

Meeting of the National Focal Points of the Least Developed Countries on the Implementation of the Istanbul Programme of Action (IPoA)

12-13 July 2018

UN Headquarters, New York, /Conference Rooms # 11 & 6

Concept Note

1. Background

The least developed countries are characterized by constraints such as low per capita income, low level of human development and high vulnerability. The overarching goal of the Istanbul Programme of Action (IPoA) is to overcome the structural challenges faced by the least developed countries in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category. It calls for strengthening LDCs' productive capacity in all sectors, and overcoming their marginalization in international trade to achieve sustained, equitable and inclusive economic growth. It underscores that a more strategic, comprehensive and sustained approach is required to bring about structural transformation in least developed countries.

The 2030 Agenda and the IPoA have specific targets for LDCs including: sustaining at least 7 per cent GDP growth per annum, and doubling LDCs' share of global exports by 2020. The realization of the Sustainable Development Goals (SDGs) and targets of the IPoAs requires focused attention on structural transformation of LDCs, through increasing productive capacity and economic diversification. Limited productive capacity in LDCs directly contributes to their weak economic and social performance, and structural challenges. Building productive capacity is not only the top priority of LDCs, but also an important means to deliver on the promise of leaving no one behind.

Structural transformation is critical for LDCs to embark on a sustainable development path. LDCs must generate new dynamic activities characterized by higher value addition, and technology content to spur growth and structural transformation. At present, progress towards shifting production to high productivity activities in the manufacturing and specialized services sectors is limited. Infrastructural gaps and supply-side bottlenecks have constrained productivity growth in LDCs.

Between 2011 and 2016, GDP per capita in the least developed countries increased slightly. Owing to expected favorable external economic conditions, the least developed countries are projected to grow by 5.4 per cent and 5.6 per cent in 2018 and 2019 respectively. On average, the contribution of manufacturing value added to growth in the least developed countries increased from 11.8 per cent in 2011 to 13.2 per cent in 2016. Despite this increase, the contribution of manufacturing to GDP

declined for the countries in Africa and increased only for those in Asia. Gross fixed capital formation has been generally constant, and accounted for only about a quarter of the economic activity in the least developed countries between 2011 and 2016.¹

While LDCs need to strengthen development governance capacity, maintain macro-economic stability, adopt sound industrial and sectorial policies, LDCs also need international support in building productive capacity and overcoming structural impediments particularly through trade, foreign direct investment (FDI), official development assistance (ODA), and technology transfer.

FDI and ODA are important source of financing for LDCs to bring about structural transformation, improve technological capacity and promote private sector development which is a driving force of innovation, productive capacity building and employment creation. In 2016, both ODA and remittances were larger than FDI inflows to LDCs while FDI flows to LDCs decreased by 13 per cent, marking a third decline in the past 4 past years.² The large gap between investment needs and available finance in LDCs is not being reduced as ODA has remained stagnant and FDI declined.

Trade can be an important engine to expand productive capacities.³ However, LDCs are suffering from long-standing marginalization in international trade. The share of LDC exports of goods and services continued to decline to 0.89 per cent of world exports in 2016⁴, moving further away from the IPoA target of 2 per cent of global exports. LDCs need preferential market access through duty-free and quota-free regime and Aid for Trade to help them build productive capacity for trade. It is also needed to facilitate transfer of and access to technology and knowledge, which are crucial for developing productive capacities.

Promoting sustainable energy and the use of ICT such as broadband development offers LDCs tremendous opportunities for growth. Sustainable energy is a key development enabler, and energy transition in LDCs will have an impact across sectors to accelerate achievement of development goals. Broadband Internet has a transformational role in helping LDCs overcome their vulnerabilities, promoting economic growth and enhancing people's livelihoods. LDCs can leverage investment in infrastructure for sustainable energy and broadband to unleash their economic potentials and narrow infrastructure deficits, thus easing constraints for productivity capacity growth and structural transformation.

To measure progress in the implementation of the IPoA and SDGs, national statistical systems in LDCs need to produce accurate, reliable, easy-to-use, timely and disaggregated data and statistics. While the availability of data has increased since 2011, in some areas, there are still significant gaps. For example, only scant data are available in more than 25 per cent of the least developed countries on poverty,

¹ Report of the Secretary-General: *Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020*, 2018

² Ibid

³ *Expanding Productive Capacity: Lessons Learned from Graduating Least Developed Countries* Committee for Development Policy, December 2017

⁴ Report of the Secretary-General: *Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020*, 2018

enrolment in tertiary education and several transport indicators.⁵ National statistical systems in LDCs still face significant capacity constraints in data collection and utilization for evidence-based policymaking.

Total ODA dedicated to statistical capacity-building activities in the least developed countries remains inadequate to meet the increased needs stemming from the 2030 Agenda. To increase the availability of high-quality data, stronger political support and legal reform are needed to empower national statistical offices. Additional domestic and external financial resources must be mobilized for statistical systems, and supported with capacity development and the latest technology.

The IPoA has set an ambitious goal of enabling half the number of LDCs to meet the criteria for graduation by 2020. The latest momentum of graduation from the LDC category is encouraging. In the triennial review of the least developed country category by the Committee for Development held in March 2018, four countries - Bhutan, Kiribati, São Tomé and Príncipe and Solomon Islands - were recommended for graduation. In addition, Bangladesh, Lao PDR and Myanmar met the graduation criteria for the first time. To date, five LDCs have graduated, and 12 LDCs are at different stages of graduation. More countries are also expected to reach the graduation threshold in the subsequent reviews of the CDP. Graduation marks the long-term social and economic achievements of LDCs. While graduation serves as a solid foundation for further inclusive and sustainable development, it also entails challenges, as the country loses many LDC-specific benefits and flexibilities.

Most graduated countries will remain vulnerable to external economic and environmental shocks and crises. With the growing number of LDCs meeting the criteria for graduation, it is important to provide enhanced support to the graduating and graduated LDCs to avoid disruption to their development trajectory. A smooth transition strategy can be a vital tool in ensuring that graduating countries are eased into a path of sustainable graduation. Development partners have a critical role to play in supporting graduation and smooth transition, and the UN system should strengthen its support to countries during graduation from the LDC category.

2. Objectives

With two years away from the 2020 target date of the IPoA, it is timely for LDCs to review policy interventions aimed at building productive capacity and fostering structural transformation. The annual meeting of NFPs provides an opportunity for LDCs to learn from each other's best practices and identify a range of effective policy options to accelerate implementation of the IPoA. This year, the meeting will also address statistical constraint of LDCs in monitoring the implementation of the IPoA, and discuss tailored support for capacity building. Given the close relationship between structural transformation and graduation, the meeting will also take stock of progress concerning graduation from the LDC category, and exchange views on enhanced support to graduating and graduated LDCs to ensure sustainable graduation.

3. Participation

⁵ Report of the Secretary-General: *Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020*, 2018

The meeting will be attended by designated National Focal Points of LDCs. Relevant UN agencies including UNCTAD, UNDP, DESA, regional commissions such as ECA and ESCAP, as well as the Partnership in Statistics for Development in the 21st Century (PARIS 21) are also invited to attend.