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Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020

Report of the Secretary-General

Summary

The present report provides comprehensive information and analysis on recent progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action), covering all eight priority areas for action and the overarching goal of enabling graduation. It also reflects decisions and actions by Member States on the further implementation of the Programme of Action, including the outcome of the comprehensive mid-term review of the Programme of Action, which took place in Antalya, Turkey, in May 2016. Furthermore, it highlights activities by other stakeholders, including the United Nations system, civil society and the private sector. The present report is submitted pursuant to General Assembly resolution 72/231 and Economic and Social Council resolution 2017/28, in which the Secretary-General was requested to submit a progress report on the implementation of the Programme of Action.

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I. Introduction

1. Further progress has been made in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action) in several of its priority areas. Since the creation of the least developed countries category in 1971, only 5 countries have graduated, however, as at the meeting of the Committee for Development Policy, held in March 2018, an additional 12 of the least developed countries had met the graduation thresholds, therefore putting them at various stages in the graduation process. Access to information and communications technology (ICT) and sustainable energy has increased significantly, which, together with the operationalization of the Technology Bank for the Least Developed Countries, is contributing towards progress in the other priority areas. Advances have been made on human and social development indicators (for example, relating to health, education and gender equality, such as the number of parliamentary seats held by women), governance indicators and domestic resource mobilization.

2. However, there are still significant gaps that must be closed in order to meet the goals of the Programme of Action. Structural transformation has been slow and the share of the least developed countries in exports in world trade has dropped below its 2011 level and remains concentrated in commodities. This has contributed to gross domestic product (GDP) growth rates that fall short of the 7 per cent target in most of the least developed countries. Expenditure on social protection is still significantly lower in the least developed countries than in other developing countries, corresponding to relatively low tax revenues. Investment — including foreign direct investment (FDI) — remains limited, both public and private, external and domestic. Official development assistance (ODA) flows to the least developed countries also remain largely stagnant and below the target established in the Programme of Action. Thus, the implementation of the Programme of Action needs to be accelerated in order to ensure that its goals and targets are achieved by 2020, building synergies with the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals, the Addis Ababa Action Agenda and the Paris Agreement. The statistical data used for the present report are available online.[1]

II. Progress in the implementation of the key priorities of the Programme of Action

Growth in the least developed countries

3. After plateauing at 4.2 per cent in 2015 and 4.3 per cent in 2016, growth in the least developed countries is estimated to have increased to 4.9 per cent in 2017. Owing to expected favourable external economic conditions, this upward trend is projected to continue in the near term. In 2018 and 2019, the least developed countries are projected to grow by 5.4 per cent and 5.6 per cent, respectively. While lower than in 2012, the projected rates are slightly higher than most of the other years since the adoption of the Programme of Action in 2011.

4. Overall, the slight improvement in growth mirrors the cyclical upturn in global activity, which commenced towards the end of 2016, driven by factors including rising investment, increased industrial production, trade and strengthened consumer confidence.

[1] See http://unohrlls.org/about-ldcs/publications/.

5. Nevertheless, the aggregate figures mask differences between countries. In 2016, only 9 of the least developed countries grew by almost 7 per cent or more (Bangladesh, Bhutan, Cambodia, Djibouti, Ethiopia, Lao People's Democratic Republic, Mali, Senegal and Tanzania), as compared with 14 of the countries in 2015. A common feature among many of the fastest growing of the least developed countries is strong public and private investment. Oil commodity exporters, however, showed subdued growth owing to lower than expected commodity revenues.

6. Overall, GDP per capita in the least developed countries increased slightly between 2011 and 2016. While the proportion of people in the least developed countries living on less than $1.90 per day fell slightly, from 38.9 per cent in 2010 to 33.7 per cent in 2013, according to data published by the World Bank, if this trend persists at the current rate, poverty eradication is not likely to be achieved by 2020. Improving the macroeconomic outlook in the least developed countries will require significant investment in various priority areas that have been identified in the Istanbul Programme of Action and the 2030 Agenda.

Graduation from the least developed countries category

7. While the aim of enabling half of the least developed countries to meet the criteria for graduation by 2020 is far from being achieved, considerable progress has been made by a number of countries that have met the criteria for the second time. Among these, Bhutan, Kiribati, Sao Tome and Principe, and the Solomon Islands have been recommended for graduation by the Committee for Development Policy, while for Nepal and Timor-Leste, the Committee will revisit the sustainability of progress at the next triennial review. These countries are to be congratulated for their hard-earned progress on economic development, as well as improvements in relation to education and health. In addition, three of the least developed countries (Bangladesh, Lao People's Democratic Republic and Myanmar) met the criteria for the first time in 2018, bringing the total number of countries reaching the graduation criteria to 12 (see E/2018/33). In the last two years of the time frame for the implementation of the Programme of Action, increased and sustained efforts are needed to accelerate progress towards graduation and also to support those leaving the category both during and after graduation.[2]

A. Productive capacity

8. For the least developed countries to achieve the objectives of the Istanbul Programme of Action and the Sustainable Development Goals, they must generate new dynamic activities characterized by higher value addition and technology content. 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, although the contribution of manufacturing to GDP declined for the countries in Africa and increased only for those in Asia. Services, which are predominantly lower productivity activities in most of the countries, account for almost half of the growth in the least developed countries, while agriculture accounts for around a quarter. 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. This suggests weak investment growth, which should be reversed to alleviate structural bottlenecks and enhance productive capacity.

[2] A report of the Secretary-General on graduation and smooth transition will be published in 2018.

Infrastructure

9. Information and communications technologies offer significant opportunities to addressing structural impediments in the least developed countries. Between 2011 and 2016, the rates of mobile cellular subscriptions leapt from 42 per cent to 68 per cent. The subscription rates in 2016 for several countries (Cambodia, Gambia, Lesotho, Mali, Nepal, Senegal, Sierra Leone and Timor-Leste) were either about 100 per cent or more, highlighting the success achieved in connecting both urban and rural areas.

10. In 2016, Internet penetration reached almost 16 per cent, up from 5 per cent in 2011. Mobile broadband penetration increased in the least developed countries, to just above one fifth of the population in 2017, but was still lower than the global rate of 50 per cent and the rate of 90 per cent for developed countries. Despite this increase, it is unlikely that universal access to the Internet will be achieved in the least developed countries by 2020 (target 9.c of the Sustainable Development Goals). High-speed broadband Internet access is also increasing, but at a much slower rate. Key barriers to Internet use, such as a lack of skills and digital literacy, can be addressed through increased school enrolment and targeted programmes for those out of school.

11. Transport connectivity has a direct impact on access to world markets. Air freight can help the least developed countries to become globally competitive. However, as a share of global air freight, the proportion for which the least developed countries are accountable remains minuscule, increasing from 0.5 per cent to 0.9 per cent between 2011 and 2016. Among the countries, Ethiopia accounted for about 85 per cent of air freight, followed by Bangladesh, with about 3 per cent.

12. The average value of the least developed countries on the liner shipping connectivity index, which captures how well countries are connected to global shipping networks, increased from 7.5 in 2011 to 10.3 in 2016. The low value relative to other developing countries is partly attributable to the poor quality and accessibility of ports and roads, which have an impact on access to global shipping.

13. Public-private partnerships can help to secure funding and expertise for infrastructure investment and maintenance. However, investment in infrastructure that includes private participation has remained at minimal levels in the least developed countries. During the first half of 2017, investment commitments with private participation were recorded in several of the least developed countries, for example, Rwanda ($362 million), Nepal ($257 million) and Madagascar ($245 million), as well as Mali, Mozambique, Cambodia, Senegal and Uganda. By nature, public-private partnerships may be better suited to sectors that have positive cash flows to repay the private sector, for example, energy and ICT, but more difficult to structure in social sectors.

Energy

14. Access to electricity nearly doubled from 21.6 per cent in 2000 to 38.3 per cent in 2014. Between 2011 and 2014, the proportion of people with access to electricity increased by almost 4 percentage points. However, in 2014, only 26.5 per cent of the population in rural areas had access to electricity, in comparison with 67.5 per cent in urban areas. Bhutan attained universal access to electricity and was closely followed by Tuvalu (98.5 per cent), while Afghanistan (89.5 per cent) and Nepal (84.9 per cent) also made considerable progress. However, four of the least developed countries had levels that were below 10 per cent. The challenges that they face are not limited to access to electricity: there is also limited access to modern fuels for cooking and heating, and the use of firewood and charcoal as a cooking fuel is therefore prevalent, which is associated with adverse health and environmental impacts.

15. Weak electricity systems in most of the least developed countries result in unreliable supply and frequent power outages, causing income losses to producers and additional costs associated with imported back-up generators. Attaining universal access to affordable, reliable, modern energy in the least developed countries by 2030 will require major investments from a range of sources, as well as improved governance of public utilities. Financing is needed for a mix of grid, mini-grid and off-grid solutions, as well as capacity-building, addressing the needs of households and productive processes that contribute to structural transformation.

16. To accelerate investment flows in sustainable energy — considered a foundation for achieving most of the Sustainable Development Goals — the least developed countries should seek to address macro-level issues such as inclusive growth and progressive policies on trade and investment. Strengthening these fundamentals would further help to attract development finance, develop public-private partnerships and new market players, build capacity and improve the track record of regulators.

Science, technology and innovation

17. The least developed countries continued to lag behind on various indicators related to science, technology and innovation. For instance, citizens of the least developed countries, comprising both residents and non-residents, filed a total of 1,486 patents in 2015. The least developed countries published only about seven journal articles for every 1 million people annually between 2011 and 2013. Expenditure allocated to research and development, as a percentage of GDP, was 0.6 per cent or less.

18. One of the long-standing priorities of the least developed countries, reaffirmed in the Istanbul Programme of Action and Sustainable Development Goal 17, was to establish a Technology Bank aimed at strengthening science, technology and innovation capacities, fostering the development of national and regional innovation ecosystems that can attract outside technology, and generating homegrown research and innovation and taking them to market. The General Assembly established the Technology Bank for the Least Developed Countries on 23 December 2016. The Bank became operational in September 2017 upon the signing of the host country agreement and the contribution agreement between the United Nations and the Government of Turkey. In 2018, the Technology Bank, whose operationalization is currently being supported by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, will focus on preparing science, technology and innovation reviews and technology needs assessments and on promoting digital access to research and technical knowledge in selected countries, in collaboration with other United Nations entities.

Private sector development

19. The least developed countries have made some progress on creating an enabling environment for the private sector. For example, the cost of starting a business as a percentage of income per capita declined from 101.2 per cent to 55.8 per cent on average. As in 2017, only four of the least developed countries (Bhutan, Rwanda, Vanuatu and Zambia) ranked in the top 100 in the 2018 ease-of-doing-business index. Access to finance is a major constraint to business operations, while private sector development is constrained by the limited supply and high costs of energy, skill gaps and limited connectivity.

B. Agriculture, food security and rural development

20. The contribution of agriculture to GDP declined slightly from 26.3 per cent to 25.4 per cent between 2011 and 2016. This could have been a result of the El Niño phenomenon observed between November 2014 and May 2016, which affected several countries in Africa. In 2016 alone, countries such as Afghanistan, Burundi, the Central African Republic, the Democratic Republic of the Congo, Somalia, South Sudan, the Sudan and Yemen were affected by El Niño and other climate-related shocks, while many also suffered the negative impacts of crises and conflict.

21. Agricultural productivity in the least developed countries, as measured by the gross per capita production index, dropped from 110 to 107 percentage points between 2011 and 2014, relative to a baseline of 100 during the period 2004–2006. Fertiliser consumption increased from 22.6 kg per hectare of arable land in 2011 to 26.6 kg in 2014, the latest year with data available. The countries with the highest use of fertilizer per hectare of arable land in 2014 include Bangladesh (279 kg), Nepal (67 kg), Zambia (46 kg) and Malawi (36.5 kg).

22. Food security is a determinant of the nutritional outcomes of a population. One of the ways to assess nutritional outcomes is through the prevalence of undernourishment, which shows the population below the established minimum level of dietary energy consumption. Undernourishment in the least developed countries remained at about the same level between 2011 and 2015, at 23 per cent. That is, however, significantly lower than the level recorded in 2000 (34 per cent). Stunting levels, a good predictor of the level of nutrition, was still very high (39 per cent, based on the latest available data). Greater efforts are needed towards the implementation of Sustainable Development Goal 2, which calls for ending hunger, achieving food security, improving nutrition and promoting sustainable agriculture, if it is to be achieved by 2030.

C. Trade

23. In 2016, the share of the least developed countries in exports of goods and services continued to decline, to 0.89 per cent of world exports,[3] down from a peak value of 1.04 per cent in 2013, thereby moving further away from the target of 2 per cent of global exports called for in the Istanbul Programme of Action and target 17.11 of the Sustainable Development Goals. This trend is due mainly to falling commodity prices, especially fuels. In the least developed countries in Africa, exports of goods and services declined by more than 7 per cent, while they remained stable for the least developed countries in Asia-Pacific. Almost half of the exports from the least developed countries went to the European Union (47 per cent), followed by China (33 per cent) and the United States of America (17 per cent).

24. The composition of exports from the least developed countries continues to change. In 2016, exports of primary products accounted for just under half of their merchandise exports (down from 73 per cent in 2005), while manufactured products accounted for 40 per cent (up from 21 per cent in 2005), with clothing products accounting for 29 per cent. Agricultural products accounted for 13 per cent in 2016. The only group to achieve export growth in 2016 were the exporters of manufactured goods, whose exports increased by 9 per cent.

25. Following a decade of sustained growth, exports of commercial services from the least developed countries began to slow in 2014. In 2016, services exports fell by

[3] These figures do not include Equatorial Guinea, which graduated from the least developed countries category in 2017.

4 per cent, compared with 2015. Exports from the countries in Africa accounted for more than half of the total commercial services exports for the least developed countries, which were mainly in transport and tourism. In Asia, 85 per cent of tourists originated from neighbouring countries, while the number was 63 per cent in Africa.

26. The call for duty-free and quota-free market access in the Istanbul Programme of Action is echoed in target 17.12 of the Sustainable Development Goals. The members of the World Trade Organization (WTO) continued to provide duty-free and quota-free market access for products from the least developed countries in 2016, with all developed country members providing either full or significant duty-free and quota-free market access to products from the least developing countries and several developing country members granting a significant degree of duty-free and quota-free access. Chile, China and India have provided comprehensive duty-free and quota-free coverage. In 2016, the product coverage of duty-free treatment for the least developed countries had increased by 10 percentage points compared with 2010. In 2015, the least developed countries faced average tariffs of 6.5 per cent for clothing and 3.2 per cent for textiles, whereas averages for other product groups were below 1 per cent, with no tariffs applied to fuels and minerals.

27. Progress has been made with respect to implementing the Ministerial Decision on Preferential Rules of Origin for the Least Developed Countries under WTO. The Committee on Rules of Origin of WTO adopted a template for the notification of preferential rules of origin in March 2017 to enhance transparency, and the majority of preference-granting countries have submitted information accordingly. Several countries have expanded cumulation possibilities, including Canada, China and Norway. The European Union, Norway and Switzerland have started to implement their new system of self-certification of origin (the Registered Exporter System).

28. The Agreement on Trade Facilitation under WTO, which entered into force in February 2017, contains provisions for expediting the movement, release and clearance of goods and sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. The least developed countries have been granted additional time for its implementation.

29. An agreement was reached on the African Continental Free Trade Area in March 2018, aiming to create a single continental market for goods and services, with free movement of business persons and investments. This agreement has the potential to significantly boost regional trade, including exports from the least developed countries.

30. Aid for Trade is an important instrument to complement preferential market access and enhance supply capacity in the least developed countries. Since its launch in 2005, only 27 per cent of the total Aid for Trade has been disbursed in the least developed countries, despite the significant challenges that they face in competing in global markets. In 2016, Aid for Trade disbursements to the least developed countries amounted to $9.8 billion, representing a nominal increase of about 10 per cent compared with average disbursement in 2009–2011. Economic infrastructure projects benefitted from more than half of Aid for Trade flows to the least developed countries, while agricultural projects received about a third.

D. Commodities

31. Commodity prices have declined since 2011, which has resulted in a reduction of their share in total merchandise exports in the least developed countries, falling from 75 per cent in 2011 to 60 per cent in 2016. Lower fuel prices have severely affected fuel exporters and contributed to the shrinkage of the share of commodities

in total merchandise exports. Fuel exports decreased by 45 per cent in 2015 compared with 2014 and by 21.14 per cent in 2016 compared with 2015.

32. Although commodity prices in international markets showed an uptick of 1.18 per cent in 2016 — a trend that persisted in 2017 and is projected to continue in 2018 — those prices are still 34.10 per cent lower than in 2011. Crude petroleum displayed the largest difference, with prices 142.63 per cent below their 2011 levels. Estimates for 2017 and 2018 show a slight recovery of oil prices, while agricultural prices are forecast to decline slightly in 2017 and stabilize in 2018. The excessive dependence on a few primary commodities constitutes a source of vulnerability and emphasizes the need to promote the structural transformation that would lead to greater diversification of the economies of the least developed countries.

E. Human and social development

33. The human and social development goals of the Istanbul Programme of Action are closely aligned with those of the 2030 Agenda, especially the first five Sustainable Development Goals, as well as the broader objective of targeting marginalized groups and leaving no one behind. The Programme of Action specifically addresses women and girls through targets on gender equality and the empowerment of women, children's access to primary and secondary education, infant and maternal health, water and sanitation, and youth development. The targets on access to housing specifically address slum dwellers and the rural poor, while social protection, in particular for marginalized and vulnerable people, receives specific attention.

Education and training

34. In recent years in the least developed countries, average enrolment rates have been increasing in both primary and secondary education, although high pupil-to-teacher ratios persist. In 2015, gross enrolment in secondary education was 46 per cent, compared with 41 per cent in 2011. In only five of the least developed countries do the average years of schooling meet or exceed the expected duration of primary school, while almost two in five of all out-of-school children and adolescents in the world are in the least developed countries.

Population and primary health

35. As a result of high levels of fertility (4.3 births per woman in 2010–2015), the population of the least developed countries has been growing rapidly, at around 2.4 per cent per year. Although this rate of increase is expected to slow, the combined population of the least developed countries, which stood at roughly 1 billion in 2017, is projected to increase by 33 per cent between 2017 and 2030.

36. In 2011 in the least developed countries, the number of maternal deaths per 100,000 live births was 502, but this number fell to 444 in 2015, while infant mortality was 48 per 1,000 live births in 2016, compared with a rate of 56 in 2011.

Youth development

37. The global generation of young people includes around 1.8 billion individuals between the ages of 10 and 24 years, most of them living in developing countries, where they often comprise a large proportion of the population. Yet, far too many young people are unable to participate fully in society. In 2015, the median age of the population in the least developed countries was 19.6 years, and it is projected to increase to 20.4 years by 2020, reflecting the large share of young people in the population.

38. In many of the least developed countries, youth unemployment is very high, as a result of factors including skills mismatch and economic expansion driven by capital-intensive sectors. The youth literacy rate on average for all of the least developed countries between 2012 and 2016 was 74.93 per cent.

Shelter

39. By 2030, an estimated 81 per cent of people globally will live in urban areas, while 55 per cent of the population in developing countries will become urban dwellers. The majority of urban dwellers in the least developed countries in Africa live in slums, with limited access to adequate shelter and basic social services. On average, the percentage of the urban population living in slums has decreased by 7.1 per cent across all the least developed countries, from 69.8 per cent in 2005 to 62.67 per cent in 2014. The decline was most significant in Angola, with a decrease of 31 percentage points (from 86.5 per cent to 55.5 per cent), and in the Lao People's Democratic Republic, with a decrease of 47.9 percentage points (from 79.3 per cent to 31.4 per cent).

Water and sanitation

40. Non-existent or inadequate sanitation facilities and serious deficiencies in water management and wastewater treatment can have a negative impact on water provision and sustainable access to safe drinking water. In the least developed countries, only 61 per cent of the population in rural areas used an improved drinking water source in 2015, which nevertheless represented an increase from 57 per cent in 2011. In some of the least developed countries, over 95 per cent of wastewater is released into the environment without treatment, compared with a worldwide figure of 80 per cent.

Gender equality and the empowerment of women

41. In 2010, more than half of all women in the least developed countries aged 20−24 years were married before they were 18 years of age; in some of the countries, the figure was 70 per cent. The prevalence of women who are using modern contraceptives in the least developed countries more than doubled from 15 per cent in 1994 to almost 34 per cent in 2015, however this rate remains far behind the global average of 64 per cent. In the least developed countries, over the period from 2000 to 2015, unemployment rates for women rose from 6.9 per cent to 7.2 per cent, while they held steady for men at 5.4 per cent. However, with regard to the proportion of the employed population living below the international poverty line, in the least developed countries, the gap between men and women has closed. In the least developed countries, women's participation rates increased with respect to the percentage holding elected office, as well as enrolment rates in primary, secondary and tertiary education. The least developed countries are among the world's top performers in terms of the percentage of parliamentary seats held by women, with the highest rates in 2017 observed in Rwanda (61 per cent), followed by Senegal, (42 per cent) and Mozambique (40 per cent). Overall, the average rate of women holding office in the least developed countries increased from 18 per cent in 2011 to 19 per cent in 2017.

Social protection

42. In the least developed countries, social protection is concentrated on employment injury, old age, disability and survivors (dependents of a worker who died as a result of an employment-related accident), but even this is sparse. Of the 11 least developed countries for which data exist, only 3 have more than 20 per cent of the population covered. Where such social protection measures exist, benefit levels are often low.

43. Average spending on social protection as a percentage of GDP in the least developed countries is only 3 per cent, which is less than half the average of 6.3 per cent for middle-income countries. In at least eight of the least developed countries, the estimated cost of a more comprehensive package of social protection (child, orphans, maternity, disability and old age) would exceed 6.5 per cent of GDP. This cannot be financed from domestic resources alone, as the average government revenue in the least developed countries is only 15 per cent of GDP.

F. Multiple crises and other emerging challenges

44. Overall in 2018, 22 of the 47 least developed countries displayed an increase in the value they obtained on the economic vulnerability index, as compared with 2015. The economic vulnerability index, calculated as the weighted average of eight indicators, is one of the three criteria that determine whether a country is in the least developed countries category. Significant increases in the values on the economic vulnerability index were found for Afghanistan, Benin, Chad, the Comoros, Guinea, Malawi, Mali and Yemen. For all countries, this is attributable primarily to an increase in the shock index component, notably from export instability rather than the natural shock sub-index. A number of the least developed countries have nevertheless made strides in their economic vulnerability index values, especially Bhutan, Burundi, Cambodia, Haiti, Liberia, Rwanda and Zambia. This progress is the result of improvements in the shock index, shared across both its natural shock and trade sub-indices.

Economic shocks

45. Some of the least developed countries continued to suffer from the negative impact of declining commodity prices (see paras. 31–32). In specific country cases, there has also been disruption arising from external shocks that are not related to prices. For example, the recent influx of refugees in Bangladesh and Uganda who were fleeing violence and conflict has required significant humanitarian assistance, only part of which has been met by the international community. However, the three countries most affected by Ebola — Guinea, Liberia and Sierra Leone — have exhibited gradual economic recovery from the decline in growth resulting from the Ebola crisis of 2014–2015.

46. On the basis of available data, the average ratio of total reserves to external debt in the least developed countries in 2016 decreased to 39.6 per cent from 43.4 per cent the previous year, with an improvement registered in only 12 countries. However, on average, debt servicing as a percentage of exports increased to 10 per cent in 2016 from 7.5 per cent the previous year, with seven of the least developed countries experiencing declines.

47. Declining commodity prices have had a severe impact on several of the least developed countries, which are already facing challenges in servicing external debt, especially those that have borrowed very large amounts on non-concessional terms. As of January 2018, 15 of the least developed countries are listed as being in debt distress or at high risk of distress.

Climate change and environmental sustainability

48. The years 2015, 2016 and 2017 have been confirmed as the three warmest on record, a clear sign of continuing global warming from greenhouse gas emissions. In many of the least developed countries, severe extreme weather events and other impacts of climate change have taken lives, forced people from their homes and increased the risk of famine.

49. There has been modest progress over the last year in the flow of financial resources to the least developed countries to address the impacts of climate change. At the end of January 2018, total cumulative pledges to the Least Developed Countries Fund amounted to $1.33 billion, of which $1.26 billion had been paid and $70.12 million remained outstanding. The demand for resources from the Fund continues to exceed the funds available for new approvals; as at the end of January 2018, $91.7 million was available for new funding decisions, whereas $187.2 million was requested for the 26 full-sized projects that had already been technically cleared by the Global Environment Facility secretariat.

50. As at the end of January 2018, 50 of the least developed countries (including now graduated countries), had accessed a total of $1.22 million for 198 projects in support of their national adaptation programmes of action, and an additional three global projects with resources from the Least Developed Countries Fund amounting to $13.69 million had been approved to support other adaptation projects. Total funding from the Fund for the national adaptation plans of the least developed countries had increased to $51.7 million, as at 1 March 2018.

51. As at 9 February 2018, project proposals from a total of 17 of the least developed countries had been submitted to the Green Climate Fund under the support modality for national adaptation plans under its Readiness and Preparatory Support Programme, which provides up to $3 million per country.

52. Forests play a role in mitigating climate change by sequestering carbon dioxide, they contribute to preserving biological diversity and combating soil erosion, and they provide ecosystem services. Over the past decade, on average the least developed countries have lost 6 per cent of their forest cover, with the loss especially marked in the African countries. This trend has been observed in 32 of the least developed countries, with a reversal in only two countries over the past five years.

53. Measures are needed to alleviate the extreme vulnerability of the least developed countries to external shocks, both economic and environmental. Funding and capacity-building to meet climate change adaptation should move from the planning phase to concrete projects that result in increased resilience on the ground. At the same time, Governments should preserve ecosystems that provide essential adaptation-related services, such as flood regulation and natural barriers to storm surge.

Disaster risk reduction

54. In 2017, disasters had a major socioeconomic impact on populations in the least developed countries, which are among the most vulnerable countries in the world, affecting an estimated 23 million people. Floods were particularly devastating in Angola, Bangladesh, Haiti, Malawi, Myanmar, Nepal and the Niger. Drought affected over 8 million people in Angola, Chad, Mauritania and the Niger. Cyclones affected 4.6 million people in Bangladesh, Haiti, Madagascar, Mozambique, Myanmar and Vanuatu. However, landslides were the most deadly, responsible for 1,415 deaths.

55. Following the drought in the Horn of Africa in early 2017, the risk of famine has now declined, but malnutrition and drought conditions persist, and the fragile gains made could easily be reversed, with populations facing high levels of food insecurity, while the threat to the least developed countries that are also small island developing States from cyclones and hurricanes remains high. Some 1,400 people were killed in monsoon rains that hit Bangladesh, India and Nepal. Heavy flooding and landslides in Sierra Leone claimed the lives of over 500 people and destroyed the homes of 3,000 people. The humanitarian situation in Yemen remains of serious concern.

56. Building resilience is a high priority for the least developed countries, and efforts to do so under the Sendai Framework for Disaster Risk Reduction 2015–2030 need to be stepped up through early warning, preparedness and response.

G. Mobilizing financial resources for development and capacity-building

57. The large gap between investment needs and available finance in the least developed countries is not being reduced, as ODA has remained stagnant and FDI has declined. In 2016, both ODA and remittances were larger than FDI inflows to the least developed countries. The challenges faced with respect to achieving the goals and targets of the Programme of Action include how to incentivize greater investment, and how to ensure that it is long-term and aligned with sustainable development, and reaches those most in need.

Domestic resource mobilization

58. For the least developed countries, median government revenue increased to 19.8 per cent of GDP in 2016, from 16 per cent in 2012. To improve tax administration, 10 of the least developed countries are participating in the Tax Inspectors Without Borders initiative of the Organization for Economic Cooperation and Development and the United Nations Development Programme, which aims to enable sharing of tax audit knowledge and skills in line with the Addis Ababa Action Agenda. While increased support for capacity-building for domestic resource mobilization is needed, it remains difficult to increase government revenues dramatically in the least developed countries owing to high levels of poverty and a large informal economy.

59. Average gross domestic savings in the least developed countries declined from 17.5 per cent of GDP in 2012 to 13.3 per cent in 2016, triggered by lower commodity revenues and growth. Savings are partly constrained by the underdeveloped domestic financial sector. In the least developed countries only 27 per cent of adults have bank accounts, which is almost half the percentage for developing countries. The recent increase in the use of mobile and digital money in several of the least developed countries has contributed to easing this constraint, as often mobile accounts exceed the number of formal bank accounts. Mobile operators in several of the least developed countries are also among the top taxpayers.

Official development assistance

60. Bilateral aid from members of the Development Assistance Committee of the Organization for Economic Cooperation and Development to the least developed countries is estimated to have increased by 4 per cent in real terms to $26 billion in 2017, following several years of declines. Nine members of the Development Assistance Committee saw their aid to the least developed countries decrease from 2015 to 2016. The number of donors that provide 0.15 per cent or more of their gross national income (GNI) as ODA to the least developed countries — in line with the targets of the Istanbul Programme of Action and Sustainable Development Goal 17 — fell from seven to six (Denmark, Luxembourg, Netherlands, Norway, Sweden and United Kingdom of Great Britain and Northern Ireland), with five of them exceeding 0.20 per cent of GNI. The overall share of ODA to the least developed countries in donor’s GNI increased slightly from 0.08 per cent in 2015 to 0.09 per cent in 2016. Ireland provides the largest share of its total ODA to the least developed countries, at 45 per cent (down from 48 per cent in 2015). Net ODA accounted for roughly 4.5 per cent of the combined GDP of the least developed countries in 2016, compared with 7.7 per cent

in 2006, increasing the shortfall in development finance. In addition, the share of budget support declined, despite being an aid modality particularly well aligned with development effectiveness principles such as country ownership over their development strategies.

61. ODA allocations to the least developed countries need to be increased, while initiatives to step up innovative flows to the least developed countries and South-South cooperation need to be strengthened. At the same time, efforts to increase the quality and effective use of ODA for the least developed countries must be intensified, for example, through the Development Cooperation Forum Global Accountability Survey and the related study.

External debt

62. Levels of external indebtedness have increased across the least developed countries, in terms of debt stocks (relative to GNI) and — to an even greater extent — the burden of debt services (measured as interest payments relative to exports of goods and services and primary income). Between 2011 and 2016, the average external debt stock in the least developed countries increased from 23.9 per cent of GNI to 28.6 per cent. The share of private creditors in public and publicly guaranteed debt has doubled in the least developed countries, from 8 per cent to 16 per cent of total external public debt.

63. This has raised concerns about debt sustainability, especially in the least developed countries in Africa. Thus, constraints on further debt financing are likely to become more binding at the same time as the least developed countries face pressing demands for additional public investments in the Sustainable Development Goals.

Foreign direct investment

64. FDI flows to the least developed countries decreased by 13 per cent in 2016, to $38 billion. This is the third decline in the past four years. Flows to the least developed countries equal around 2 per cent of global flows, down from 3 per cent in 2013–2014. FDI in the least developed countries remains heavily concentrated in a few countries, mainly in Africa, and in the extractive industries, often providing few forward and backward productive linkages within the economy.

65. Multinational enterprises from Asian developing countries have increased their investment in the least developed countries, including in manufacturing and services. Thus South-South FDI can play a major role in diversification in the least developed countries that are commodity-dependent. Long-term trends in announced greenfield FDI projects suggest that there is growing interest in investment in services, particularly electricity, construction, transport, storage and communications.

66. In order to reverse the recent decline in FDI, the least developed countries need to implement strategic policies to attract FDI, especially in sectors with high development potential, such as manufacturing, which would contribute to structural transformation and scale up and accelerate development. Furthermore, the availability of skilled labour, ICT and high-quality local infrastructure, such as transportation facilities, and access to electricity are all essential for attracting FDI, as well as supporting the achievement of many Sustainable Development Goals. Priority should be given to policies that help the domestic private sector to forge linkages with foreign investors. The seventh Ministerial Conference of the Least Developed Countries, held by the United Nations Industrial Development Organization in Vienna in November 2017, encouraged the relevant United Nations agencies to establish a capacity development programme for the least developed countries in order for investment promotion agencies to attract, diversify and retain sustainable FDI and derive

maximum benefit from it, and to foster private sector development in the least developed countries, thereby contributing to their sustainable graduation.

Remittances

67. Reflecting the global trend, remittances to the least developed countries fell for a second consecutive year, to $37 billion in 2017, down by 2.6 per cent compared with the 2016 peak of $37.9 billion. The decline is attributable to the weakening of the currencies of the main migrant destination countries against the United States dollar and the slower economic growth in some destination countries for migrants.

68. Although the share of the least developed countries amounts to only 6.9 per cent of the world total, remittances are a significant source of external finance in several countries. Six countries (Bangladesh, Haiti, Nepal, Senegal, Uganda and Yemen) accounted for three quarters of total remittance flows to the least developed countries. The resilience of remittances compared with other financing flows may help to ease balance-of-payment pressure.

69. The least developed countries have issued new policies and engaged in forms of cooperation with countries of destination, such as the memorandums of understanding between the Lao People's Democratic Republic and Thailand to ensure the protection of their migrant workers. The average cost of sending remittances further declined to around 7.2 per cent of the amount transferred in 2017, down from 9.6 per cent in 2015, but still far from the 3 per cent committed to in the Addis Ababa Action Agenda.

H. Good governance at all levels

70. The Istanbul Programme of Action states that good governance and the rule of law at the local, national and international levels are essential for sustained, inclusive and equitable economic growth and sustainable development. Almost all the least developed countries (43 out of 47) are party to the United Nations Convention against Corruption.

71. Of the 10 least developed countries for which validations were completed by the Extractive Industries Transparency Initiative by February 2018, 3 had made meaningful or satisfactory progress in all or almost all categories, namely Sao Tome and Principe, Timor-Leste and Zambia. Other countries had also made significant progress in transparency. Liberia and Sierra Leone use a centralized register of mining licences, which lists the largest mining companies in the country, together with their licences and relevant payments. Commodity trading data in reports of the Extractive Industries Transparency Initiative from Chad and Mauritania has become significantly more granular, often providing details at the level of each shipment of oil sold. It includes volumes, revenues and price information, enabling an assessment of whether the country is receiving a fair payment for the oil. Thirteen of the least developed countries have disclosed descriptions of legislation and licensing requirements related to the environment.

72. A key requirement for improving governance is strengthening capacity in administration, the legal system and statistics. The Extractive Industries Transparency Initiative encourages participating countries to increasingly spread the benefits gained from the extractive sector towards the rest of the economy, as well as towards social development and protection of the environment. The validation process needs to be pursued for those least developed countries that have not yet completed it. The least developed countries also need to build on their progress with regard to the ease of doing business, and those lagging behind need to step up their efforts.

73. The ease of doing business is a crucial aspect of good governance. The World Bank project on the ease of doing business places an emphasis on the quality of legal infrastructure and the strength of legal institutions. In the 2018 report on the project, Mauritania, Malawi, the Niger and Rwanda made the greatest increases to their score as compared with the 2016 index. Overall, the average value on the ease-of-doing-business index for all the least developed countries increased from 45.57 in 2016 to 47.06 in 2018. The value for those in Asia-Pacific declined slightly in 2018, while it increased by 2.2 points for those in Africa. On starting a business, progress was also most pronounced in Africa, with an average increase in the score of 4.5, while the score for the countries in Asia-Pacific increased by 0.4 points. The areas in which the fewest reforms have been introduced continue to be the indicators with a legal focus, for example, enforcing contracts. Only the Niger, Rwanda and Senegal made considerable progress in this area, whereas the average score remained almost unchanged.

74. At the same time, governance of global systems must take into account the situation of the most vulnerable countries, as progress in this area has been very slow. In line with the Addis Ababa Action Agenda, the voice of developing countries, especially the least developed countries, must be increased in international economic decision-making and norm-setting processes.

75. Assessing progress towards the implementation of the Istanbul Programme of Action requires a significant amount of data. While the availability of data has increased since 2011 in some areas, there are still major gaps. For example, only scant data are available in more than 25 per cent of the least developed countries on poverty, enrolment in tertiary education and several transport indicators. The Sustainable Development Goals, with their 163 targets and 232 indicators, are also challenging for many of the least developed countries, whose national statistical offices have limited capacities. The availability of better data would contribute to evidence-based policymaking. Total ODA dedicated to statistical capacity-building activities in the least developed countries increased from $76 million in 2010 to $185 million in 2014, but remains inadequate to meet the increased needs stemming from the 2030 Agenda.

76. 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 — which must be both predictable and sustainable — must be mobilized for statistical systems, and supported with capacity development and the latest technology in line with Sustainable Development Goal 17.

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

77. The majority of the least developed countries have mainstreamed the Istanbul Programme of Action into their relevant planning documents and are implementing it as part of their national strategies. Following the adoption of the 2030 Agenda in 2015, many of the least developed countries have also integrated the Sustainable Development Goals into their national development frameworks.

78. Progress towards the implementation of the Programme of Action at the country level is discussed annually at a meeting of national focal points from the least developed countries, convened by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. At the meeting in 2017, the least developed countries presented ongoing strategies for accelerating the implementation of the Programme of Action. Also, the least developed countries that have piloted the Development Finance

Assessments shared their experiences in building integrated national financing frameworks for the Sustainable Development Goals.

79. For example, the Government of Ethiopia is implementing the Programme of Action and the Sustainable Development Goals as an integral part of its national development framework, with both frameworks being used for the preparation of its second Growth and Transformation Plan for 2016–2020 and being further integrated into national priorities and targets. Similarly, the Afghanistan National Peace and Development Framework 2016, a continuation of the country's post-conflict development planning, integrates the Programme of Action and the Sustainable Development Goals. Afghanistan also emphasizes the importance of cross-sectoral and interministerial coordination to accelerate the implementation of the Sustainable Development Goals and the Programme of Action. An interministerial framework on the Programme of Action, chaired by the Ministry of Foreign Affairs, has been set up, with the aim of ensuring coordination and follow-up of the implementation of the Programme of Action.

80. As a positive development, many of the least developed countries have also included the objective of graduation in their national development plans. In 2018, Bhutan will launch its twelfth five-year plan, in which the country envisions the last steps towards sustainable and irreversible graduation from the least developed countries category. Similarly, the Lao People's Democratic Republic has identified graduation from the category as an objective. The eighth five-year national socioeconomic development plan for 2016–2020 focuses on the three criteria for graduation from the least developed countries status, as well as the three dimensions of sustainable development.

81. Furthermore, at its March 2018 triennial review, the Committee for Development Policy recommended four countries for graduation from the least developed countries category (Bhutan, Kiribati, Sao Tome and Principe and Solomon Islands), all of which met the gross national income per capita and human assets criteria, but not the economic vulnerability criterion. Two more countries, Vanuatu and Angola, are scheduled for graduation, in 2020 and 2021, respectively.

82. Development partners have also continued with the implementation of the Programme of Action. Several bilateral donors have continued to provide funds to WTO to help the least developed countries to increase their participation in multilateral trade negotiations and enhance their trade negotiation skills, as well as to help the least developed countries to improve their sanitary and phytosanitary capacities. In addition, the European Union contributed €10 million to the Enhanced Integrated Framework, an Aid for Trade programme designed exclusively to help the least developed countries to utilize their trade potential to achieve sustainable development and economic growth (see also paras. 60–61 for information on ODA).

83. South-South cooperation has become increasingly important for the least developed countries, especially with respect to trade, FDI and the exchange of technological innovations and know-how. However, reporting on South-South cooperation remains challenging as the definitions and categories used are often not comparable.

84. The private sector has been engaged in a multitude of activities that contribute to the implementation of the Programme of Action. Regional meetings of the least developed countries on promoting broadband connectivity were organized in Senegal in March 2017 for the countries in Africa and in Vanuatu in October 2017 for the countries of the Asia-Pacific region, with active participation from the private sector. The High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States chairs a working group on broadband for the most vulnerable countries, which was established under the Broadband

Commission for Sustainable Development, whose aims include identifying best practices and opportunities for leveraging broadband investment for national development. It consists largely of private sector entities, United Nations agencies and academia. Private sector representatives are also members of the Council of the Technology Bank for the Least Developed Countries (see section A for additional information).

85. The Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States has developed, in cooperation with the International Development Law Organization, an initiative to support the least developed countries in their efforts to increase foreign investment and the benefits they derive from such investment. The Investment Support Programme for the Least Developed Countries, an innovative programme of the International Development Law Organization, will provide on-demand, investment-related negotiation and dispute-settlement advisory and representation services to the Governments of the least developed countries and under-resourced companies. The programme is designed to harness the services of lawyers and other relevant experts who are ready to provide support to the least developed countries on a pro bono or reduced-fee basis.

86. Civil society has played an active role in the implementation of the Istanbul Programme of Action. The organization LDC Watch has focused on graduation at the regional and national levels. A regional consultation of West African civil society organizations on graduation from the least developed countries category was held in Senegal in June 2017. LDC Watch also organized national consultations on graduation in Nepal and Bangladesh. In addition, a regional consultation of civil society organizations from the least developed countries in Asia was organized in Thailand in December 2017 to discuss the synergy and coherence between the Programme of Action and the Sustainable Development Goals. These meetings have fostered constructive dialogue on the best way forward from the civil society perspective in a number of key areas, including poverty eradication, conflict and development, climate change, food security and trade.

87. Academia has continued to engage in the implementation of the Programme of Action with an increased focus on graduation, trade and vulnerability. For example, the Centre for Policy Dialogue, in association with the Commonwealth Secretariat, Friedrich-Ebert-Stiftung, LDC IV Monitor and the Think Tank Initiative, organized a public dialogue, held in Bangladesh in November 2017, on the topic of reclaiming the development agenda in the lead-up to the Eleventh Ministerial Conference of WTO. Academia, including members of the Committee for Development Policy, has also regularly participated in and contributed to meetings organized by the United Nations.

88. Entities of the United Nations system have contributed actively to the implementation of the Programme of Action, individually and through a range of joint programmes. In keeping with its mandate, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States continued to facilitate the coordinated implementation of the Programme of Action by all parts of the United Nations system, through biannual meetings of the dedicated Inter-Agency Consultative Group for the Least Developed Countries. Special efforts have been made to step up in-depth, action-oriented coordinated support for countries graduating from the least developed countries category through a dedicated task force.

IV. Conclusions and recommendations

89. With two and a half years left in the time frame for the implementation of the Programme of Action, a major drive is needed by all stakeholders in order to overcome the specific challenges of the least developed countries that are outlined in the Programme of Action. This will also contribute directly to efforts to achieve the 2030 Agenda and the Sustainable Development Goals, as well as the Paris Agreement and the Addis Ababa Action Agenda, in which connection the least developed countries also face significant challenges. Efforts should be made to take full advantage of the synergies and complementarity of their implementation and follow-up.

90. In order to further increase the number of countries reaching the graduation thresholds and to meet the goals and targets of the Programme of Action by 2020, its implementation needs to be accelerated. The least developed countries must provide an enabling environment for the private sector and step up efforts to leave no one behind in all priority areas. Likewise, development partners need to fulfil their commitments, especially in the areas of ODA and trade preferences. Support to address the specific challenges of the least developed countries needs to be enhanced, including leveraging ODA for other development finance, improved mechanisms for resilience-building and financial and technical support to ensure the effective operation of the Technology Bank for the Least Developed Countries.

91. With the growing number of countries meeting the criteria for graduation for the first or second time, it is more important than ever to provide enhanced support to the graduating and graduated countries and ensure that smooth transition measures are in place to avoid any disruption to their development plans, programmes and projects. There is a role for all partners, including the governing bodies of United Nations entities, in providing international support measures. The United Nations system entities are stepping up their efforts to provide coordinated support for graduation and smooth transitions.

92. The findings of the present report suggest that, where its provisions have been implemented, the Programme of Action has been instrumental in achieving progress towards sustainable and inclusive development. In order to ensure that this momentum will continue and that implementation challenges will be addressed, Member States are invited to consider holding a Fifth United Nations Conference on the Least Developed Countries, with a view to making a comprehensive appraisal of the implementation of the Programme of Action and deciding on subsequent action. Given the mandate of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and its important role in monitoring the integrated follow-up to the Istanbul Programme of Action, it should play a central role in the preparations for the Fifth Conference and the new agenda for the least developed countries.