

LDCs and SDGs/post 2015 development agenda¹

I. Introduction

Established in 1971 by the General Assembly, the Least Developed Countries (LDCs) are recognized by the international community as “the poorest, most vulnerable and weakest countries”.² It is the only group of countries which is subject to a technical review by the Committee for Development Policy, a subsidiary body of the United Nations Economic and Social Council, for inclusion in and graduation from the list of LDCs.³ The Fourth UN Conference on LDCs declared that “we collectively commit to finding lasting solutions to the complex and mutually exacerbating challenges and problems of the least developed countries.”⁴ The Conference adopted the Istanbul Programme of Action (IPoA) for LDCs for the Decade 2011-20.

Other UN Conferences and Summits in the areas of socio-economic and environmental spheres also accord special priority to LDCs. For example, the Rio Principle 6 clearly articulates that the situation and needs of the LDCs shall be given special priority. Paragraph 181 of the Rio+20 Outcome states, “we agree to effectively implement the Istanbul Programme of Action and to fully integrate its priority areas into the present framework for action, the broader implementation of which will contribute to the overarching goal of the Istanbul Programme of Action of enabling half the least developed countries to meet the criteria for graduation by 2020.” In paragraph 34 of the Rio+20 outcome, the international community commits to assist LDCs with the implementation of the IPoA as well as in their efforts to achieve sustainable development.

II. Emerging challenges and lessons learned

Over the years, despite improved socio-economic performance by LDCs, the gap between these countries and the rest of the world has widened. For example none of the LDCs have been able to meet all the MDGs, indicating that LDCs as a group have been left behind in the implementation of the MDGs. Their marginalization is also reflected in their minuscule shares in world trade and global FDI flows. Going forward, the development challenges of the LDCs, therefore, should be at the front and centre of the attention of the international community. This can be done only when poverty eradication, economic transformation and sustainability are holistically addressed.

Average GDP of LDCs expanded by only 4% in 2011⁵ and an estimated 3.3% in 2012, compared with the annual average growth rate of 7.3% achieved from 2001 to 2010⁶. This sluggish growth was primarily caused by the global economic and financial crises and was compounded by dwindling external support, which put the hard earned gains of the LDCs at high risk. Though LDCs projected growth recovery for 2013 and 2014 is inspiring, it is still far from the IPoA target of 7%.

The lack of access to energy remains a major impediment to the sustainable development of LDCs, as it exacerbates the vulnerability of the chronically poor and constrains their productive capacity. In LDCs, 79% of the population lacked access to electricity while 91% had no access to modern fuels. Furthermore, the state of science, technology and innovation in LDCs remains poor. Only 0.5% of the world’s researchers live in LDCs and 0.4% of the world’s scientific publications originate in the LDCs.⁷

¹ Extracted from TST Issues Brief for the OWG on SDGs: Needs of Countries in Special Situations – African Countries, Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, as well as the specific challenges facing Middle-Income Countries.

² Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-20, para 8. Also the Brussels Programme of Action for the Least Developed for the Decade 2001-10, para 1

³ The criteria for designation of LDCs are gross national income per capita; a human assets index; and an economic vulnerability index.

⁴ Istanbul Declaration, OP-1 (A/CONF.219/L.1)

⁵ State of the LDC economies 2013, OHRLLS

⁶ Report of the Secretary-General on the Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (A/68/88-E/2013/81)

⁷ UNESCO Science Report, UNESCO, 2010.

Though the poverty reduction target of the MDGs has been achieved globally, in LDCs, more than 47 % of the population is still living in extreme poverty. The population of LDCs is expected to nearly double to 1.67 billion between now and 2050. Although the LDCs contain only 12% of the world population, they will account for almost 40% of the global population growth during the next forty years. An ILO study suggests that LDCs need a rate of employment growth of 7% to achieve MDG 1, against the growth of 2.9% per annum over the years 2000–09. It is important to note that adjusted for population and environmental effects, the real growth rate of LDCs in 2000-2008 was almost merely 2.5 percent, almost half the rate as in other developing countries⁸.

While primary school enrolment rates across the LDCs have increased from 57 to 79 per cent during the period 1999-2008, LDCs are not on track to achieve universal primary education by 2015. More than 40 per cent of adults in LDCs lack literacy skills. 69 per cent of LDCs have yet to reach gender parity in primary education.

CO₂ emissions per capita of LDCs remained constant at 0.2 per cent, yet they are disproportionately exposed to the impacts of environmental degradation, climate change and disasters and remain the least equipped to deal with them. Soil erosion, land degradation, deforestation, bio-diversity loss, waste management and ecosystem, drought, tropical cyclones and floods are major challenges, which could be further compounded by the potentially negative effects of climate change, including sea-level rise, melting of glaciers and coastal erosion. With their low-carbon profile, rich natural assets and early stage of structural transformation, LDCs, with appropriate support from their development partners, are well positioned to jump start the transition to a green economy growth path.

Average gross domestic savings in the LDCs increased from 18.3% in 2010 to 19.7% in 2011. However, ODA as a percentage of the gross national income (GNI) of donors fell to 0.10% in 2011 from 0.11% in 2010 and is estimated to have declined further in 2012. However, a number of donors have already met the ODA targets of MDG8 and the IPoA. FDI inflows to LDCs, following a decline during the global economic crises, increased to \$26 billion in 2012 against \$21 billion in 2011.⁹ LDC exports also witnessed a strong 23.9% growth in 2011 reaching a level of US\$230 billion.¹⁰ LDCs' exports to developing economies expanded more than seven-fold to represent 52% of their total exports in 2011 - up from 40% in 2000, primarily driven by the exports of primary commodities.

As the United Nations expand its global development agenda with integrated and holistic sustainable development agenda, the financing gap coupled with capacity and institutional constraints are major barriers to the development of LDCs.

III. Recommendations for a possible way forward

SDGs should continue to have extreme poverty eradication as a core and overarching objective. For sustainable development to be successful in LDCs, it should firmly integrate inclusive and sustained economic growth that is based on structural transformation and creation of productive jobs. LDCs should pursue a sustainable development agenda that ensures the protection and regeneration of their natural assets, on which they are directly dependent. Furthermore, a sustainable development agenda must be based on the Rio Principle 6 and the prioritisation of support to LDCs to diversify their economies and gradually transit to green technologies. Therefore, SDGs should accelerate the progress made in MDGs, integrate IPoA priorities and Rio+20 objectives in a seamless and inclusive manner. The SDGs should integrate the priority areas of the IPoA and provide for clear means of implementation, especially in the areas of mobilizing financial resources, including domestic resources, ODA and investment; international trade; and access to and transfer of technology. Thus, the SDGs need to integrate the following issues:

⁸ Population Dynamics in the Least Developed Countries: Challenges and Opportunities for Development and Poverty Reduction. UNFPA

⁹ World Investment Report, 2013, UNCTAD

¹⁰ Note by the WTO Secretariat on market access for products and services of export interest to LDCs, 1 October 2012.

Structural transformation through productive capacity building: Special priority should be accorded to building a critical mass of viable and competitive productive capacity in agriculture, manufacturing and services; diversification and structural transformation; infrastructure development especially sustainable energy and enhanced investment. Technological innovation and technology transfer to LDCs should be an important area of focus. The IPoA initiative on establishing a Technology Bank dedicated to LDCs is critical in implementing this goal and should be operationalized expeditiously.¹¹ The commitment of development partners to provide enhanced financial and technical support to LDCs for infrastructure development and building their productive capacity including technological capabilities needs to be implemented.

Agriculture, food security and rural development: Revitalization and diversification of agricultural production in LDCs are vitally important. The IPoA accords special emphasis on increasing agricultural productivity, food and nutritional security and rural development. LDCs and their development partners should explore the feasibility, effectiveness and administrative modalities of a system of stockholding in dealing with humanitarian food emergencies and fragile recovery situations. Further attention should be provided to the benefits of natural ecosystems, including forests, as a basis for ensuring food security and rural development. Furthermore the IPoA calls for strengthening safety nets, promoting responsible international investment in agriculture, eliminating export subsidies for agricultural products, and improving the functioning of rural markets.

Trade: LDCs and their development partners have set an ambitious goal of doubling the share of LDCs' exports in global exports by 2020. The development partners have agreed to realize timely implementation of duty-free quota-free market access, on a lasting basis, for all LDCs, with simple, transparent and predictable rules of origin; and the reduction or elimination of arbitrary or unjustified non-tariff barriers and other trade-distorting measures. Development partners also agreed to enhance the share for LDCs of the Aid for Trade resources and increase support for the Enhanced Integrated Framework. LDCs also need assistance to better integrate themselves into global value chains by ensuring an open and transparent trade regime.

Commodities: The IPoA calls for reducing commodity dependence in LDCs including through the diversification of their export base through ensuring value addition and increasing value retention. Development partners' commitment to assist LDCs to better mitigate and manage the risks associated with commodity price volatility and to pursue policy options to reduce such volatility should be fully implemented. There should be corporate transparency and accountability of companies, including through the Extractive Industries Transparency Initiatives (EITI).

Human and social development: The IPoA makes strong commitments towards attaining the MDGs by 2015 and making further significant progress beyond 2015 in the areas of education and training, population and primary health care, youth development, shelter, water and sanitation, gender equality and empowerment of women, and social protection. Strong linkages need to be established between productive capacity building and human and social development on a sustainable basis. In the IPoA, development partners have agreed to resist the imposition of unreasonable restrictions on labour migration and developing short-term migration. Effective implementation of this commitment will have a salutary effect on human resource development in LDCs, as well as their external earnings.

Multiple crises and other emerging challenges: The continued vulnerability of LDCs to economic shocks and natural and man-made disasters require a renewed focus on building resilience at local, national and regional levels. LDCs should be fully supported in their efforts to strengthen and build their institutions and national facilities for crisis mitigation and resilience.

Environmental degradation and climate change: Despite ever-growing urbanisation, over two thirds of the population in LDCs still live in rural areas, where land is usually the sole asset of the poor. It is important to ensure that the challenges mentioned before are fully acknowledged and strong support mechanisms are put in

¹¹ See the Report of the Secretary-General on "A Technology Bank and Science, Technology and Innovation Supporting Mechanism dedicated to the Least Developed Countries" (A/68/217)

place to address them. As LDCs are at the receiving end of these impacts and have the least capacity to deal with them, priority should be given to them to help deal with these intensifying challenges in a more robust manner, including by enhancing climate financing provisions and the early operationalization of the Green Climate Fund. Development partners have agreed to promote and facilitate clean development mechanism projects in LDCs and to respond to the needs of people affected and displaced as a result of extreme weather events, which should also be realized in an adequate and timely manner. Increased efforts are therefore needed to reduce their vulnerabilities, disaster risk and losses as well as to implement the Hyogo Framework for Action 2005-2015 and its successor.

Mobilizing financial resources for development and capacity-building: LDCs are committed to creating a conducive domestic environment, including domestic resource mobilisation while donors reconfirmed their commitments to ensure the fulfilment of all ODA commitments to LDCs. Implementation of this commitment warrants swift reversal of the recent declines in ODA, further enhancement of ODA flows, quality and development effectiveness, direct ODA to key priorities of the IPoA, especially in the area of productive capacity building. These are among the key actions to ensure mutual accountability between LDCs and their development partners. Donor countries also agreed to review their ODA commitments in 2015 and consider further enhancing the resources for LDCs, which should be undertaken taking into consideration the expanding global development agenda through the integration of all dimensions of sustainable development. It is therefore important that besides meeting the targets of ODA, the partners should also clearly point out the direction of enhancing the share of ODA going to LDCs in the next decade. This would be in line with the IPoA and the Rio+20 as well.

Furthermore, there is a need to urgently act on the agreement in the IPoA to provide specific debt relief measures for LDCs which are not HIPC as well as temporary debt standstills between debtors and all creditors. Development partners have also agreed to adopt investment promotion regimes, which needs to be materialized. LDCs also need support to mobilize additional private financial flows. Lowering the costs of migration and remittances can further accelerate the flow of resources to LDCs.

Good governance at all levels: The LDCs committed to continue reforming institutional, legal and regulatory frameworks as well as the public sector to increase the efficiency and transparency of service delivery, including the fight against corruption. Development partners, on the other hand, have committed to support these efforts especially by providing LDCs with timely information on annual ODA commitments and disbursements, promoting policy coherence and coordination of international financial, trade and development institutions, and harmonizing and aligning assistance with national priorities of LDCs.

The IPoA also reflects the new realities that emerged in international economic relations. Developing countries have made a commitment to support the development of LDCs within the framework of South-South cooperation as a complement to North-South cooperation. As the challenges and opportunities are multiplying in the next decade and the development agenda is being holistic, a multistakeholder approach to sustainable development will be critical. Therefore, giving due priority to LDCs in accessing innovative financing as well as resources from foundations, private investments, and support from the civil society would be crucial as a complement to ODA.

National leadership and ownership: Sustainable development demands strong national ownership, the right policy framework and a visionary approach from all but particularly from the national leadership. This will need capacity enhancement of the national policy making bodies as well as implementing agencies and institutions.

Monitoring and data: Strong support for developing a robust monitoring mechanism with strengthening of national statistical capacity will be vitally important for LDCs. Full support to further develop their capabilities should be prioritized.