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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 on and analysis of 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 from the least developed country category. The report also reflects decisions and actions by Member States on the further implementation of the Istanbul Programme of Action, including the Political Declaration adopted at the Comprehensive High-level Midterm Review of the Implementation of the Programme of Action (General Assembly resolution [70/294](#), annex), which was held in Antalya, Turkey, in May 2016. Furthermore, it highlights activities by other stakeholders, including entities of the United Nations system, civil society and the private sector. The report is submitted pursuant to General Assembly resolution [73/242](#) and Economic and Social Council resolution 2018/26, in which the Secretary-General was requested to submit a progress report on the implementation of the Istanbul Programme of Action.

* [A/74/50](#).



I. Introduction

1. Notable 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 priority areas. Following the adoption of General Assembly resolution 73/133 on the graduation of countries from the least developed country category, five countries will graduate by the end of 2024, the same number that has graduated to date since the creation of the category in 1971. Important advances have also been made on access to information and communications technology (ICT), sustainable energy, health, education, gender, export concentration and governance. Over the past year, economic growth has accelerated slightly, on average, but has been uneven across the least developed countries. International trade has rebounded and official development assistance (ODA) has increased. However, foreign direct investment (FDI) has declined further, the share of exports from the least developed countries in world trade remains low, structural transformation and productive capacity gains have been slow, economies are still largely commodity-based and the growth in the rate of undernourishment in the least developed countries is a concern. With only one and a half years left before the end of the Programme of Action for the Decade 2011–2020, the least developed countries, their development partners and the entities of the United Nations system should accelerate efforts towards achieving its goals and targets.¹

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

Growth in the least developed countries

2. The gross domestic product (GDP) of the least developed countries as a whole increased moderately to 5 per cent in 2018, up from 3.6 per cent in 2016 and 4.6 per cent in 2017. Economic activity in the least developed countries is expected to remain relatively robust in the near term, with aggregated GDP reaching 5 per cent in 2019 and 5.7 per cent in 2020. Only a few countries, including Bangladesh, Burkina Faso, Cambodia, Ethiopia, Rwanda, Senegal and South Sudan, which have more diverse economies than other countries in the category, exhibited economic growth of 7 per cent or more in 2018. In 2018, negative growth rates were experienced in the Sudan, due to balance of payment constraints, and in Yemen, because of the ongoing conflict.

3. A longer-term assessment of the economic performance of the least developed countries shows uneven growth, with more countries exhibiting structural vulnerability and economic volatility. The annual percentage change in growth between 2010 and 2017 showed that fewer countries were growing at 7 per cent, the target set in the Istanbul Programme of Action and the Sustainable Development Goals.² Furthermore, over the same period, four of the least developed countries exhibited negative growth, compared with two in 2018.

4. In the near term, until 2020, growth is expected to remain relatively robust in the least developed countries but fall short of the 7 per cent target. Rising levels of debt, negative impacts of climate change and increased global uncertainty, including from trade tensions, may act as a drag on economic activity and further depress projected growth in GDP.

¹ The statistical data used for the present report are available at <http://unohrrls.org/about-ldcs/publications>.

² General Assembly resolution 70/1, annex.

5. Since GDP grew only slightly from 2017 to 2018, per capita growth was also limited, and efforts to eradicate poverty met with greater challenges. Medium-term prospects for per capita income in many of the least developed countries are subdued. This calls for accelerated investment to improve economy-wide productivity and create more decent jobs, along with increased budgetary allocations for social protection and human capital development. However, the least developed countries face barriers in attracting public and private investment, due to macroeconomic, regulatory, market and other perceived risks, as well as difficulties in the effective preparation and development of future projects.

6. The most recent data show that the rate of extreme poverty in the least developed countries, measured as the population living below \$1.90 per day, fell to 35.5 per cent in 2015, from 36.2 per cent in 2013. In addition, the poverty gap, which reflects both the depth of poverty as well as its incidence, declined more slowly from 13.5 per cent to 13.1 per cent. Recent projections indicate that nearly 30 per cent of the population will remain in extreme poverty by 2030. If poverty in all its forms is to be eradicated by 2030, as agreed by the global community in the 2030 Agenda for Sustainable Development, further action is needed to implement development goals for the least developed countries.

A. Productive capacity

7. Enhancing productive capacity involves, inter alia, creating new areas of activity and shifting resources from low value-added and low productivity activities to higher value-added and high productivity activities. Comparing 2010 with 2017, the share of agriculture, forestry and fisheries decreased marginally from 22 per cent to 21 per cent, the share of manufacturing increased from 10 per cent to 12 per cent and the share of services increased from 44 per cent to 45 per cent. This suggests only modest improvements in productive capacities, which were not uniformly reflected across the economies of the least developed countries. Changes in emerging technologies in the manufacturing sector have made it much more capital- and skills-intensive, while the low levels of physical and human capital in the least developed countries make the further expansion of structural transformation more challenging. In addition, investment, which is key to building productive capacities, remained relatively low in the least developed countries. Gross fixed capital formation has generally been constant, accounting for only about a quarter of economic activity in the least developed countries between 2011 and 2017.

Infrastructure

8. Sustainable and resilient infrastructure is a prerequisite for achieving the Istanbul Programme of Action and the Sustainable Development Goals. In 2017, mobile cellular subscriptions in the least developed countries rose from 33 per 100 people in 2010 to almost 70 per 100 in 2017; basic mobile telephone services have provided a platform for various applications to improve livelihoods, including in areas such as basic health and financial inclusion.

9. In contrast, Internet access remains low in the least developed countries, standing at 17.5 per cent in 2017, an increase of about 2 percentage points since 2016. There is great variation among countries, with Bhutan and Djibouti having an Internet penetration rate of over 40 per cent while in six other least developed countries the rate was less than 5 per cent. With slightly more than 20 users per 100 inhabitants, mobile broadband subscription rates remain even lower. Improvements in high-speed connectivity, affordability and skills will be essential if the least developed countries are to benefit fully from the most promising broadband applications for education, health and e-commerce.

10. Transport infrastructure has a direct impact on access to world markets and on improving global competitiveness. In 2017, the least developed countries accounted for only 1.1 per cent of global air freight, with Ethiopia representing 87 per cent of that share. The expansion of air freight is constrained by inadequate infrastructure, restrictions on traffic rights and limited multimodal transport connectivity. According to the Liner Shipping Connectivity Index, which captures how well countries are connected to global shipping networks, the least developed countries, on average, ranked lower than other developing countries between 2015 and 2018. This is partly attributable to poor infrastructure and protracted customs procedures.

11. Public-private partnerships are an important source of 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 mainly in the energy sector. Some of the countries that benefitted were Cambodia (\$100 million), Mali (\$95.7 million) and Myanmar (\$293 million). The least developed countries require large-scale investment to build and maintain resilient infrastructure and to acquire new technologies, yet private investment is declining and is not diversified. While several multilateral development banks have stepped up efforts to mobilize private investment, greater efforts are required, especially in infrastructure.

Energy

12. In 2015, 66 per cent of final energy consumption in the least developed countries was from renewables, 84 per cent of which was from traditional biofuels, which have negative health and environmental effects. Access to electricity increased by about 10 per cent from 34 per cent in 2011 to 45 per cent in 2016. Disparities persist across countries and regions, with an access rate of 34 per cent in rural areas, compared with 74 per cent in urban areas. Afghanistan, Bhutan, Kiribati, the Lao People's Democratic Republic, Nepal and Tuvalu have achieved electrification rates of 80 per cent or more. The access rate in three countries (Burundi, Chad and South Sudan) is below 10 per cent. The low overall rates of access to electrical supply are a result of, among other things, the high costs of power generation, transmission and distribution, low population density (especially in rural areas), high leakage rates, high operational costs and low investment.

13. To attain universal access to affordable, reliable and modern energy and to reach more remote populations by 2030, the least developed countries will require a higher level of investment in infrastructure, including a combination of off-grid, mini-grid and decentralized grid-connected solutions, which rely primarily on private investment and third-party ownership. Fostering investment in renewables, improving technology transfer, establishing pay-as-you-go business models and enhancing regional integration can help to bridge the gap.

Science, technology and innovation

14. New and emerging technologies are being used to enhance sustainable development in some least developed countries, but are far from being widely used. Available data on research and development, which drives both imitation and invention, show that the median ratio of expenditure in this field as a share of GDP was 0.75 per cent or less in between 2015 and 2016, compared with the global figure of around 2 per cent. In 2016: (a) citizens of the least developed countries, both residents and non-residents, filed only 922 patents; and (b) only about nine journal articles were published for every million people. It is expected that the Technology Bank for the Least Developed Countries will make a positive contribution to the advancement of science, technology and innovation, including through its work on

access to digital research, which will facilitate online access to scientific journals, books and databases.

Private sector development

15. The least developed countries have continued to make progress on creating an enabling environment for the private sector. For example, on average, the cost of starting a business as a percentage of per capita income declined from about 89 per cent to 42 per cent between 2010 and 2017. Only five of the least developed countries were ranked in the top 100 in the 2018 ease of doing business index (see also paras. 46–56 below). Limited access to finance, the limited supply and high costs of energy, skills gaps and limited access to ICT continue to constrain private sector development in the least developed countries.

B. Agriculture, food security and rural development

16. For the least developed countries as a whole, the value added of agriculture, forestry and fisheries as a share of GDP was 21 per cent in 2017, a slight decline from 22 per cent in 2011. In 2017, 67 per cent of the population lived in rural areas and 60 per cent was employed in the agricultural sector. In terms of irrigation, agricultural production is still primarily rain-fed. Despite an increase in the use of fertilizer per hectare of arable land (from 24.2 kg in 2011 to 27.2 kg in 2016), agricultural productivity remained low, and even experienced a decline from 111.5 in 2011 to 107.9 in 2015, as measured by the gross per capita production index, relative to the baseline period from 2004 to 2006, in part due to the sector's high level of exposure to adverse weather events.

17. The number of undernourished people in the least developed countries increased by 32.7 million during the period from 2011 to 2017. The share of undernourished people in the world living in the least developed countries also rose from 26.7 per cent in 2011 to 29.9 per cent in 2017. Recurrent extreme weather events and natural disasters seriously hampered agricultural productivity, which was compounded by inadequate infrastructure and limited disaster management capabilities. Conflict and instability exacerbated the food security challenges faced by vulnerable populations. For example, in South Sudan, large-scale violence disrupted agriculture and food systems, contributing to acute food insecurity and increasing the population at risk of malnutrition across the country. The prolonged conflict in Yemen led to a major humanitarian crisis, with 67 per cent of the population in a situation of acute food insecurity. In the Central African Republic, both host and displaced communities were affected by food shortages, while access to agricultural inputs remained limited.

C. Trade

18. After three years of negative growth due to low energy prices, merchandise exports from the least developed countries experienced a strong rebound in 2017, expanding by 16.4 per cent, faster than world merchandise exports, which grew by 10.4 per cent. However, even such a significant expansion was not enough to reverse the long-standing marginalization of the least developed countries in international trade. In 2017 the countries' share of world merchandise exports increased only slightly, from 0.91 per cent to 0.96 per cent, remaining under the 1 per cent threshold for the third consecutive year. With only one and a half years until the target date for the implementation of the Istanbul Programme of Action in 2020, this underscores the difficulties in meeting the target of doubling the share of global exports from the least developed countries, in particular given the modest rebound of international

commodity prices and the possible risks associated with growing tensions in international trade and reduced global demand.

19. During the reporting period, the prevalence of primary products in total merchandise exports from the least developed countries continued to decline, accounting for only 55 per cent in 2017, compared with 73 per cent in 2010. The share of manufactured products reached 40 per cent (up from 22 per cent in 2010), mainly reflecting an increase in the share of clothing products from 12 per cent to 29 per cent during the same period. Agricultural raw materials and food represented 14 per cent of total exports from the least developed countries in 2017, up from 10 per cent in 2010. China and the European Union were the top destinations for merchandise exports from the least developed countries, each accounting for more than a quarter of total exports in 2017. While China imported more than half of the exports of fuels and mining products from those countries, the European Union was the leading importer of agricultural and manufacturing exports. India, Japan, Thailand and the United States of America also continued to be important export markets for the least developed countries.

20. The participation of the least developed countries in world services trade continued to be quite low owing to their small domestic supply base, which is concentrated in a few economies. Following a decade of sustained growth, trade in commercial services by the least developed countries began to slow in 2014, and was only to pick up again in 2017. Exports increased by 6.9 per cent, reaching \$34.2 billion, while imports grew at a rate of 8 per cent, reaching \$67.7 billion. Travel services remained the top export category, representing more than half of services exports from the least developed countries in 2017, with transport and other business services each accounting for roughly a quarter of the total value of services provided. In the period since 2011, the number of tourists arriving in the least developed countries grew from 20 million to nearly 29 million, bringing an increase in travel receipts, which reached more than \$21 billion in 2016.

21. The least developed countries continue to benefit from preferential market access to both traditional and emerging trading partners, with the vast majority of their exports entering most developed markets duty free. The non-utilization rate of tariff preferences for eligible exports from the least developed countries accounts for between about 5 per cent and 15 per cent of total exports to developed country markets.

D. Commodities

22. The average export concentration index for the least developed countries as a whole fell from 0.425 in 2011 to 0.225 in 2017, which shows a positive trend in export diversification. Despite this reduction, these economies continue to exhibit a high degree of export concentration, in particular compared with other developing countries, where the export concentration index in 2017 was 0.09. Commodity exports comprised 64 per cent of total exports in 2017, an increase from 62 per cent in 2016, although there had been a decrease from 78 per cent in 2011. Of the 47 least developed countries, 38 countries (80 per cent) were commodity-dependent.

23. The dependence on primary commodities highlights the importance of diversification, in particular for countries that are dependent on commodities subject to high price volatility, such as petroleum, gold, rice, cocoa, coffee and cotton. Diversification to non-traditional exports and value addition through processing could mitigate exposure to price shocks and increase the resilience of the economy. Targeted and sectoral policies could be accompanied by horizontal policies in the areas of macroeconomic governance, training and skills development and infrastructure

development, to create favourable conditions and support the building of linkages between the commodity sector and the rest of the economy.

E. Human and social development

Population and primary health

24. Population growth is forecast to continue decreasing in most of the world but it is accelerating in the least developed countries. Although fertility levels have declined (from 4.4 births per woman in 2011 to 4.1 in 2016), the combined population of the least developed countries is projected to increase from 1 billion in 2018 to 1.3 billion in 2030, at more than double the pace of world population growth.

25. Despite progress over the past two decades, in 2017 alone an estimated 2 million children died in the least developed countries, mostly from preventable causes. More than a third of all under-five deaths occurred in those countries. Due to growing child populations and a shift in population distribution towards high-mortality regions, the share of global under-five deaths in the least developed countries is only expected to increase further in the next few decades. Scaling up preventive and curative life-saving health interventions is essential to further combat child mortality.

Education and training

26. At present, 287 million young people of primary and secondary school age live in the least developed countries, accounting for approximately 19 per cent of the world's population in that age group. From 1990 to 2019, the number of years spent in school has risen from 5.1 years to 9.3 years, but it is still nearly 3 years shorter than the global average. The proportion of children of primary school age who are in school reached 81 per cent in 2017. However, about 28 million children, or more than 1 in 5 children of primary school age, are still not in school.

27. Enrolment in primary and secondary education in the least developed countries has more than doubled, from 107 million in 2000 to 215 million in 2017, but participation in tertiary education is much lower than in the rest of the world. The gross enrolment ratio in 2017 was 10 per cent compared with 38 per cent worldwide. Since 2000, the number of primary and secondary school teachers has increased at a slightly faster pace than enrolment, resulting in a decrease in the pupil-teacher ratio.

Youth development

28. Worldwide, more than 1.2 billion young people between 15 and 24 years of age are embarking on the path to adulthood, with high career aspirations. However, for the almost 200 million youth in the least developed countries, such aspirations will most likely not be met. Many will not finish school and, given the large informal sector, insufficient job creation, low productivity and weak labour standards, will struggle to find decent jobs.

29. The education systems in many least developed countries leave a substantial proportion of the population behind. Many adolescents leave school prematurely, before acquiring sufficient skills to transition into productive occupations in the labour market. The number of out-of-school youth of upper secondary school age has increased, contrary to the trends for the out-of-school population of primary and lower secondary school age. On average, fewer than 68 per cent of youth aged between 15 and 24 are literate. Even those who are educated and trained are likely to find themselves without the skills that are in demand in the labour market. Factors such as extreme poverty, early pregnancy and sexually transmitted infections contribute to high early school dropout rates, with negative consequences on employment

prospects for the young. Rapid growth in the youth population over the coming years could challenge sustainable development, if the labour markets are not able to keep pace.

30. Nearly three out of five of the least developed countries have adopted national youth policies, but more needs to be done to improve the effectiveness and inclusiveness of such policies and to ensure that public and private investments target the most vulnerable and disadvantaged young people.

Shelter, water and sanitation

31. By 2030, an estimated 40 per cent of the population of the least developed countries will live in urban areas, up from 33.5 per cent today. On average, the share of the urban population living in slums decreased from 70.2 per cent in 2005 to 62.7 per cent in 2014.

32. Inadequate sanitation facilities and deficiencies in water management and wastewater treatment continue to present major hurdles to the sustainable provision of, and access to, drinking water. In 2015, only 61 per cent of the population of the least developed countries had access to basic drinking water services, up from 51 per cent in 2000.

33. The management and collection of solid waste is not well advanced in the least developed countries, and is irregular at best, leading to illegal practices, such as the illegal dumping or open burning of waste.

Gender equality and the empowerment of women

34. Some progress has been made on gender parity in education in the least developed countries. At the primary level, the gender parity index for the gross enrolment ratio (the ratio of female to male enrolment) increased from 0.79 in 1990 to 0.95 in 2017, which was still short of the 0.97–1.03 range within which it is assumed that gender parity has largely been achieved. In secondary and tertiary education, disparities are larger, despite noticeable progress since 1990. By 2017, one-third of the least developed countries had achieved gender parity at the primary school level, almost one in every six at the secondary school level, but none at the tertiary level of education.

35. Some least developed countries in Africa are among the world's top performers in terms of the percentage of parliamentary seats held by women, with the highest rates in 2018 observed in Senegal (42 per cent), followed by Mozambique (40 per cent) and Rwanda (38 per cent). Overall, however, the average rate of women holding office in the least developed countries reached only 19 per cent in 2017, compared with a global average of 24 per cent.

Social protection

36. The lack of basic social protection floors in most least developed countries leaves people vulnerable to poor health, poverty, inequality and social exclusion throughout their lives and poses a significant obstacle to economic and social development. Only 9 of the 37 least developed countries for which data exist provide health care for more than 20 per cent of the population. The average spending on social protection as a share of GDP has increased to 4.2 per cent. Policy reforms to identify financing options and fiscal space are needed to ensure that the right to social protection becomes a reality for all.

F. Multiple crises and other emerging challenges

37. The economic vulnerability index is one of the three criteria that are used to determine whether a country is in the least developed country category. During the 2018 review by the Committee for Development Policy, the following nine least developed countries were found to have met the graduation threshold of the index: Bangladesh, the Democratic Republic of the Congo, Guinea, Haiti, Myanmar, Nepal, Togo, Uganda and the United Republic of Tanzania. Significant increases in the index values were registered in Afghanistan, Benin, Chad, the Comoros, Guinea, Malawi, Mali and Yemen, primarily as a result of increased export instability. None of the three least developed countries that were designated for graduation by the General Assembly in its resolution 73/133 (Bhutan, Sao Tome and Principe and Solomon Islands) have met the graduation threshold.

Economic shocks

38. The current account balance for the least developed countries as a whole has deteriorated, with an increase in the deficit from \$50,219 million in 2016 to \$52,581 million in 2017. While the least developed countries as a whole continued to be reliant on a limited set of commodities, their average export concentration index fell to 0.225 in 2017.

39. External indebtedness remains a serious concern in the least developed countries. Although debt servicing as a proportion of exports of goods and services and of primary income decreased on average in those countries to 7.8 per cent in 2017, compared with 9.9 per cent in 2016, 15 countries experienced increases. In 2017, three countries, Bhutan, Djibouti and Mozambique, had debt stocks that were greater than 100 per cent of their gross national income (GNI) and another 8 had debt stocks that were between 50 per cent and 100 per cent of their GNI. As at November 2018, 12 countries were listed as having a high risk of distress and 5 were in debt distress (see also paras. 57–61 below).

Climate change and environmental sustainability

40. The 20 warmest years on record were in the past 22 years, with the last 4 being the hottest. The special report entitled *Global Warming of 1.5°C*, published by the Intergovernmental Panel on Climate Change, states that the average global temperature for the decade from 2006 to 2015 was 0.86°C above the pre-industrial baseline, and for the past five years, from 2014 to 2018, it was 1.04°C above the pre-industrial baseline.

41. Against this backdrop, there have been modest improvements in adaptation finance for the least developed countries through several multilateral financial mechanisms. In June 2018, the Least Developed Countries Fund under the United Nations Framework Convention on Climate Change raised the maximum amount that each country could access from \$40 million to \$50 million to enable full implementation of the Global Environment Facility Programming Strategy on Adaptation to Climate Change for the Least Developed Countries Fund and the Special Climate Change Fund for the period from 2018 to 2022. In the 2018 fiscal year, the Least Developed Countries Fund received over \$95.3 million in new pledges and 13 new full-scale projects were approved to support adaptation planning and national adaptation plan processes and to help countries enhance their resilience.

42. As at January 2019, 38 least developed countries had benefited, through the Green Climate Fund, from funding proposals totalling \$2.8 billion, which leverage co-financing of over \$1.6 billion, as well as through the Readiness and Preparatory Support Programme under the Green Climate Fund, which supports countries in

strengthening their institutional capacities to engage with the Fund and in project development.

43. At its twenty-fourth session, held in November 2018, the Conference of the Parties to the United Nations Framework Convention on Climate Change updated the work programme for the least developed countries to reflect their needs, thereby continuing to provide support on a range of issues, including training, capacity-building, the national adaptation plan process, nationally determined contributions, public awareness, the development and transfer of adaptation technology, meteorological and hydrological services and reporting and review.

Disaster risk reduction

44. In 2018, extreme weather events continued to have an impact on nations worldwide, and the least developed countries were particularly hard hit. Climate-related events had the biggest impact on acute food insecurity and malnutrition and required urgent humanitarian action in a great number of countries in Africa. Over the past year, hydrological disasters were the deadliest, together with the resulting floods, mudslides and landslides. Climate-related disasters have also caused large-scale internal displacement. Hurricanes and cyclones in the 2018 season were among the most intense and costly, affecting an estimated total of 1.5 million people in the least developed countries. The Son-Tinh tropical storm caused extensive flooding in the Lao People's Democratic Republic, affecting an estimated 780,000 people. Flooding also affected many parts of East Africa in March and April 2018, including Ethiopia, Somalia and the United Republic of Tanzania. Drought in Afghanistan affected an estimated 2.2 million people in 2018.

45. The United Nations Office for Disaster Risk Reduction estimates that average annual losses in the least developed countries in 2017 as a result of disasters were 8.5 per cent of GDP. As at December 2018, 20 least developed countries had received technical support from the Office to formulate or update national disaster risk reduction strategies and to ensure coherence with the sustainable development and climate change agendas. The Office is also supporting the Least Developed Countries Expert Group, established in 2001 by the Conference of the Parties to the United Nations Framework Convention on Climate Change, to develop a guidance document for national authorities and stakeholders in the least developed countries on synergies and coherence between disaster risk reduction and national climate adaptation strategies and to integrate disaster risk reduction and climate change adaptation into sustainable development plans, which will result in savings in terms of recovery costs.

G. Mobilizing financial resources for development and capacity-building

Domestic resource mobilization

46. After a steady increase in previous years, median government revenue in the least developed countries, excluding grants, stagnated at around 18.8 per cent in 2016 and 2017. The exceptionally low domestic revenues are the by-product of the economic structures, high poverty rates, weak tax administration and tax systems of the countries themselves, as well as the role of international tax agreements, financial secrecy jurisdictions and tax havens in facilitating tax evasion and illicit tax avoidance that involves the transfer of wealth across borders. Median gross domestic savings recovered to 12.5 per cent in 2017 after dipping to 10.7 per cent in 2016.

47. Savings are partly constrained by low per capita income, a high dependency rate and underdevelopment of the domestic financial sector in the least developed

countries, although the proportion of the adult population that owns an account at a financial institution or uses a mobile-money-service provider has increased drastically, from 9 per cent in 2014 to 34 per cent in 2017.

Development cooperation

48. In 2017, following several years of decline, ODA received by the least developed countries from members of the Development Assistance Committee of the Organization for Economic Cooperation and Development increased to \$42.5 billion. The share of total ODA to the least developed countries increased from 27 per cent in 2016 to 29 per cent in 2017, while the overall share of ODA to the least developed countries in the GNI of donor States remained constant, at 0.09 per cent. The number of donors providing 0.15 per cent or more of their 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 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 the least developed countries are still larger than private flows, foreign direct investment or remittances.

49. ODA has mobilized much less private capital in the least developed countries than in other developing countries: of the \$119.5 billion mobilized from 2012 to 2017 for all developing countries, \$9.3 billion (8 per cent) was for the least developed countries, mainly generated through credit and risk guarantees. Thus, while an increase in blended finance for the least developed countries could increase overall funding for the Sustainable Development Goals, it needs to be aligned with national priorities and not decrease the amount of ODA for other purposes.

External debt

50. In 2017, the external indebtedness of the least developed countries decreased slightly from its peak in 2016. The average debt stocks declined from 30.6 per cent of GNI to 29.9 per cent. However, they were much higher for the least developed countries in Africa, at 33.8 per cent in 2017, despite the fact that several of them had benefitted from the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. At the same time there was considerable variation among the least developed countries, with debt stocks ranging from 113.3 per cent of GNI in Bhutan to 1.9 per cent in Timor-Leste.

51. The composition of the debt stock of the least developed countries has also changed, with a higher share of non-traditional bilateral creditors (notably China) and private creditors (including through bond issuance and syndicated commercial bank loans) in public and publicly guaranteed debt. This exposes countries to interest rate and refinancing risks, with borrowing costs expected to increase, which might have a negative impact on debt sustainability.

Foreign direct investment

52. Foreign-owned companies account for a significant share of formal private sector employment in the least developed countries and rank among the largest individual employers. Flows of FDI to the least developed countries decreased by 17 per cent in 2017, to \$26 billion, following a decline of 13 per cent in 2016. Flows to the least developed countries are equal to less than 2 per cent of global flows, down from 3 per cent in 2013 and 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.

53. Green field investment FDI projects that were announced in 2017 declined by 43 per cent to a four-year low, as investors, mainly from developing countries, scaled down their capital spending plans, especially in the services sector, including electricity, construction and telecommunications. In the medium term, prospects depend on the implementation of large-scale infrastructure projects. The least developed countries in Africa could benefit from increasing investment driven by the establishment of the African Continental Free Trade Area. At the 2018 World Investment Forum, the importance of establishing an investment promotion regime for the least developed countries was highlighted.

Remittances

54. Remittance flows to the least developed countries are estimated to have increased to \$43.8 billion in 2018, an annual increase of 11 per cent, due, in part, to the increase in outward flows from the countries of the Gulf Cooperation Council. However, downside risks to economic growth and restrictive immigration policies in many destination countries may moderate the future growth of remittances.

55. Remittance inflows are concentrated in a few of the least developed countries, with six countries (Bangladesh, Haiti, Myanmar, Nepal, Senegal and Yemen) accounting for more than 80 per cent of the total. In addition, for some smaller countries, including the Comoros and the Gambia, remittances amounted to 20 per cent or more of GDP.

56. The average cost of sending remittances remained almost stagnant at 6.9 per cent in the third quarter of 2018, more than twice the 3 per cent level committed to in the Addis Ababa Action Agenda. In many least developed countries, such costs are even higher, reaching up to 20 per cent. Factors contributing to the high costs include de-risking measures taken by commercial banks and exclusive partnerships between national post office systems and a single money transfer operator.

H. Good governance at all levels

57. The Istanbul Programme of Action has a target to strengthen and effectively implement measures to prevent corruption and increase the transparency of budgets and expenditure. Almost all the least developed countries (45 out of 47) are parties to the United Nations Convention against Corruption. Combating corruption is crucial for reducing illicit financial flows.

58. E-governance can enhance transparency and contribute to improve the responses of Governments to external shocks and crises, including through the use of digital technologies such as geographic information systems in managing emergency responses. The average e-government development index for the least developed countries increased from 0.235 in 2016 to 0.296 in 2018, although it remains much lower than for other groups of countries and below the world average of 0.549. The telecommunications infrastructure component for the least developed countries is 0.152, less than half the world average. However, there are large variations among the countries. Bangladesh is the top performer, with an index score of 0.486, followed by Nepal at 0.475 and Rwanda at 0.459. At the other end of the spectrum, Somalia has a score of 0.057.

59. In May 2018, the Board of the Extractive Industries Transparency Initiative, which promotes the open and accountable management of oil, gas and mineral resources, concluded that Senegal had made satisfactory progress in meeting the requirements of the Initiative, making it the first country in Africa and the fourth of the 51 implementing countries to have reach that level of progress. Senegal had used the Initiative to support reforms to the oversight of the extractive industries and public

financial management. Timor-Leste was also rated as having made significant progress. In addition, the following nine least developed countries made meaningful progress: Burkina Faso, Madagascar, Mali, Mauritania, Mozambique, Sao Tome and Principe, Togo, United Republic of Tanzania and Zambia.

60. The ease of doing business is a crucial aspect of good governance. The *Doing Business 2019* report, published by the World Bank Group, ranks Rwanda at twenty-ninth place, with a score of 77.88, followed by Bhutan (66.08), Zambia (65.08), Vanuatu (62.87) and Djibouti (62.02). Rwanda and Djibouti are also among the top 10 reformers, together with Togo and Afghanistan, the latter of which leads the list with an increase of more than 10 points in its score. Afghanistan focused on enhancing the legal framework for businesses by strengthening minority investor protections and adopting a new insolvency legal framework. Djibouti is in the list of top 10 improvers for the second consecutive year, having strengthened its legal framework and digitized its land registry. Overall, the average value for the ease of doing business index for all the least developed countries increased from 45.43 in 2017 to 46.23 in 2019.

61. Significant gaps also persist with respect to statistical capacities and data collection in the least developed countries, which are crucial for policy planning and monitoring. For example, in 2017, the proportion of children under five years of age whose births have been registered with a civil authority was 40.5 per cent, compared with a world average of 73.1 per cent.

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

62. As the time for the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020 draws to an end, many stakeholders engaged in the implementation process have increased their focus on the graduation of the least developed countries and the smooth transition of their activities.

63. The majority of Governments of the least developed countries have mainstreamed the Istanbul Programme of Action into their national plans and strategies in order to achieve the targets set and to meet the criteria for graduation. For example, since the adoption of the Programme of Action, Bangladesh has taken concrete steps to achieve sustained, equitable and inclusive economic growth by strengthening productive capacity through a national strategy on structural transformation. These steps have included promoting an enabling environment for manufacturing-led exports, enhancing labour skills to boost productivity, developing special economic zones, replacing and upgrading technology and enhancing research and development. As a result of this approach, Bangladesh was one of the few of the least developed countries to meet all three criteria for graduation in the 2018 review by the Committee for Development Policy.

64. Another example is the seventh national development plan of Zambia for the period from 2017 to 2021, which is aimed at creating a diversified and resilient economy for sustained growth and socioeconomic transformation, without leaving anyone behind, while mainstreaming the Istanbul Programme of Action and the Sustainable Development Goals. Zambia has demonstrated progress in various sectors, including economic growth, electricity generation, the net enrolment rate at primary and secondary schools and the percentage of the population living below the poverty line. Despite these improvements, the country still faces challenges in meeting the targets set in the Programme of Action on the human asset and economic vulnerability indexes needed for graduation.

65. The entities of the United Nations system have contributed actively to the implementation of the Istanbul Programme of Action, individually and through a range of joint programmes and activities. For example, the World Intellectual Property Organization has implemented training programmes on intellectual property rights in the global economy for the least developed countries, focusing on technology transfer, copyright for development and general Internet Protocol programmes. The entities of the United Nations system continued to meet biannually at dedicated meetings of the Inter-Agency Consultative Group for Least Developed Countries, which are held to ensure full mobilization, coherence and coordinated implementation on the part of the Organization. To further enhance coordinated support for countries graduating from the least developed country category, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States established an inter-agency task force on graduation and smooth transition in late 2017. The task force met on a regular basis in 2018 with the objective of providing strengthened and coordinated United Nations system-wide support to the graduating countries. The work of the task force is focused on increased information exchange, the coordination of activities, including joint missions, common messaging, the provision of smooth transition measures specific to the least developed countries and additional incentives. In 2018, the Department of Economic and Social Affairs launched an Internet portal called Gradjet, which provides tailored information and suggests a series of activities for each stage of graduation. The portal also directs users to relevant United Nations contacts for further assistance.

66. Development partners have continued to implement the Programme of Action through their national development policy strategies at various levels (see also paras. 46–61 above). The importance of South-South cooperation in addressing the persistent development challenges of the least developed countries through trade, FDI and technology transfer has grown. In 2017, South-South trade accounted for 28 per cent of global trade flows and China has become the main export destination for goods from the least developed countries. Reflecting the increasing importance of South-South cooperation for those countries, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and the United Nations Office for South-South Cooperation signed a statement of intent in November 2018 to enhance their substantive collaboration.

67. Civil society organizations have been engaged in several activities that contribute to the implementation of the Istanbul Programme of Action. LDC Watch, a global alliance of national, regional and international civil society organizations located in the least developed countries, prepared a strategic paper, which outlined the course of action after 2018 and initiated a discussion on the priorities for the next programme of action for the least developed countries.

68. LDC Watch, in collaboration with other civil society organizations, convened several national workshops, including consultations on the implementation of the Istanbul Programme of Action and the Sustainable Development Goals, in Senegal, in March 2018, in Myanmar, in April 2018, and in Mali, in May 2018. The consultation in Myanmar also had the objective of raising awareness among civil society representatives, parliamentarians, Governments of the least developed countries and development partners on Myanmar's graduation process from the least developed country category.

69. The academic community has remained actively engaged in the implementation of the Istanbul Programme of Action, with an increasingly strong focus on graduation and smooth transition. A partnership for the monitoring of the outcome of the fourth United Nations Conference on the Least Developed Countries, LDC IV Monitor, has authored various articles on this topic and the Centre for Policy Dialogue published

a book³ that analysed Bangladesh's experience of graduating from the least developed country category. In addition, the Least Developed Countries Universities Consortium on Climate Change, which seeks to enhance the capacity of the least developed countries themselves to address climate change through research, knowledge-sharing and education, has been actively engaged with its membership and in preparing a five-year workplan. The consortium includes a core group of 10 universities in Bangladesh, Bhutan, Ethiopia, the Gambia, Mozambique, Nepal, Senegal, the Sudan, Uganda and the United Republic of Tanzania.

70. Private sector engagement has also remained strong. The High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States chaired a working group on broadband for the most vulnerable countries, which was established under the Broadband Commission for Sustainable Development to identify, among other things, best practices and opportunities for leveraging broadband investment for national development and to engage with various private sector representatives, entities of the United Nations system and academia. Private sector representatives are also members of the Governing Council of the Technology Bank for the Least Developed Countries.

71. The Investment Support Programme for the Least Developed Countries, developed jointly by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and the International Development Law Organization, continued to support the least developed countries in their efforts to increase foreign investment. The programme provides pro bono or reduced-fee services on investment-related negotiation and dispute-settlement advice and representation to the Governments of the least developed countries and underresourced companies. The programme is fully operational, and several major law firms have indicated their availability to participate.

72. In 2018, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States made additional efforts to engage journalists from the least developed countries in promoting the implementation of the Istanbul Programme of Action through a competition focusing on sustainable energy. The journalists were invited to submit stories on how sustainable energy was positively affecting communities in their countries. The published entries revealed stories of inspiring innovation, entrepreneurship and perseverance, often in the face of significant challenges.

Graduation from the least developed country category

73. Further progress has been made by the least developed countries towards meeting the criteria for graduation. In December 2018, the General Assembly took note of the recommendations of the Committee for Development Policy that the following countries be graduated from the least developed country category: Bhutan in 2023, with, on an exceptional basis, an additional preparatory period of two years, and Solomon Islands and Sao Tome and Principe in 2024, with, on an exceptional basis, an additional preparatory period of three years. In addition, in its resolution [2018/27](#), the Economic and Social Council took note of the recommendations of the Committee for Development Policy and decided to defer consideration of the graduation of Kiribati and Tuvalu to no later than 2021. Smooth transition measures remain critical. Loss of access to concessional finance, in particular for highly vulnerable graduating countries, also needs to be addressed.

³ Debapriya Bhattacharya, ed., *Bangladesh's Graduation from the Least Developed Countries Group* (London, Routledge, 2018).

IV. Conclusions and recommendations

74. With only one and a half years left for the implementation of the Istanbul Programme of Action, a broad picture is emerging of uneven progress, with some success stories and instances of best practices, but also obstacles and constraints. In the final stages, the least developed countries, their development partners and the entities of the United Nations system should redouble their efforts to accelerate progress towards achieving the goals and targets of the Programme of Action and build synergies with the 2030 Agenda for Sustainable Development and its Goals, the Addis Ababa Action Agenda, the Paris Agreement on Climate Change and the Sendai Framework for Disaster Risk Reduction 2015–2030.

75. While advances have been made in energy, ICT and transport infrastructure, progress has been slow and uneven across the least developed countries. This presents challenges for generating new dynamic activities characterized by higher value addition and technology content. The prospect for enhancing productive capacity in the least developed countries is even more challenging, given that emerging technologies are more capital- and skills-intensive, and this is therefore a source of concern. The least developed countries and development partners should encourage large-scale investment to build resilient infrastructure and adopt new technologies, including through public-private partnerships and financing from multilateral development banks.

76. The least developed countries should continue their efforts to decrease dependence on primary commodities, especially given their price volatility, including diversification to non-traditional exports and value addition through processing. The increase in the number of undernourished people is also a major source of concern. In the agricultural sector, access to technological inputs, such as high-quality and climate change-resistant seeds and fertilizers, and improved farming methods can contribute to increasing productivity, in particular in areas challenged by adverse agro-ecological conditions.

77. The international community should pursue urgent action to reduce infant, under-five and maternal mortality rates in the least developed countries and to assist them in making meaningful progress towards the implementation of all targets under Sustainable Development Goal 3. The high annual population growth rates in the least developed countries present challenges for enrolment in higher education and the training of a skilled workforce. Young people in the least developed countries should be afforded the opportunity to acquire the education and skills needed to contribute to economic development, and they need access to job markets that can provide them with decent and productive work.

78. To increase domestic resource mobilization, the least developed countries should pursue tax reforms and increase their efforts in the area of international tax cooperation so that they may obtain a fair share of tax revenue. Development partners should further increase the quantity and quality of ODA and strengthen South-South cooperation. To avoid additional debt distress and increase finance available to achieve the Sustainable Development Goals, the international community should consider debt relief and flexible debt service obligations. The least developed countries should implement strategic policies to reverse the decline in FDI, in particular in those sectors with a high development potential, including with larger spillover effects in the form of employment generation, technological advances, the diffusion of managerial skills and economic links with remaining sectors of the economy, all of which would contribute to structural transformation and the achievement of many of the Sustainable Development Goals. In addition, the

international community should adopt, expand and implement investment promotion regimes for the least developed countries.

79. Various stakeholders have been active in the implementation of the Istanbul Programme of Action. However, greater efforts are needed by donors, since the number of donor countries meeting the target set in the Programme of Action of committing 0.15 per cent or more of their GNI as ODA to the least developed countries has decreased from 10 in 2011 to 5 in 2017.

80. The Governments of the least developed countries should build on recent improvements in transparency, including through e-governance and the Extractive Industries Transparency Initiative. The Governments of the least developed countries need to accelerate their capacity-building efforts to ensure that they can fulfil their functions, including public service delivery and disaster management. This will require both the political will of the Governments and targeted support for capacity-building, including for statistics, which are the basis of policy planning. Likewise, the voice and participation of the least developed countries in international processes needs to be strengthened in order to reflect their concerns in global decision-making.

81. Vulnerability to external shocks remains a major and growing concern for the least developed countries, including those in the graduation pipeline, due to persistent exposure to both climate change impacts and high levels of debt. Building resilience remains a high priority. All stakeholders should step up their efforts to implement the Sendai Framework for Disaster Risk Reduction 2015–2030 in the least developed countries, including the target of substantially increasing the number of countries with national and local disaster risk reduction strategies by 2020. Development assistance for ex ante disaster risk reduction and resilience building can make assistance for ex post recovery unnecessary.

82. With a growing number of the least developed countries meeting the criteria for graduation for the first or second time, development partners should provide enhanced support to them to ensure that smooth transition measures are in place and to avoid disruption to development plans, programmes and projects. The loss of access to concessional finance for vulnerable countries also needs to be addressed. The United Nations should work towards greater coherence at the national, regional and global levels to support graduation, such as through the resident coordinator and the inter-agency task force on graduation and smooth transition established by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

83. In its resolution [73/242](#), the General Assembly decided to convene the Fifth United Nations Conference on the Least Developed Countries at the highest possible level, including Heads of State and Government, in 2021. As part of the preparatory process for the Conference, the least developed countries and their development partners will, among other things, undertake a comprehensive appraisal of the implementation of the Istanbul Programme of Action. The Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States was designated as the focal point for the preparations for the Conference. The appraisal and subsequent steps will be critical in ensuring that the upcoming Conference draws on the experience gained to date and that it also identifies new and emerging challenges and opportunities and the means to address them. The entities of the United Nations system should provide the necessary support and contribute actively to the preparatory process and the Conference itself, including through the resident coordinators and country teams. All stakeholders should engage fully to ensure the success of the Conference.