THE PRESIDENT
OF THE
GENERAL ASSEMBLY

THE PRESIDENT
OF THE ECONOMIC AND
SOCIAL COUNCIL

19 May 2021

Excellency,

We have the honour to transmit herewith the concept note for the half-day joint thematic event of the General Assembly and the Economic and Social Council (ECOSOC) on Least Developed Countries (LDCs) to be held on Friday, 18 June 2021, from 10 a.m. to 1 p.m., pursuant to General Assembly resolution 74/232 B of 11 August 2020, entitled “Follow-up to the Fourth United Nations Conference on the Least Developed Countries”.

The joint event will be held under the theme “Diversifying the Financing Toolbox to Enhance Investment in Least Developed Countries”, and build common ground on strengthening national and global financing mechanisms to ensure a smart and modern risk-informed and resilient financing toolbox for LDCs aiming at accelerated implementation of the Sustainable Development Goals (SDGs), while building back better from the pandemic and resilience against future crises. Discussions at the thematic event will also highlight the importance of engagement with various stakeholders including governments, international financial institutions, private sector, foundations and other stakeholders in addressing the new and emerging challenges and seizing the opportunities offered by innovative financing for SDGs. Further updates and a draft programme will be circulated in due course.

For further information, your office may contact Ms. Sara Ibrahim Mohammed Al-Ahmad (sara.alahmad@un.org), Mr. Mohammed Amin Shaker (mohammed.shaker@un.org) and Mr. Imran Khan (miklodhi@gmail.com).

Please accept, Excellency, the assurances of our highest consideration.

Volkan BOZKIR
President of the seventy-fifth session of the General Assembly

Munir Akram
President of the Economic and Social Council at its 2021 session

All Permanent Representatives
and Permanent Observers to the United Nations
New York

CONCEPT NOTE
Joint Thematic Event of the General Assembly and the Economic and Social Council
Diversifying the Financing Toolbox to Enhance Investment in Least Developed Countries (LDCs)

10:00 a.m. to 1:00 p.m., 18 June 2021, General Assembly Hall

Introduction and Background

The Istanbul Programme of Action (IPoA) for the Least Developed Countries (LDCs) for the Decade 2011-2020 has come to an end. Since its adoption, notable progress has been achieved by the now 46 LDCs, which are structurally constrained. It is noteworthy that since Istanbul, four countries have graduated[1], and sixteen others[2] met the criteria for graduation from the LDC category and are at various stages in the graduation process. Progress in implementing the IPoA and the Sustainable Development Goals (SDGs) has also been made in several other areas, including primary and secondary education, access to electricity, gender, governance and mobile cellular subscriptions. Some LDCs in Africa are among the top performers in terms of the percentage of parliamentary seats held by women.

Despite some progress, critical gaps remain where the LDCs as a group have fallen short of meeting the targets set out in the IPoA and the SDGs including in the areas of economic growth; poverty, hunger and malnutrition; infant and maternal mortality; sustainable infrastructure development; structural transformation; and the means of implementation.

Even before the outbreak of COVID-19, the LDCs were struggling to cope with various inherent structural constraints and an unfavourable external environment. Systemic inequalities have further widened the gaps between rich and poor countries. Thus, economic, environmental, and pandemic threats are affecting LDCs most severely and disproportionately.

The outbreak of the COVID-19 pandemic has emerged as a colossal threat to LDCs. Although they might have largely avoided the catastrophic health impacts of the pandemic, its social and economic upshots are severe. The pandemic has triggered simultaneous demand and supply side shocks for LDCs. Lockdown and social distancing have caused serious disruptions in their domestic production, distribution and value chain systems. They are particularly overwhelmed in terms of secondary and tertiary shocks – many of them coming from beyond national jurisdictions - in the form of a precipitous fall in external demand for their exports and often disruptions in their imports.

Between October 2019 and October 2020, the economic growth forecast for LDCs was revised sharply downwards from 5.0 to -0.4 per cent, which is expected to lead to a 2.6 per cent reduction in per capita income in LDCs in 2020[3]. While developed countries have injected

[1] Maldives (2011), Samoa (2014), Equatorial Guinea (2017), Vanuatu (2020).
[2] Angola, Bangladesh, Bhutan, Lao PDR, Myanmar, Kiribati, Nepal, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu; and Cambodia, Comoros, Djibouti, Senegal, Zambia met the criteria for the first time in 2021.
[3] UNCTAD 2020, *The Least Developed Countries Report 2020, Productive capacities for the new decade*. Geneva, 2020

trillions of dollars into their economies, LDCs owing to their constrained fiscal space and systemic constraints for deficit financing are not able to initiate adequate stimulus recovery packages. In dollar terms, stimulus spending per capita averaged nearly $10,000 in the developed countries, while it amounted to less than $20 per capita in the least developed countries. LDCs need continued and scaled up international support to introduce comprehensive financial stimulus for protection and promotion of public health and social protection systems.

LDCs are likely to suffer from the pandemic disproportionately in the long run with serious impacts on the implementation of the 2030 Agenda. The risk of another lost decade of development and a failure to achieve the SDGs is high and rising. Therefore, building back better, stronger and more resilient is an imperative for LDCs[4].

To date, the SDGs have been seriously underfinanced, and the business as usual approach is not going to make any considerable change. While the flow of finance is dwindling, the need for it is skyrocketing. The annual financing gap to achieve the SDGs by 2030 currently sits at USD 2.5 trillion[5]. Without ambitious and transformative global development finance and policy responses, there is a serious risk of the SDGs remaining elusive for LDCs, and this will have serious global ramifications[6]. It is therefore essential to deploy a comprehensive and robust financial package for LDCs – both domestic and external – to enable sustainable recovery from the pandemic and implementation of the SDGs.

Despite heightened needs, prospects for Official Development Assistance (ODA) are highly uncertain as donor countries might be under pressure to dedicate resources to address the socio-economic impacts of the pandemic in their own countries. Donor governments should recommit to achieving their ODA targets to LDCs with grant and concessional financing.

As of January 2021, four LDCs were classified as in debt distress, while 16 others were at high risk of debt distress[7]. While the G20 Debt Service Suspension Initiative (DSSI) and other measures are welcome, more needs to be done - including dedicated and robust debt relief measures as well as debt swaps for LDCs - if they are to rebound from the COVID-19 shock without compromising their social spending.

As LDCs are at the frontline of various shocks and hazards, it is important to ensure that financing is sustainable, risk-informed and resilient[8]. LDCs need enhanced support to put in place effective ex-ante financing mechanisms for risk reduction and prevention and effective disbursement mechanisms to reduce the need for ex-post support in times of crises. LDCs also need a multi-instrument approach for fiscal risk management. Unemployment insurance, risk-informed social safety nets, and risk-sharing instruments e.g., guarantees, political risk insurance, and other forms of blended finance can support resilience against abrupt consequences of the shocks and their long-term impacts. Furthermore, instruments indexed to either macroeconomic

[4] A/74/843: Statement dated 28 April 2020 of the Group of Least Developed Countries on the coronavirus disease (COVID-19): burgeoning challenges and a global stimulus package for the least developed countries
[5] How Blended Finance Can Plug: The SDG Financing Gap; OECD, January 2020
[6] Blended Finance in the Least Developed Countries 2020: SUPPORTING A RESILIENT COVID-19 RECOVERY, OECD and UNCDF, 2020
[7] SG report on the IPoA A/76/71- E/2021/13
[8] Financing Sustainable Development Report 2021, UN-DESA

performance or risk, such as GDP-linked bonds, catastrophe bonds (CAT bond), sovereign contingent convertibles bonds and countercyclical loan loss provisions (CCPs) can help better manage public finance in a world of macroeconomic uncertainty and other shocks. LDCs need support from the international community for these instruments and mechanisms.

New and innovative solutions especially for the LDCs such as 'liquidity and sustainability facility' require serious considerations. The ongoing discussion on the allocation of $650 billion of Special Drawing Rights (SDR) and repurposing of the exiting unutilized ones is encouraging. However, LDCs, as per their quota shares, will only receive 3.5 per cent of this allocation. Urgent decisions are needed on repurposing unutilized SDRs for LDCs to respond to COVID-19 and support its economic/social fallout.

While grant support remains critical in the immediate and short-term response to the COVID-19 crisis, blended finance can play a key role in securing additional finance for LDCs to achieve these objectives. Regrettably, only 6% of private finance mobilized by development finance interventions between 2012 and 2018 went to LDCs.[9] Immediate action is needed to support LDCs to start building a pipeline of bankable projects that both accelerate the achievement of the SDGs and can attract investors' attention.

In order to build back better and expedite responses towards the achievement of the 2030 Agenda, investment in infrastructure is central, as up to 92% of all SDG targets are influenced by such investments. Investment in sustainable infrastructure can reboot economic growth and promote job creation. Despite availability of long-term capital, investment in infrastructure has been insufficient, particularly in LDCs. The situation has worsened due to the outbreak of the COVID-19 pandemic. FDI inflows in LDCs declined by 6% in 2019 and the outlook for 2021 and beyond is extremely weak and uncertain.[10] The mobilization of investment will require long term national, regional and global planning, a reform of the world's infrastructure financing mechanisms and a conscious shift towards long-term finance. The MBDs' support for infrastructure investment can be through the direct provision of finance as well as facilitating access to other sources of finance by providing an official 'stamp of approval' that comes with their involvement.[11]

The outlook for 2021 and beyond remains uncertain as the spread of COVID-19 is still unfolding with new variants that are disrupting all sectors of the economy and society. This is happening on the heels of frequent climate catastrophes with overwhelming economic and humanitarian costs.

In light of the Decade of Action, special attention to the needs of LDCs to materialize the commitment to leaving no one behind and accelerate their national efforts with scaled up international support in finance, technology and capacity building is key.

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[9] Blended Finance in the Least Developed Countries 2020: SUPPORTING A RESILIENT COVID-19 RECOVERY, OECD and UNCDF, 2020

[10] Report of the Secretary-General on the Implementation of the IPoA, 2021

[11] Role of international cooperation in increasing infrastructure investment; Callaghan, Mike
JASSA, 2014 (3), p.43-49]

Against this backdrop, the General Assembly in its resolutions 73/242, 74/232A and 74/232B decided that the Fifth UN Conference on LDCs (LDC5) will be held in Doha, Qatar from 23 to 27 January 2022. The General Assembly reaffirmed that LDCs need enhanced global support to overcome the structural challenges that they face in implementing the 2030 Agenda, and in this regard called upon the international community to prioritize and strengthen support from all sources to facilitate the coordinated implementation and coherent follow-up and monitoring of the Istanbul Programme of Action, the 2030 Agenda and the Addis Ababa Action Agenda.

Mandates and Objectives

As part of the preparatory process toward LDC5, the General Assembly in resolution 74/232A and B requested the Presidents of the General Assembly and the Economic and Social Council to organize a half day dedicated thematic event to provide substantive input to the Conference.

The joint event offers a unique platform to advance the following objectives and build common ground on:

- Strengthening national and global financing mechanisms to ensure a smart and modern risk-informed and resilient financing toolbox for LDCs aiming at accelerated implementation of the SDGs, while building back better from the pandemic and resilience against future crises.
- Engagement with various stakeholders including governments, IFIs, private sector, foundations and other stakeholders in addressing the new and emerging challenges and seizing the opportunities offered by innovative financing for SDGs.
- Investing in sustainable infrastructure as a tool to foster growth, address inequality and build resilience against shocks.

Outcome

The outcome will be a Presidents' summary to be circulated to Member States which will provide substantive inputs to the LDC5.