

Themes for the panel discussions at the First Session of the Intergovernmental Preparatory Committee for LDC5

The upcoming Fifth United Nations Conference on Least Developed Countries (LDC5) will take place against a bleak socio-economic backdrop – LDCs saw their economies significantly shrink in 2020, amidst a severe global recession caused by the COVID-19 pandemic. While advanced countries deployed massive fiscal stimulus to cushion the pandemic's impact, and are on the verge of successful mass vaccinations, the policy response in LDCs was much more limited, due to tight fiscal constraints. Access to vaccines remains many months, if not years away.

The COVID-19 pandemic threatens to not only reverse some progress made during the implementation of the Istanbul Programme of Action (IPoA) but also exacerbate persistent challenges in LDCs. Ultimately, this compromises the ability of countries to graduate from the LDC category.

We are at an inflection point. Unless the world takes immediate action to step up support to the most vulnerable countries, there will be another great divergence, with SDG achievements out of reach for most LDCs.

1. Investing in people in LDCs: Eradicating poverty and building capacity to leave no one behind

Prior to the COVID-19 pandemic, it was estimated that nearly 30 per cent of the population in LDCs will remain in extreme poverty by 2030. Forecasts show that by 2030, poverty rates among females and males in LDCs are expected to be at 32.7% and 32.2%, respectively.

Furthermore, good governance, strong institutions and healthy and well-educated population, with the knowledge and skills needed for productive and fulfilling work and full participation in society will be crucial to achieving sustainable development in LDCs. However, LDCs still face challenges in ensuring universal access to quality education and health care. There is no doubt that the LDCs were by far in the worst possible conditions to face a health and socio-economic shock such as the one brought by COVID-19.

Issues to be discussed:

- Eradicating all forms and dimensions of poverty and hunger, with specific focus on COVID-19 recovery
- Good and effective governance at all levels
- Social protection systems for inclusive economic growth and resilience against shocks
- Achieving universal access to quality education and health care
- Empowerment of women, girls and youth to address inequality and drive economic growth
- Human development, demographic dividend and youth bulge,
- Urbanization, access to clean water and sanitation
- Building and sustaining peace for sustainable development

2. Leveraging the power of science, technology, and innovation to fight against multidimensional vulnerabilities and to achieve the SDGs

Enhancing STI has become increasingly important as a driver of productivity growth in the era of enhanced digitization. The STI influence during the pandemic has been experienced through inter alia, prevention and treatment, new and innovative ways of learning and, the growing importance of digital financing. However, even before the pandemic, LDCs faced significant lags in major indicators related to STI, for example, only about 19 per cent of the population in LDCs have access to the internet. In addition, LDCs face very low investment in research and development, and also, record very few applications for patents, relative to global figures. Thus, LDCs must be put in a position to close the digital divide and overcome inequities in access to and productive use of digital technologies, otherwise they will be left behind.

Issues to be discussed:

- Access to modern technologies for sustainable development.
- Building human capital, infrastructure and institutions to reap the benefits of the Fourth Industrial Revolution.
- STI for recovery from the COVID-19 pandemic and building resilience against emerging challenges
- Promoting private sector engagement, digitalization and broadband connectivity

3. Structural transformation as a driver of prosperity

While the share of the manufacturing sector has long been stagnant in most LDCs, tradeable high-productivity services have the potential to drive growth in many LDCs. In general, statistics show a reduction in the share of the three main economic sectors (agriculture, manufacturing and services) in the LDCs. Despite impressive growth in recent years, the pace and quality of economic transformation in most LDCs have been limited by weak development of productive capacities and slow pace of productivity improvements in key economic sectors. The COVID-19 pandemic has disrupted global value chains and the supply of products, negatively impacting manufacturing industries, including in LDCs. This has exacerbated challenges in many LDCs in creating opportunities for work that is productive and, inter alia, delivers a fair income, security in the workplace and social protection for families. In addition, many workers are informally employed, making it more challenging to achieve decent work, especially for the youth.

Issues to be discussed:

- Productive capacity building in agriculture, manufacturing, and services for structural transformation
- Connecting to global and regional value chains
- Infrastructure development
- Micro, small and medium size enterprise development
- Promoting investment through enabling environment and international cooperation
- Innovation, economic diversification and value addition

4. Enhancing international trade of LDCs and regional integration

The participation of LDCs in world trade remained marginal despite the widespread availability of duty-free and quota-free (DFQF) market access. The limited progress in productive capacity building and export diversification in several LDCs has led to high levels of vulnerability to commodity price volatility, and to other exogenous shocks. Even before recording any COVID-19 cases, the LDCs were severely affected by the disruption of global mobility and trade and declining commodity prices.

Issues to be discussed:

- Leveraging preferential market access for LDCs
- Aid for trade and trade capacity building
- Export diversification and reducing commodity dependence
- Trade facilitation
- Promoting e-commerce
- Regional trade agreements

5. Supporting our climate, recovery from COVID-19 pandemic, and building a resilient society against future shocks

The LDCs are especially vulnerable to the negative impacts of climate change and natural disasters. However, resources provided for adaptation to climate change for LDCs under various mechanisms fall short from meeting needs. Furthermore, climate impacts are becoming more acute. For example, food security, water scarcity, loss of land, pressures on pastures, displacement of populations, disruption of traditional lifestyles, and threats to livelihoods, all have the potential of causing conflicts, creating social tensions and exacerbating competition for scarce natural resources. The poor state of infrastructure in the LDCs is a crippling constraint for their sustainable development. The investment gap in infrastructure between the LDCs and other developing countries is widening, and infrastructure quality is often inadequate. About half of households in LDCs do not have access to electricity. Large scale investments are required to accelerate the closure of the energy gap in LDCs.

Issues to be discussed:

- Building sustainable, equitable and resilient recovery from COVID-19
- Climate adaptation and resilience
- Accelerating the energy transition and access to sustainable energy to achieve the SDGs
- Access to finance and technology to address climate change

6. Mobilizing international solidarity, reinvigorated global partnerships and innovative tools for risk-informed sustainable development - A march towards sustainable graduation

LDCs are largely dependent on public resources to finance sustainable development needs and ensure a smooth transition from the LDC category. Domestic resources and ODA have not been sufficient to meet growing investment needs. Increase of ODA mostly reflected humanitarian emergencies in a few countries. During the IPoA implementation period, external debt has been rising, and it is, in some cases, exacerbated by large costs caused by disasters and structural vulnerabilities. In addition, increased risks also derive from the changing composition of the public and publicly-guaranteed debt, with some LDCs starting to issue bonds in the international capital markets and/or contracting non-concessional debt from external private and public sources. The pandemic and its economic fallout have exacerbated financial vulnerabilities and debt risks in LDCs that have been building up over the last decade. Despite support by the international community, lack of access to finance has sharply confined the immediate fiscal response to the crisis in LDCs. The IPoA set an ambitious target for half of the LDCs to meet the criteria for graduation. There are 16 LDCs at various stages of the graduation process. Continued support and incentives would be important for meeting this ambitious target for graduation.

Issues to be discussed:

- Traditional and innovative sources of finance to meet the funding gaps in LDCs
- Support for domestic resource mobilization and fight of illicit financial flows
- Reallocation of SDRs for LDCs
- Debt relief, debt cancellation initiative through improved international debt architecture
- The challenges and opportunities offered by graduation
- Extension of international support measures to graduating and graduated LDCs and smooth transition measures on trade preferences, including on Intellectual Property Regime to make graduation sustainable and irreversible
- Rethinking policies to address the graduation challenges of African LDCs
- Migration and remittances