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 progress in the implementation of the Istanbul Programme of Action (IPoA) over the decade, in this final year of its implementation, covering all eight priority areas for action and the overarching goal of enhancing graduation. 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 74/232 and ECOSOC resolution 2019/3, in which the Secretary-General was requested to submit a progress report on the implementation of the IPoA. It also provides information on the preparatory process for the Fifth UN Conference of the LDCs taking place from 21 to 25 March 2021, in Doha, Qatar, including its intergovernmental Preparatory Committee meetings to be held from 27-30 July 2020 and 11-15 January 2021 in New York.
I. Introduction

1. In the final year of implementation of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011–2020 (IPoA), there is evidence both of notable progress on several of its key areas, but also critical gaps where the LDCs as a group have fallen short of meeting the targets set out. Three LDCs graduated since 2011, while a record number of five more LDCs will graduate from the category between now and the end of 2024. Prior to 2011, only two other LDCs graduated since the creation of the category in 1971. A total of 15 LDCs have met the graduation thresholds since 2011, which, although short of the IPoA target of half the LDCs (which numbered 49 when the IPoA was adopted in May 2011), still represents important progress. There are additional success stories for the LDCs as a group over the IPoA period. Major advances have been made on access to information and communications technology (ICT), sustainable energy, health, education, gender, export concentration and governance.

2. Efforts to achieve the goals of the IPoA and those of the 2030 Agenda are mutually supportive. Modest progress has been made by the LDCs on the SDGs in the first five years of their implementation, for example on indicators on poverty, health, and some on gender equality and the empowerment of women and girls. There have been improvements on access to safe water and sanitation, as well as renewable energy. In other areas, SDG indicators have been stagnant, such as on hunger, education, research and development, and ecosystems and protected areas. Aggregate unemployment data has shown a slight improvement, but the youth has not benefitted. Manufacturing value added has increased slightly, as has energy intensity of GDP. There have been significant gains on mobile network coverage and internet coverage.

3. With regard to the IPoA, over the nine years of its implementation, the LDC group as a whole - which comprise 13% of the world population - have not succeeded in combatting poverty through high rates of economic growth, achieving structural transformation and building productive capacity, nor increasing their global share of exports. The high degree of vulnerability from which the LDCs suffer, both to economic and climate shocks, has caused significant setbacks to progress towards sustainable development and the achievement of the SDGs. Declining commodity
prices have diminished the value of exports and foreign currency earnings, exacerbating debt burdens, while natural disasters, especially climate-related phenomena such as hurricanes, cyclones, flooding, drought and landslides, have caused devastating loss and damage to lives, livelihoods and infrastructure.

4. With the preparatory process for UNLDC-V now underway, the LDCs, their development partners and the entities of the UN system should review implementation over the period with a view to identifying best practices and lessons learned, obstacles and constraints encountered, new and emerging challenges and opportunities, as well as actions and initiatives that are needed to address the special needs of the LDCs in the coming decade.

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

Growth in the least developed countries

5. Average growth in LDCs stood at 4.7% over the implementation period of the IPoA, between 2011 and 2019 – which was significantly lower than the average value of 6.6% recorded over the period from 2001 to 2010. While the LDCs were not as affected as the rest of the world during the global financial crisis in 2007/2008, the weak growth rates in many advanced and emerging economies and the steep fall in international commodity prices after 2011 ultimately had an impact on growth rates in LDCs. Over the implementation period of the IPoA, growth in gross domestic product for the LDC group on average exhibiting swings. On average, economic activity was generally moderate across the period. In 2019, average growth in LDCs was 4.9%, a slight improvement from 4.3% in 2011.

6. Growth in LDCs is largely influenced by domestic drivers of growth, commodity prices and vulnerability to natural disasters and other exogenous shocks. The growth peak observed in 2013 and 2014 was largely a result of the revival of activity in the oil sector and increase in prices of other commodities (see section D). Similarly, the sluggish average growth in 2015 and 2016 in LDCs was partly a result of the decline in oil prices driven by supply factors. The Ebola crisis led to considerable decline in
economic activity during 2014-2015 in the most affected countries, Guinea, Liberia and Sierra Leone.

Figure 1: Annual GDP growth in LDCs (%)

Source of data: UN/DESA, World Economic Situation and Prospects 2020

7. The recovery in economic growth for LDCs, which commenced towards the end of 2016, mirrored the cyclical upturn in global activity, driven by factors such as rising investment, increased industrial production, trade and strengthened consumer confidence. Economic activity in LDCs in the near term could be negatively impacted by the new coronavirus pandemic, for example as a result of lower commodity prices and reduced tourism, leading to growth rates lower than the 7% called for in the IPoA and SDGs.

8. Modest progress has been achieved in eradicating poverty. The rate of extreme poverty in LDCs, measured as the population living below $1.90 per day, declined by about four percentage points from 39.2% in 2011 to 35.6% in 2015. The poverty gap, which reflects both the depth of poverty as well as its incidence, declined more slowly, from 14.8% in 2011 to 13.1% in 2015. If current trends persist, nearly 30% of
the population will remain in extreme poverty by 2030. Eradicating poverty by 2030 as agreed in SDG 1, will depend critically on whether progress is achieved in LDCs.

A. Productive capacity

9. Progress in enhancing productive capacity would help LDCs reduce their exposure to external shocks and contribute to achieving a sustained GDP growth rate of at least 7% per annum. However, the contribution of various sectors to GDP in LDCs remained relatively constant between 2011 and 2017, suggesting that little progress has been made on structural transformation. The share of agriculture, forestry and fisheries was about 21%, while manufacturing’s share increased only marginally from 10% to 12%, and that of services increased from 43% to 45%. Looking ahead, the low levels of physical and human capital in LDCs could present further challenges to the expansion of structural transformation, given that emerging technologies in manufacturing could lead to this sector being much more capital- and skill-intensive. Gross fixed capital formation as a percentage of GDP rose slightly from 25% in 2011 to 28% in 2017. This suggests that LDCs invested slightly more in construction and the purchase of equipment, which could contribute to further enhancing productive capacity.

Figure 2: Economic Sectors, Value Added (% of GDP)

Source of data: WDI, World Bank
**Infrastructure**

10. Information and communication technologies (ICT) play a critical role in sustainable development in the LDCs. However, there is great variation across LDCs on the level of access under various key ICT metrics. Regarding the uptake of mobile phones, on average, the LDCs made phenomenal progress during the IPoA period, with mobile cellular subscriptions rising to almost 70 per hundred in 2017, from 42 per hundred people in 2011.

11. Internet access in LDCs increased from 4.8% in 2011 to 18.3% in 2017. In order to leap-frog to universal and affordable access to the Internet and stimulate Internet use especially broadband, LDCs need, *inter alia*, to: extend internet coverage to under-served and unserved areas; make access to internet more affordable; increase secondary enrolment given its positive impact on internet use in LDCs; and reduce the gender gap in internet use.

12. Rapid improvement in high-speed Internet use in LDCs can lead to increased utilization of some of the most promising broadband applications for education, health, and e-commerce.

13. Inadequate data in LDCs on transport infrastructure such as roads and rail make it challenging to assess progress made towards improving access to world markets and on enhancing global competitiveness. In 2018, LDCs accounted for only 0.9% of global air freight rising only slightly from 0.8% in 2011. Ethiopia accounts for about 30% of the LDC group total. The share of the LDC container port traffic, relative to the world, during the IPoA period was a minuscule 0.01%.

14. LDCs require large-scale investments to build and maintain resilient infrastructure and adopt new technologies, including through increased public-private partnerships. The public sector dominates infrastructure spending in low and middle-income countries, accounting for 87% to 91% of infrastructure investments. Private investment is declining and is not diversified, due in part to capital markets being less developed and investment profiles riskier than other countries.
**Energy**

15. Access to electricity in LDCs increased significantly from 34% in 2011 to 51% in 2017. Yet, disparities persist across countries and between rural and urban areas (see figure 3). Closing the energy gap will require *inter alia*, investing in off-grid / mini-grid and decentralized grid-connected solutions in order to reach remote populations. Large scale investments are required to accelerate energy transition in LDCs. Fostering investments for renewables and clean cooking fuels and electricity, improving technology transfer, use of digitally enabled financial innovation such as pay-as-you-go business models, improvement of governance of public utilities and, enhancing regional integration can also help to bridge the gap.

**Figure 3: Access to electricity (%)**

![Access to electricity chart](image)

Source of data: WDI, World Bank

**Science, technology and innovation**

16. Enhancing science, technology, and innovation may become increasingly important as a driver of productivity growth in the era of enhanced digitisation. However, data in LDCs on these indicators is scanty. Those countries with data show a significant lag on major indicators related to science, technology and innovation. The ratio of R&D expenditure as a share of GDP was 0.6% or less between 2011-2017, as compared to more advanced economies, which have a value of around 2% of their much larger GDP. Citizens of LDCs, comprising both residents and non-residents, filed only 1,536
patents in 2018, increasing from 960 in 2011. As a share of the world figures, the figure is almost zero. The LDCs published only about 9 journal articles for every 1 million people in 2016, marginally increasing from 6 in 2011. Given the increasing role of innovation and technologies on economic activity, the LDCs will be left further behind if current trends continue. Other avenues of acquiring and using new technologies, including FDI and import of equipment, have not fully delivered expected outcomes. It is important to enhance existing pathways for technology transfer, for example through FDI, and to create new opportunities for the dissemination of key technologies in LDCs, including through the Technology Bank for the LDCs.

**Private sector development**

17. LDCs face significant barriers in attracting much-needed investments. LDCs have made progress in creating an enabling environment, with the time and cost of starting a business as a percentage of income per capita declining significantly from about 89% in 2011 to 42% in 2017. Only five LDCs ranked in the top 100 in the 2018 ease-of-doing-business index. However, private sector development in LDCs has been constrained by access to finance, especially for small and medium-sized enterprises, limited supply and high costs of energy, skill gaps and limited ICT.

**B. Agriculture**

18. The agricultural sector holds the key to addressing acute food insecurity and promoting sustainable development and structural transformation in the LDCs. Agriculture, forestry and fishing represented around 21% of value added as a percentage of GDP for the LDCs from 2011 to 2018. In 2018, two thirds of the population lived in rural areas. In 2019, 56.6% of total employment in the LDCs was from this sector. Value added per worker in agriculture increased by 12% between 2011 and 2018 (rising from 769.8 to 860.4, expressed in constant 2010 USD). The three-year average of percent of arable land equipped with irrigation has remained more or less constant (down slightly from 11.5% in 2009-2011 to 11.2% for the period 2014-2016). Fertilizer consumption increased between 2011 and 2016 (from 24.6 kg per hectare of arable land to 27.2 kg, respectively), but was still well below
the average for other developing countries. Although the share of rural population in LDCs is predicted to decrease in coming decades, the absolute number of people living in rural areas will increase due to population growth.

19. Since 2011, the prevalence of undernourishment in LDCs has not changed substantially, estimated at 24.4% of the population. In 2016, the population in severe food insecurity in the LDCs was 231 million. Thus, 33.8% of the people in the world suffering severe food insecurity lived in LDCs.

C. Trade

20. The IPoA called for a significant increase in the participation of LDCs in global trade with the aim of doubling the share of LDCs in global exports by 2020, including by broadening their export base. This has failed to materialize. Since 2011 world exports have seen a rapid increase from $4.4 trillion in 2011 to $5.8 trillion in 2018, while the value of LDC exports grew by only $25 billion over the same period to $241 billion in 2018. On average, exports of goods and services from LDCs grew by 5% annually during 2011-2018.

21. It is of concern that the long-standing marginalization of the LDCs in international trade has deepened between 2011-2018. The LDC share in world merchandise exports deteriorated over five successive years, falling as low as 0.89% in 2015 before recovering slightly to 0.98% in 2018, due to the drop in the prices of primary commodities, particularly of petroleum.

22. The share of manufactured products in LDC exports increased from 22% to 37% in the period 2011-2018, reflecting an increase in the share of clothing products. Nevertheless, the economies of the LDCs have remained largely characterized by a heavy reliance on primary commodities in production and trade which maintained the vulnerability of the LDC group to commodity price volatility, and to other exogenous factors such as climate change shocks.
23. Furthermore, most of the merchandise exports have remained highly concentrated in a few countries, with the top five exporters (Angola, Bangladesh, Myanmar, Cambodia and Zambia) accounting for 62 per cent of all exports from LDCs in 2018.

24. The participation of LDCs in services trade remained low and concentrated in a few sectors, with travel services representing half of services exports in 2018, while transport and other business services accounting for roughly a quarter respectively.

25. LDCs continue to benefit from duty-free and quota-free (DFQF) market access to both traditional and emerging trading partners; yet gaps remain in a limited number of markets and a few sectors. Several emerging trading partners have significantly expanded their DFQF coverage since the WTO Bali Ministerial Decision in 2013. The non-utilization rate of tariff preferences for eligible exports of LDCs accounts for about 5 to 15 per cent of total exports to developed country markets.

26. The IPoA also calls for ensuring simple, transparent and predictable rules of origin applicable to imports from LDCs and contribute to facilitating market access. Considerable progress has been made in this area, with measures taken by several LDC trading partners on processing rules for clothing cumulation possibilities and self-certification procedures. In October 2019, the WTO, in cooperation with ITC and WCO, launched the Rules of Origin Facilitator, an online tool to ease access to information on origin-related requirements.

D. Commodities

27. The majority of LDCs have not succeeded in developing their domestic productive capacities and are still heavily reliant on one or few primary commodities for their export revenues (see section C). Thus, the LDCs continue to display significant economic vulnerability, which generates macroeconomic instabilities and potentially deepens income inequalities. To move up global value chains, commodity dependent countries must diversify their economy and invest in greater value addition to their products.
28. In 2018, the product concentration index value of the LDCs as a group stood at 0.23, down from 0.42 in 2011, which was still more than three times higher than the concentration index of world exports. LDC merchandise exports are thus distinctly more concentrated in a few products compared to world exports.

29. Among the LDCs, in 2018, Angola showed the highest product concentration of exports, followed by Kiribati, Guinea-Bissau and Chad, while Madagascar, United Republic of Tanzania, Djibouti and Nepal were at the low end of the scale. Still, the exports of the country with the lowest index value, Nepal, were more than two times more concentrated than world exports on average.

30. The export concentration of LDCs is mainly in primary commodities, which all have displayed falling prices over the past decade. While price indices for energy and metals and minerals recovered somewhat after 2016, they remained well below their 2010 levels for all main categories and are expected to remain at the same level over the next decade.

Figure 4: Commodities price indices (2010=100, real 2010 US$)

Source: World Bank
E. Human and social development

Education and Training

31. LDCs have made modest progress in increasing enrolment rates at the primary levels over the IPoA implementation period. The proportion of children out of school in primary-age education dropped from 18.7% in 2011 to 17.7% in 2018, but this rate is still double the world average of 8.1%. Thus, almost half of children out of school in the world are in LDCs.

32. The pupil-teacher ratio has improved in LDCs; at the primary level, it decreased from 41 in 2011 to 37 in 2018. However, poor basic facilities and infrastructure—such as the lack of computers, and access to safe drinking water or electricity—along with insufficient trained teachers and limited or lack of adequate learning and teaching materials seriously affect the quality of education. Enrolment rates for tertiary education remained low, which has far-reaching implications for the structural transformation agenda of the LDCs. Most LDCs depended on aid for their education budgets. Limited enrolment at the secondary and tertiary levels remain a challenge. In lower-secondary education, 34.2% of adolescents in LDCs were out of school in 2018. At the secondary and tertiary levels, disparities exist for girls and marginalized groups.

33. Literacy rates have improved, increasing from 57.6% in 2011 to 64.8% in 2018. Yet, more than 350 million people in the LDCs do not possess basic reading and writing skills.

Population and Primary Health

34. Over the period 2011-2019, population in LDCs grew by 21%, or an increase of 177 million people. Estimates foresee a further increase of 1 billion inhabitants by 2050 to 1.9 billion. 37 of the top 40 countries in the world by fertility rate are LDCs. The current composition of 47 LDCs is projected to have 1.1 billion births between 2020 and 2050, a 38 per cent increase over the number of babies born in LDCs during the previous 30-year period of 1980-2020. Life expectancy at birth in the LDCs as a group lags 7.4 years behind the global average as a result of high child and maternal
mortality rates, the consequences of conflict and the continuing impact of HIV-related mortality in some countries.

35. Despite some progress since 2010, in LDCs, maternal mortality remains high, at 436 maternal deaths per 100,000 live births in 2015. The proportion of births attended by skilled health personnel for the LDCs was 61% in 2018, an improvement from the 44% estimated in 2009.

Youth Development

36. The 211 million people between 15 and 24 years of age constituted 20% of the population of LDCs in 2020. For youth, the transition from education to employment is a crucial moment that determines social inclusion outcomes and impact on society. Major challenges include the lack of access to training, apprenticeship and skills, as well catering for the growing youth. A large number of youth has left LDCs seeking better opportunities. The ILO estimated that, in 2013, roughly 21% of migrants from LDCs were youth.

Shelter, Water and Sanitation

37. The average proportion of the urban population living in slums has decreased from 65.7% in 2009 to 62.8% in 2014, although the total number of people living in slums grew from 132 million to 181 million in those years. As population density increases at a rapid pace through informal growth, it is increasingly challenging to provide essential services and avoid an increase in mortality, and to address marginalization and inequality.

38. The proportion of the population with access to basic drinking water services has increased from 59% in 2011 to 64.6% in 2018. There are stark differences between rural and urban areas, with 55% of the population enjoying access versus 84.1% in urban areas.

39. Access to basic sanitation services remains very low in LDCs, particularly in rural areas. The proportion of the population in LDCs with access to basic sanitation
services increased from 29.8% in 2011 to 34.3% in 2017, still far below the world average of 73.3% in 2017.

**Gender Equality and the Empowerment of Women**

40. Modest progress has been achieved in expanding access to education to girls, but much more must be done. The proportion of girls of primary age out of school was 19.8% in 2018, compared to 20.7% in 2011. At the secondary level, in 2018, 36.2% of adolescent girls were out of school, compared to 38.4% in 2011. Access of women and girls to modern family planning was 57.6% in 2019, compared to 50% in 2010. In 2017, in the 34 LDCs for which data were available, 24.3% of women and girls aged 15 years or older were subject to violence.

41. The proportion of seats held by women in national parliament was 22.9% and in managerial position was 22.1% in 2018. Women still face disadvantages in accessing economic opportunities, particularly in the informal sector, where 50 percent of women employees are unpaid, compared to 33 per cent of men. Women have ownership over the largest part of their firms in only 30 percent of cases.

**Social Protection**

42. Limited social protection exacerbates vulnerability across all dimensions of human development in LDCs. Coverage is hampered by limited institutional capacity, thus often unable to reach the most marginalized groups. Lack of social protection constitutes a major obstacle to economic and social development. Despite the commitment of many LDCs, as shown in their national development plans, Voluntary National Reviews (VNRs) and other policy documents, lack of resources and limited resources are major constraints.

**F. Multiple crises and other emerging challenges**

**Economic shocks**

43. LDCs continue to display vulnerability from reliance on a limited group of commodities (see section D). Debt vulnerabilities are increasing in many cases, with new challenges from the changing composition of debt (see section G).
Climate change and environmental sustainability

44. Global atmospheric concentrations of greenhouse gases reached record levels in 2018, with carbon dioxide reaching 147% of pre-industrial levels. 2019 is likely to be the second or third warmest year on record, and the past five years are now almost certain to be the five warmest years on record.

45. The LDCs have been recognized as a group that is especially vulnerable to the negative impacts of climate change. Among other factors, the added burden of low GNI per capita constrains their ability to respond and build resilience. The need for special consideration to address climate change in LDCs through financial assistance, technology transfer and capacity-building has been reflected in the UNFCCC, Paris Agreement, Sendai Framework and 2030 Agenda.

46. Since the negotiation of these agreements, and over the period 2010-2019, there has been modest progress in provision of adaptation finance to the LDCs through the official multilateral financial mechanisms. Up until November 2019, a cumulative total of $781 million had been made available from the GEF Trust Fund for national projects on climate change in the LDCs. If the estimated contribution from regional and global climate change projects is added, LDCs have received around $1.74 billion, which is equivalent to approximately 12.2% of total climate change funding from the GEF Trust Fund since its creation.

47. Between the time the LDC Fund (LDCF) was established in 2001 and the end of October 2019, 50 current and graduated LDCs accessed a total of $1.4 billion for 282 projects, including the preparation of National Adaptation Plans of Action (NAPAs). However, the demand for LDCF resources continues to exceed the funds available for new approvals. The Adaptation Fund (AF) was established under the Kyoto Protocol in 2001 and launched in 2007. By June 2019, the Fund had approved a total of 23 projects for LDCs worth a total of $171 million, as well as readiness grants for 13 LDCs worth $635,000. Most funding has been allocated to adaptation projects relating to food security and rural development.
48. Since its establishment in 2010 until September 2019, the Green Climate Fund (GCF) received donor pledges amounting to $10.3 billion, making it the largest dedicated climate fund. For the period 2015-2019, $5.6 billion in new allocations were approved, the bulk for project funding. As at January 2020, total funding for LDCs had reached $1.4 billion (or 25% of the GCF global portfolio).

49. However, the climate financing received by LDCs is far short of the estimated requirements. The total amount of climate change finance needed to fund both mitigation and adaptation measures post-2020 in the LDCs has been estimated at $93 billion per year, based on the intended nationally determined contributions (INDCs) submitted by 44 LDCs in the lead-up to the 2015 United Nations Climate Change Conference (COP 21).

Disaster risk reduction

50. Over the period 2010-2019, LDCs continued to suffer devastating impacts from natural disasters, including cyclones, hurricanes, landslides, flooding, earthquakes and drought. Natural disasters often expand public debt by triggering more borrowing for recovery and reconstruction. Disasters also divert funding from investments towards the SDGs and IPoA goals and objectives. The damage and losses from climate-related disasters have increased in severity over time. For example, in 2019, Idai was one of the strongest known cyclones to make landfall on the east coast of Africa.

51. People in LDCs are, on average, six times more likely to be injured, lose their home, be displaced or evacuated, or require emergency assistance, than those in high-income countries. Economic losses due to disasters are also disproportionately higher in LDCs.

52. The development and implementation of national and local disaster risk reduction strategies by the end of 2020, as per Target E of the Sendai Framework for Disaster Risk Reduction, is a significant contribution to the disaster risk reduction priority for action outlined in the IPoA. As at November 2019, 16 LDCs had reported on Target E through the on-line Sendai Framework Monitor. It is critical that disaster risk reduction strategies are fully in-line with the Sendai Framework in order to make the
transition from reactive crises management approaches to proactive approaches that reduce risk, build resilience and prevent crises. To-date, only 5 LDCs have self-reported that their disaster risk reduction strategies are at least 70 per cent in-line with the Sendai Framework.

G. Mobilizing financial resources for development and capacity building

*Domestic resource mobilization*

53. The median tax-to-GDP ratio increased very slowly from 13.5 in 2011 to 15.5 in 2017. The increase was partly driven by the introduction of a VAT in several LDCs. Challenges, such as the handling of VAT credits and the management of VAT registrations as well as possible regressive effects need to be addressed for further revenue increases.

54. At the same time median gross domestic savings increased from 11.4% in 2011 to 13.5% in 2018, reflecting higher incomes and improvements in the domestic financial sector of some LDCs. Fintech is likely to have contributed to financial inclusion in Bangladesh and Mali.

*Development Cooperation*

55. ODA to the LDCs from OECD/DAC members increased from US$44.7 billion in 2011 to US$45.9 billion in 2018, reflecting a decline in real terms as well as a shift from grants to loans. The share of total ODA allocated to LDCs declined from 33% in 2011 to 31% in 2018. During the same period the average share of gross national income (GNI) provided as ODA to the LDCs from DAC donors declined from 0.1% to 0.09%, well below the lower target of 0.15% of the IPoA. However, ODA inflows to LDCs are still higher than private flows, FDI or remittances.

56. Only 6% of private finance mobilized by ODA went to LDCs between 2012 and 2017, mainly mobilised by multilateral donors. Blended finance deals in LDCs mobilized less private finance. Energy as well as banking and financial services were the largest sectors.
57. While difficult to quantify, there is evidence that the importance of South-South cooperation for LDCs has been increasing over the past decade, in line with the global trend.

58. Aid effectiveness increased slowly in LDCs. For example, 3-year predictability of aid has increased from 54% in 2016 to 56% in 2018. However, the proportion of aid on budget that was subject to parliamentary scrutiny declined from 60% to 59% in LDCs, a much lower level than the 71% in other developing countries.

*External debt*

59. By end 2011, 25 LDCs had reached the completion point of the Heavily Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), reducing their debt levels considerably. By 2019 three more LDCs (Chad, Comoros and Guinea) had reached completion point and Somalia made progress in 2019 on the way to receive debt relief under HIPC. After HIPC, a few countries have also received ad-hoc debt relief following a disaster, for example Guinea, Liberia and Sierra Leone, which were affected by Ebola. However, over the past decade, debt levels started to increase again. External indebtedness remains a serious concern in LDCs, with an external debt stock of US$358 billion and debt servicing as a percentage of exports of goods, services and primary income of 8.7% in 2018. As at November 2019, 6 LDCs were classified as debt distressed, while an additional 12 LDCs were rated at high risk of debt distress.

60. The composition of the debt stock of LDCs has also changed significantly since 2011, with a higher share of private and non-traditional bilateral creditors (notably China) and several LDCs issuing bonds in international capital markets, which in general have shorter maturities and higher interest rates than concessional financing. This exposes countries to exchange rate, interest rate and refinancing risks, and with borrowing costs expected to increase, this may pose challenges to creditor coordination in case of debt distress. Several countries with high levels of external debt had to reduce social spending.
**Foreign direct investment**

61. FDI flows to the LDCs stood at USD 24 billion in 2018, representing 1.8% of global FDI inflows, below their peak of USD 38 billion in 2015. It is also significantly higher than in 2011, when the share was around 1.3 percent and the value USD 20 billion.

62. While African LDCs accounted for more than three quarters of FDI inflows from 2011 to 2015, this share has declined to around half in 2017 and 2018.

63. FDI in the LDCs remains heavily concentrated in the extractive industries, especially in Africa, often providing few forward and backward productive linkages within the economy, although the share in manufacturing and services is increasing in several cases.

64. China’s investment in LDCs roughly doubled between 2011 and 2018 reaching 11% of the total stock, making it the top investor. Half of the top 10 investors in LDCs are now from emerging Asian countries.

65. In the medium-term increased greenfield FDI is expected, especially in mining, coke and petroleum products but also in electricity.

**Remittances**

66. Remittance flows to LDCs increased relatively rapidly from USD 28.2 billion in 2011 to USD 52.1 billion in 2019. This growth was mainly driven by Asia-Pacific LDCs, which now account for around 70 per cent of all remittances to LDCs.

67. Remittances flows remain concentrated in a few LDCs. For some smaller countries, remittances amounted to 20 or more per cent of GDP, including Comoros, Haiti and Nepal.

68. The decline of average costs of sending remittances slowed in recent years and amounted to 6.8 per cent in the fourth quarter of 2019 (down from around 9 per cent at the beginning of 2011), but still more than twice the 3 per cent commitment contained
in the Addis Ababa Action Agenda. In many LDCs these costs remain above 10 per cent. Mobile-phone services are increasingly used for transfer of remittances and have contributed to reduced costs.

H. Good governance at all levels

69. The IPoA affirms that good governance and the rule of law at the local, national and international levels are essential for sustainable development. The number of LDCs that are State parties to the United Nations Convention against Corruption increased from 33 in 2010 to 45 in 2019.

70. On average, 4.8% of young women experienced sexual violence by age 18 in LDCs in 2017, which is two thirds higher than the world average, and is partially driven by the high proportion of LDCs in conflict.

71. The average E-government Development Index (EGDI) developed by DESA for the delivery of public services in LDCs increased from 0.242 in 2012 to 0.296 in 2018 but remains much lower than for other groups of countries and the world average of 0.549. This increase was mainly a result of better online service delivery, including through national websites as well as e-government policies and strategies. E-governance can enhance transparency and contribute to improving the responses of governments to external shocks and crises, for example through the use of digital technologies like Geographic Information Systems in managing emergency responses.

72. According to the World Governance Indicators, voice and accountability have on average improved in LDCs from a score of -0.96 in 2011 to -0.61 in 2018.\(^1\) This improvement was largely driven by Asia Pacific LDCs, which recorded an average score of -0.28 in 2018, with several Pacific LDCs displaying scores above 0.5.

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\(^1\) Voice and Accountability reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. The estimated score ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance.
73. Progress with respect to voice and participation of LDCs in international fora has also been slow. For example, the vote share of LDCs in the IMF increased only from 2.9% in 2010 to 3.5% in 2019.

74. Many LDCs lack data to measure and track progress in the goals and targets of the IPoA and SDGs. Only 40% of children under 5 years of age in LDCs had a birth registration in 2018. The average Statistical Capacity Indicator increased from 56.4 in 2011 to 58.0 in 2017, but remains well below the world average of 66. Only three quarters of the LDCs have implemented a statistical plan. Thus, building statistical capacity is crucial to enhancing policy planning and monitoring.

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

75. Reflecting back on the ten years since the world leaders gathered in Istanbul to agree on the priorities for the LDCs for the next decade, the Member States, the UN system entities and various other partners have undertaken significant efforts towards achieving poverty eradication and structural transformation in LDCs.

76. As the IPoA period draws to a close, the year 2019 witnessed increased activity by various stakeholders in engaging and advancing the implementation of the IPoA priorities, including on LDC graduation and smooth transitions.

77. A broad range of activities have been implemented by LDC governments to integrate the IPoA in their national planning documents, to achieve its targets, and to meet the criteria for graduation.

78. A workshop of LDC national focal points organized in November 2019, in New York, provided the opportunity to share experience and lessons learned in the lead-up to UNLDC-V. For example, the Lao People’s Democratic Republic has mainstreamed the priority areas of the IPoA into its both its 2011-2015 and 2016–2020 Five-Year National Socio-economic Development Plans. The integration of the IPoA and national socio-economic development plan has led to a planning process that is more transparent and engages with various stakeholders. Information on how the national development
plan is formulated, implemented and monitored is now made publicly available together with annual and mid-term progress reports. Since 2011, Lao PDR has demonstrated progress in many of the priority areas, and the country is on track to meet the LDC graduation criteria. However, ongoing efforts are needed to ensure that graduation is inclusive and sustainable.

79. Similarly, Burkina Faso has mainstreamed IPoA in its 2011-2015 and 2016-2020 national socio-economic development strategies. The country has demonstrated progress in achieving development objectives, despite facing a significant number of external shocks, such as global geopolitical tensions, deteriorating regional security situation and political instability, the internal displacement of people, price fluctuation of commodities (especially cotton), the outbreak of the Ebola virus, climate crises, as well several internal socioeconomic and political crises.

80. Many bilateral donors have continued to provide support for the implementation of the IPoA. However, the ODA targets set in the in the IPoA have not been met. In 2018, only 6 donor countries - Denmark, Luxembourg, Netherlands, Norway, Sweden and United Kingdom - met the IPoA the target of committing 0.15 per cent or above of their gross national income as ODA to the LDCs, compared to ten donor countries in 2011.

81. South-South cooperation has continued to gain momentum and its activities in relation to LDCs have intensified. For example, the collaboration between Morocco/Moroccan Agency for Sustainable Energy (MASEN) and Ethiopia led to the announcement of the Coalition on Sustainable Energy Access for the Least Developed Countries at the Secretary-General’s Climate Action Summit, in September 2019.

82. The Coalition on Sustainable Energy Access and the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR) together made up the LDC-specific announcements made at the Climate Action Summit under LDC-Vision 2050. These initiatives recognized that while LDCs are particularly impacted by climate change they are ready to commit to more ambitious climate action. The two initiatives engaged with

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a range of stakeholders, from Member States, the UN system, regional development banks and research institutes.

83. 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 UN Technology Bank for LDCs, operationalized in 2018, has started to provide increased support to LDCs in building the science, technology and innovation capacity needed to promote their structural transformation. Programmes are now running in 20 countries and work is underway with partners to enhance support and coordination in technology sectors.

84. The Enhanced Integrated Framework (EIF), a partnership designed to support the LDCs in using trade as an engine for growth, sustainable development and poverty reduction, has committed over USD 61.8 million for trade-focused interventions in LDCs during its phase two, which started in 2016. As of 2018, the EIF has supported 38 LDCs to establish trade coordination mechanisms, and 41 LDCs have integrated trade into their national development plans while 29 LDCs have strengthened the human resources capacity in their trade ministries. EIF has also partnered with the World Trade Organization (WTO) to develop a project to assess the trade-related implications of LDC graduation, including in the context of relevant WTO agreements.

85. The UN system entities have continued to discuss and coordinate the support to LDCs at the biannual Inter-Agency Consultative Group meetings convened by OHRLLS. OHRLLS has led the UN Interagency Task Force on LDC Graduation, which was established in 2017, to enhance the coordinated support for countries graduating from the LDC category. In 2019, the Interagency Task Force on LDC graduation organized two joint UN missions, to São Tomé and Príncipe and the Solomon Islands, to engage with government officials, development partners, civil society and private sector regarding their path towards graduation and beyond. Both countries are scheduled for graduation in December 2024.

86. The private sector has shown an increasing interest in engaging in the implementation of the IPoA. The private sector was represented at meetings co-organized by OHRLLS and various partners. The Global Conference on Financing Sustainable Energy Access
in LDCs, organized by OHRLLS and GEIDCO, in China, in June 2019, included a focus on increasing private sector contributions towards energy investment.

87. Civil society and academia have been involved in several activities that contribute to the implementation of the IPoA. In November 2019, FERDI - the Fondation Pour Les Études et Recherches Sur Le Développement International - launched the publication “Out of the Trap: Supporting the least developed countries”, highlighting the international policy reforms needed for LDCs in the post-2015 agenda framework. The independent monitoring organization “LDC IV Monitor” is also planning to conduct research on international support measures for LDCs.

88. Civil society representatives have also been engaged in LDC graduation. OHRLLS organized a meeting with CSO representatives in the Solomon Islands, in October 2019, which highlighted the role of civil society in the graduation process, the need to understand and be involved in addressing the effects of graduation.

IV. Status of preparations for UNLDC-V

89. Broad-based country-level preparations are being undertaken by all LDCs with a focus on assessing progress, obstacles, constraints, and actions in the implementation of the IPoA and to determine priorities for the next 10-year programme of action. To date, twenty-three LDC reports have been received.

90. The African regional preparatory meeting and the Asia-Pacific regional preparatory meeting will help to gather valuable information for the process. In addition, the first UN mission has taken place to the host country Qatar to begin planning for the Conference itself.

91. OHRLLS has organized three inter-agency meetings to mobilize the UN system entities for UNLDC-V, who are actively engaging in the preparatory process through sectoral appraisals in their respective fields of competence and dedicated discussions within their respective governing bodies.
92. Preparations are also underway to ensure the effective participation of all relevant stakeholders, including parliamentarians, civil society, youth and the private sector. An academic conference in support of the UNLDC-V is being organized by OHRLLS, UNU-WIDER and the Sustainable Development Network Solutions, taking place from 15 to 16 October 2020 in Helsinki, Finland.

V. Conclusions and recommendations

93. The Fifth UN Conference of the LDCs offers a unique opportunity to chart a course towards sustainable development for the most vulnerable countries and ensure that they are not left further behind.

94. The unfinished business of the IPoA must be completed. Considerable progress has been achieved under the IPoA, despite external shocks, including the decline in primary commodity prices, climate-related shocks and the 2014-2016 Ebola crisis. The LDCs will not only be affected directly by the coronavirus (COVID-19) outbreak, but also by the global downturn, which will impact, among others, on commodity prices, global FDI, travel, tourism and other variables of key importance to the LDCs’ economies. Urgent national and international measures for recovery and building resilience to such future shocks, including the strengthening of health systems, will need to be designed and implemented. While the increase in the participation of LDCs in global trade envisaged under the IPoA has not been achieved overall, efforts should be made to replicate elsewhere the successful utilization of international support measures in the area of trade by several LDCs, especially in the Asia-Pacific region. Export diversification, building productive capacity and moving up global value chains remain key objectives for the future. Recent progress achieved on sustainable energy access must be scaled up, and a major drive is needed to build resilient infrastructure.

95. Coinciding with the Decade for Action on the SDGs, the next Programme of Action provides a window of opportunity for a concerted effort to address barriers and bottlenecks to SDG implementation in the LDCs. The IPoA target growth rate of 7% was achieved only by a limited number of countries, and only modest progress was made on poverty eradication. A roadmap to eradicate extreme poverty, and address food security and hunger in the LDCs stands out as a top priority. The 2030 Agenda
recognized the need to build peaceful, just and inclusive societies that provide equal access to justice and that are based on respect for human rights (including the right to development), on effective rule of law and good governance at all levels and on transparent, effective and accountable institutions. These principles must cut across the new Programme of Action. Resolving or preventing conflict and supporting post-conflict countries can help make progress towards the SDGs and the graduation criteria. Resource mobilization for the SDGs and new Programme of Action will be among the greatest of challenges, and both traditional and innovative approaches will be needed. The significant data gaps on the SDG indicators in LDCs must be filled, by building national statistics capacity to allow for meaningful policy formulation and monitoring.

96. Against this backdrop, the global landscape has continued to evolve, presenting new and emerging challenges, but also opportunities. Six key areas for action are outlined below.

97. Among the most striking success stories of the IPoA period is the progress on mobile phone telephony and access to internet. In the future, it will be essential to harness fully the potential of new technologies and prevent a deepening of the divide – not only broadband but also artificial intelligence, blockchain, and other new technologies. Ensuring that all LDCs have access to new technologies and the capacity to make the best use of them, including overcoming rural-urban and gender disparities, will be cornerstones of future action. Because emerging digital technologies rely on access to large amounts of digital data, how the flow and transfer of data across borders is regulated is of increasing importance, especially to LDCs who are likely to adopt these technologies much later.

98. The challenge of indebtedness in LDCs has deepened, and the changing composition of external debt is presenting new vulnerabilities. Urgent measures need to be taken to reach sustainable debt levels in all LDCs, including through restructuring of existing high debt, additional flexibility in case of external shocks and natural disasters, and increased technical capacity in debt management. At the same time, access to other sources of finance, including through blended finance and investment promotion, needs to be stepped up.
99. The high projected rates of urban growth in LDCs will exacerbate existing urban socio-economic problems and present new challenges, but also offer new economic opportunities. Areas for special focus include inequality, social exclusion and marginalization, slums and informal settlements, the provision of essential services, resilience, and urban environmental management.

100. There must be a special focus on youth. The high rates of population growth in LDCs mean that the already large proportion of young people will swell further. A strong youth policy should aim to reduce the numbers of young people that are out of school, especially girls, and acquire the skills they need to realize their aspirations. Rather than add to the numbers of marginalized and vulnerable, young people can become agents of change in leveraging the benefits of the data revolution and new technologies.

101. The heavy toll from climate change related disasters has crossed the emergency threshold. While it is essential to address bottlenecks in implementing the Sendai Framework for Disaster Risk Reduction and National Adaptation Plans, this must be complemented by building capacity to formulate and implement adaptation projects, improving readiness, as well as increasing absorptive capacity on the ground. LDCs also need to be equipped with instruments to address risks and vulnerabilities at all levels.

102. Finally, the unprecedented number of LDCs meeting the graduation criteria for the first or second time calls for stepped up support for smooth transition as well as a package of incentives for graduating countries. All stakeholders must be mobilized, especially the development partners and the United Nations and Bretton Woods institutions, including through the resident coordinator system and the UN Interagency Task Force on LDC graduation which was established in 2017 and is chaired by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.