



HIGH-LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT

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Thematic Review

Empowering people and ensuring inclusiveness and equality

Perspectives of Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDCs)

Wednesday, 10 July 2019, 11:00 AM–1:00 PM, Conference Room 4

Background Note

Introduction

Progress towards achieving the SDGs has been mixed in LDCs and LLDCs, particularly among the most vulnerable populations. While there are several overlaps between the two groups of countries, LDCs are typically low-income countries that face severe structural impediments to sustainable development. By their nature, LLDCs lack territorial access to the sea and face geographical remoteness from world markets, which increases the trade costs.

Numerous LDCs and LLDCs face other exogenous shocks including conflict or post-conflict experiences. Climate change and the risks associated with it have put additional pressures on households and government resources in both LDCs and LLDCs, and these countries remain among the most vulnerable in the world. The fact that many of the LDCs at risk of being left behind are also LLDCs underscores the special trade and development challenges faced by LLDCs arising from the lack of access to the sea.

Status and trends

In recent years, some LDCs have advanced significantly. While only five countries (out of a total of 52) have graduated since the inception of the LDC category in 1971, another twelve are at different stages of the multi-year graduation process. This progress also highlights the importance of international support to graduation and smooth transition





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out of the category. At the same time, the fact that the objective of enabling half of the LDCs to meet the graduation criteria by 2020 will not be met underscores the need for additional concerted efforts.

The establishment of the Technology Bank for the LDCs marked the achievement of SDG target 17.8 and responds directly to the 2030 Agenda's principle of leaving no one behind. It aims to improve the utilization of scientific and technological solutions in the world's poorest countries and promote the integration of least developed countries into the global knowledge-based economy. Ensuring an adequate financial foundation for the Technology Bank in line with its mandate as reflected in its Charter will require adequate funding to the Technology Bank to scale up programmes and implement them in all 47 LDCs.

LDCs nonetheless continue to face important barriers to structural transformation, both domestically and globally.ⁱ As a group, LDCs continue to face high incidence of poverty with more than 35 per cent of their population still living in extreme poverty. They remain far below the SDG target of doubling their share of global exports by 2020.ⁱⁱ Similarly, LLDCs continue to be marginalized from global trade as demonstrated by their share of global merchandise exports, which remains below one percent.

Productive capacities for sustainable development must be expanded in LDCs and LLDCs by designing and implementing strategies that promote dynamic transformation of their economies while harnessing synergies and addressing trade-offs between productive capacity and other sustainable development objectives. Land degradation, desertification and drought are linked with climate change, food insecurity, migration and conflict in numerous LDCs and LLDCs. Mechanisms for increasing capacity for effective climate change-related planning and management that focus on women, youth and local and marginalized communities.

Addressing high trade costs including through diversification, the implementation of the World Trade Organization Trade Facilitation Agreement, development and maintenance of infrastructure development including transport infrastructure, Information Communication Technology and energy infrastructure are fundamental to achieving





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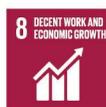
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sustainable development in LLDCs. This would also help to improve competitiveness and become fully integrated into global trade.ⁱⁱⁱ

A number of capacity constraints as well as high annual population growth rates in LDCs present challenges for enrolment in higher education and training a skilled workforce. In the era of digital revolution and other technological changes, young people in LDCs should be afforded the opportunity to acquire the quality education and necessary skills needed to contribute to economic development, and they need access to a job market that can absorb them into changing nature of labour. Around 287 million young people of primary and secondary school age live in LDCs—approximately 19 per cent of the world's population in this age group. The percentage of children of primary school age who are enrolled in school reached 81 per cent in 2017. However, about 28 million children are still not enrolled in school, and the educational systems of many LDCs result in a substantial proportion of the population being left behind. This portends negative consequences on employment prospects for youth, if labour markets are unable to absorb rapidly increasing numbers of young workers. Failing to increase the quality of education and having a skilled workforce in new technologies may lead to an increase in inequality within and between countries.

Empowerment of LDCs and LLDCs is important for all countries within the international community. LDCs and LLDCs are often marginalized in global decision-making processes and are unable to fully benefit from economic globalization. There are measures in place to support the LDCs, yet these are often insufficient. Too many people in LDCs and LLDCs remain disempowered by poverty and the lack of access to basic services, and do not benefit from economic growth. Many governments lack resources and the capacity to mobilize them, due to both domestic limitations and international factors. The per capita income of LDCs remains equivalent to two per cent of the per capita income of OECD members.

Massive amounts of resources continue to flow out of LDCs and LLDCs in the form of illicit financial flows, countries' fiscal and policy spaces are restricted, and a large number of LDCs and LLDCs are in debt distress or at high risk of it.^{iv} Duty-free quota-free market





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access has been an important support measure for LDCs, and some countries have benefitted substantially. However, many have LDCs have not.

The delivery of global commitments towards most vulnerable countries and means of implementation continue to fall short of the targets. Few donor countries fulfill the commitment of dedicating 0.15 to 0.2 per cent of their official development assistance (ODA) to developing countries. Bilateral ODA from members of the Development Assistance Committee of the OECD to the LDCs declined by 3.0 per cent in real terms in 2018 compared with 2017. The number of donors providing 0.15 per cent or more of their gross national income (GNI) as ODA to the LDCs — in line with the targets of the Istanbul Programme of Action (IPoA) and SDG 17 — fell further from six to five (Denmark, Luxembourg, Norway, Sweden and United Kingdom of Great Britain and Northern Ireland), all of them exceeding the higher threshold of 0.20 per cent of GNI.

However, ODA inflows to LDCs are still larger than private flows, FDI or remittances and has mobilized much less private capital in LDCs than in other developing countries: of \$81 billion mobilized from 2012 to 2015 for all developing countries, \$5.5 billion (7 per cent) was for LDCs, mainly generated through credit and risk guarantees. Thus, while an increase in blended finance for LDCs could increase overall funding for the SDGs, it needs to be aligned with national priorities and not decrease the amount of ODA for other purposes. Remittance flows to LDCs are estimated to have increased to USD 43.8 billion in 2018, an increase of 11 per cent as compared to 2017. The rebound is attributable to the increase in outward flows from the Gulf Cooperation Council (GCC) countries. However, downside risks to economic growth and restrictive immigration policies in many countries may moderate the future growth of remittances.

ODA to the LLDCs in 2017 reached \$27.9 billion, up from \$26 billion in 2014. It represents around 16 per cent of total ODA flows to developing countries. Private international capital flows, particularly foreign direct investment, are vital in complementing national development efforts of LLDCs. After a five-year decline, FDI flows to the LLDCs amounted to \$23 billion in 2017, a three per cent rise from 2016, however flows to LLDCs remain about 40 per cent lower than their peak in 2011. Following declines in 2015 and 2016,





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remittance inflows to LLDCs have rebounded in 2017 to \$28.8 billion and are estimated to have increased to \$31.5 billion in 2018. However, LLDCs account for only around one per cent of global FDI flows and less than 5 per cent of remittances.

The private sector is a driver of inclusive growth and job creation and is fundamental in achieving the Sustainable Development Goals (SDGs). Private sector in LDCs and LLDCs remain underdeveloped and unable to compete in the global economy. It is therefore necessary to support the efforts of these countries to build their private sector including through enhancing the doing business environment and addressing trade finance challenges.

Furthermore, significant gaps persist with respect to the statistical capacities and data collection in LDCs and LLDCs, which are crucial for policy planning and monitoring. For example, the proportion of children under 5 years of age whose births have been registered with a civil authority was 40.5 in 2017 for LDCs as compared to a world average of 73.1 per cent. These countries require continued and enhanced investment and technical assistance aimed at strengthening their capacity for the collection of data in order to produce reliable and frequent statistics to monitor the implementation of the Sustainable Development Goals.

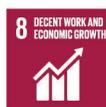
Guiding questions

- What are the greatest challenges to inclusiveness and equality in LDCs and how can they be addressed?
- What needs to change in international rules and institutions to effectively support LDCs and LLDCs and achieve greater levels of inclusion and equality?

ⁱ UNCTAD (2018), The Least Developed Countries Report 2018 – Entrepreneurship for structural transformation: Beyond business as usual. UNCTAD/LDC/2018.

ⁱⁱ Report of the Secretary General on the Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (A/74/69–E/2019/12). Available from <http://unohrls.org/custom-content/uploads/2019/05/A.74.69.pdf>.

ⁱⁱⁱ CDP report to ECOSOC (E/2016/33 and E/2017/33) and, Report of the Secretary General on the Implementation of the Vienna Programme of Action for Landlocked Countries for the Decade 2014-2024 (A/73/297). Available from <https://undocs.org/en/A/73/297>.





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^{iv} United Nations, Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2019 (New York: United Nations, 2019), available from: <https://developmentfinance.un.org/fsdr2019>. Development. <https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR2019.pdf>

