

## **Themes for the panel discussions at the First Session of the Intergovernmental Preparatory Committee for LDC5**

The upcoming Fifth United Nations Conference on Least Developed Countries (LDC5) will take place against a bleak socio-economic backdrop – LDCs saw their economies significantly shrink in 2020, amidst a severe global recession caused by the COVID-19 pandemic. While advanced countries deployed massive fiscal stimulus to cushion the pandemic's impact, and are on the verge of successful mass vaccinations, the policy response in LDCs was much more limited, due to tight fiscal constraints. Access to vaccines remains many months, if not years away.

The COVID-19 pandemic threatens to not only reverse some progress made during the implementation of the Istanbul Programme of Action (IPoA) but also exacerbate persistent challenges in LDCs. Ultimately, this compromises the ability of countries to graduate from the LDC category.

We are at an inflection point. Unless the world takes immediate action to step up support to the most vulnerable countries, there will be another great divergence, with SDG achievements out of reach for most LDCs.

### **1. Investing in people in LDCs: Eradicating poverty and building capacity to leave no one behind**

Prior to the COVID-19 pandemic, it was estimated that nearly 30 per cent of the population in LDCs will remain in extreme poverty by 2030. Forecasts show that by 2030, poverty rates among females and males in LDCs are expected to be at 32.7% and 32.2%, respectively.

Furthermore, good governance, strong institutions and healthy and well-educated population, with the knowledge and skills needed for productive and fulfilling work and full participation in society will be crucial to achieving sustainable development in

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#### **4. Enhancing international trade of LDCs and regional integration**

The participation of LDCs in world trade remained marginal despite the widespread availability of duty-free and quota-free (DFQF) market access. The limited

## **6. Mobilizing international solidarity, reinvigorated global partnerships and innovative tools for risk-informed sustainable development - A march towards sustainable graduation**

LDCs are largely dependent on public resources to finance sustainable development needs and ensure a smooth transition from the LDC category. Domestic resources and ODA have not been sufficient to meet growing investment needs. Increase of ODA mostly reflected humanitarian emergencies in a few countries. During the IPoA implementation period, external debt has been rising, and it is, in some cases, exacerbated by large costs caused by disasters and structural vulnerabilities. In addition, increased risks also derive from the changing composition of the public and publicly-guaranteed debt, with some LDCs starting to issue bonds in the international capital markets and/or contracting non-concessional debt from external private and public sources. The pandemic and its economic fallout have exacerbated financial vulnerabilities and debt risks in LDCs that have been building up over the last decade. Despite support by the international community, lack of access to finance has sharply confined the immediate fiscal response to the crisis in LDCs. The IPoA set an ambitious target for half of the LDCs to meet the criteria for graduation. There are 16 LDCs at various stages of the graduation process. Continued support and incentives would be important for meeting this ambitious target for graduation.

### *Issues to be discussed:*

- Traditional and innovative sources of finance to meet the funding gaps in LDCs
- Support for domestic resource mobilization and fight of illicit financial flows
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