. The Investment Support Programme for the LDCs, developed jointly by OHRLLS and the International Development Law Organization (IDLO) continued to support LDCs in their efforts to increase foreign investments. The programme provides "pro-bono" or reduced-fee services on investment-related negotiation and dispute-settlement advisory and representation to LDC governments and under-resourced companies. The programme is fully operational, and several major law firms have indicated their availability to participate.

72. In 2018, the Office of the High Representative made additional efforts to engage LDC journalists in the implementation of the IPoA, with a competition for LDC journalists focusing on sustainable energy. LDC journalists were invited to submit stories on how sustainable energy is positively affecting communities in their countries. Published entries from LDCs revealed stories of inspiring innovation, entrepreneurship and perseverance, often in the face of significant challenges.

Graduation from the LDC category

73. Further progress has been made by LDCs towards meeting the criteria for graduation. In December 2018, the General Assembly took note of the recommendations by the Committee for Development Policy that the following countries be graduated from the LDC category: Bhutan in 2023, which includes, on an exceptional basis, an additional preparatory period of two years; the Solomon Islands and Sao Tome and Principe in 2024, which includes, on an exceptional basis, an additional preparatory period of three years. In addition, by its resolution E/RES/2018/27, the Economic and Social Council took note of the recommendation of the CDP to defer the consideration of the graduation of Kiribati and of Tuvalu to no later than 2021. Smooth transitions measures remain critical. Loss of access to concessional finance, particularly for highly vulnerable graduating countries, also needs to be addressed.

[2] *Bangladesh's Graduation from the Least Developed Countries Group*, Edited by Debapriya Bhattacharya, 2019

IV. Conclusions and recommendations

74. With only one and a half years left in the IPoA, a broad picture is emerging of uneven progress, with some success stories and instances of best practice, yet also obstacles and constraints in implementing the IPoA. In these final stages, LDCs, their development partners and the UN system entities should redouble their efforts to accelerate progress towards achieving its goals and targets, and build synergies with the 2030 Agenda and its SDGs, the Addis Ababa Action Agenda, the Paris Agreement and the Sendai Framework.

75. While advancements have been made in energy, ICT and transport infrastructure, progress has been slow and uneven across LDCs. This presents challenges for generating new dynamic activities characterized by higher value addition and technology content. The prospect for enhancing productive capacity in LDCs is even more challenging given that emerging technologies are more capital- and skill-intensive, and is therefore a source of concern. LDCs and development partners should encourage large-scale investment to build resilient infrastructure and adopt new technologies, including through public-private partnerships and finance from MDBs.

76. LDCs should continue their efforts to decrease dependence on primary commodities, especially given their price volatility, including diversification to non-traditional exports and value-addition through processing. The increase in numbers of undernourished people is a major source of concern. In the agricultural sector, access to technological inputs, such as high-quality and climate change-resistant seeds and fertilizers, and improved farming methods can contribute to increasing productivity, particularly in areas challenged by adverse agro-ecological conditions.

77. The international community should pursue urgent action to reduce infant, under-five and maternal mortality rates in LDCs to assist them in making meaningful progress towards SDG3. The high annual population growth rates in LDCs present challenges for enrolment in higher education and training a skilled workforce. Young people in LDCs should be afforded the opportunity to acquire the education and skills needed to contribute to economic development, and they need access to a job market that can absorb them into its labour force.

78. To increase domestic resource mobilisation, LDCs should pursue tax reforms and efforts on international tax cooperation to enable them to receive a fair share of taxes need to be stepped up. Development partners should further increase the quantity and quality of ODA, and strengthen South-South cooperation. To avoid additional debt distress and increase finance available to achieve the SDGs, the international community should consider debt relief and flexible debt service obligations. To reverse the recent decline in FDI, the LDCs should implement strategic policies to attract FDI, especially in sectors with high development potential, including with larger spillover effects in the forms of employment generation, technological advancements, diffusion of managerial skills and economic linkages with remaining sectors of the economy, all of which would contribute to structural transformation

and the achievement of many SDGs. In addition, the international community should adopt, expand and implement investment promotion regimes for the LDCs.

79. Different stakeholders have been active in the implementation of the IPoA. However, greater efforts are needed by the donors, since the number of donors meeting the target set in the IPoA, of committing 0.15% or above of their GNI as ODA to the LDCs, has decreased from ten donor countries in 2011 to five in 2017.

80. LDC governments should build on recent improvements in transparency, including through e-Governance and the EITI. Capacity building in LDC governments needs to be accelerated in order to be able to fulfil its functions, including public service delivery and disaster management. This will require both political will of LDC governments and targeted support for capacity building for example for statistics, which are the base of policy planning. Likewise, the voice and participation of LDCs in international processes needs to be strengthened in order to reflect their concerns in global decision making.

81. Vulnerability to external shocks remains a major and growing concern for LDCs, including those in the graduation pipeline, due to persistent exposure both to climate change impacts as well as high levels of debt. Building resilience remains a high priority. All stakeholders should step up their efforts to implement the Sendai Framework in the LDCs, including the target of substantially increasing the number of countries with national and local disaster risk reduction strategies by 2020. Development assistance for ex-ante DRR and resilience building can avoid assistance for ex-post recovery.

82. With a growing number of LDCs meeting the criteria for graduation for the first or second time, development partners should provide enhanced support to these countries to ensure that smooth transition measures are in place and avoid disruption to development plans, programmes and projects. Loss of access to concessional finance for vulnerable countries also needs to be addressed. The UN should work towards greater coherence at national, regional and global levels to support graduation, for example through the resident coordinator and the Inter Agency Task Force on Graduation of LDCs.

83. By its resolution 73/242, the General Assembly decided to convene a Fifth UN Conference on the Least Developed Countries, at the highest possible level, including Heads of State and Government, in 2021. As part of the preparatory process, LDCs and their development partners will, among others, undertake a comprehensive appraisal of implementation as part of the preparatory process for the Conference. The Office of the High Representative was designated as the focal point for the preparations for the Conference. The appraisal and subsequent steps will be critical in ensuring that the upcoming Conference draws on the experience gained so far as, and also identifies new and emerging challenges and opportunities, and the means to address them. The organizations of the UN system should provide necessary support and contribute actively to the preparatory process and the Conference itself, including the resident coordinators and country teams. All stakeholders should engage fully to ensure the success of the Conference.