



Economic and Social Council

Distr.: General
19 September 2011

Original: English

Economic and Social Commission for Asia and the Pacific

Committee on Macroeconomic Policy, Poverty Reduction and Inclusive Development

Second session

Bangkok, 7-9 December 2011

Item 7 of the provisional agenda

Issues related to countries with special needs

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

Note by the secretariat

Summary

The Fourth United Nations Conference on the Least Developed Countries, held in Istanbul, Turkey, from 9 to 13 May 2011, adopted the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (the Istanbul Programme of Action), which was subsequently endorsed by the General Assembly in its resolution 65/280. Taking the form of a compact between least developed countries and their development partners, the Istanbul Programme of Action contains eight priority areas for action, each supported by concrete deliverables and commitments. The aim of the Istanbul Programme of Action is to enable half the number of least developed countries to meet the criteria for graduation by 2020.

Effective implementation of the Istanbul Programme of Action requires considerable and sustained attention from all stakeholders, including Governments, international organizations and development partners. To help the Asia-Pacific least developed countries prepare for the full implementation of the Istanbul Programme of Action, the present document outlines some suggestions for formulating an implementation strategy, including identifying priority areas from the Istanbul Programme of Action that they consider to be of relevance.

The Committee may wish to review the document with a view to recommending measures aimed at fostering regional cooperation among all stakeholders in the Asia-Pacific region to achieve the implementation of the Istanbul Programme of Action.

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I. Introduction

1. The Fourth United Nations Conference on the Least Developed Countries, held in Istanbul, Turkey, from 9 to 13 May 2011, adopted the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (the Istanbul Programme of Action),¹ which was subsequently endorsed by the General Assembly in its resolution 65/280 of 17 June 2011. The Istanbul Programme of Action, among other things, noted that, while its predecessor, the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (the Brussels Programme of Action),² had played a positive role in the development of the least developed countries, the specific goals and actions contained therein had not been fully achieved. The improved economic performance of some least developed countries had had a limited impact on employment creation and poverty reduction. In many least developed countries, structural transformation had remained limited, and their vulnerability to external shocks had not been reduced.

II. Key provisions of the Istanbul Programme of Action

2. Taking the form of a compact between least developed countries and their development partners, the Istanbul Programme of Action contains eight priority areas for action, each supported by concrete deliverables and commitments: (a) productive capacity; (b) agriculture, food security and rural

¹ See *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011 (A/CONF.219/7)* (United Nations publication, Sales No. 11.II.A.1).

² A/CONF.191/13, chap. II.

development; (c) trade; (d) commodities; (e) human and social development; (f) multiple crises and other emerging challenges; (g) mobilizing financial resources for development and capacity-building; and (h) governance at all levels.

3. The overarching goal of the Istanbul Programme of Action is to overcome the structural challenges faced by the least developed countries in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category. The aim of the Istanbul Programme of Action is to enable half the number of least developed countries to meet the criteria for graduation by 2020. Only three countries, including Maldives, have graduated so far; while Samoa has been recommended for graduation next, in 2011.

4. Genuine partnership and solidarity are required, with understanding and recognition of the fact that the least developed countries, as the most vulnerable group of countries, need effective national policies, enhanced global support and appropriate mechanisms at all levels for the achievement of the goals and objectives of the Istanbul Programme of Action. At the regional level, the relevant United Nations regional commissions and agencies have been requested to undertake biennial reviews of the implementation of the Istanbul Programme of Action at the regional level, in close coordination with the global-level and country-level follow-up processes, and in cooperation with subregional and regional development banks and intergovernmental organizations. In this connection, ESCAP and the relevant United Nations agencies have been requested to ensure that the needs and challenges of the Asia-Pacific least developed countries are addressed as part of their ongoing work. Some Asia-Pacific least developed countries will require assistance with graduation issues.

III. Policy challenges for Asia-Pacific least developed countries in the implementation of the Istanbul Programme of Action

A. Adjusting to global imbalances

5. In the coming decade, the least developed countries will be required to rethink their development strategies in the light of global imbalances; this is particularly true of those countries which have relied on the import demand from developed countries, especially the United States of America and the countries of the European Union. These least developed countries will have to identify new drivers of growth to compensate for the anticipated reduction in demand in traditional export markets. Each least developed country will have to address its own specific needs and constraints and exploit the opportunities for strengthening growth and achieving the Millennium Development Goals. A critical concern for the least developed countries involves introducing deliberate changes into the growth pattern and government policies, so that economic growth becomes more inclusive, allowing the benefits of growth to be shared more equitably.

6. The prospects for achieving the Millennium Development Goals by 2015 by the “off-track” least developed countries depend on accelerating growth and narrowing internal disparities. This would require these countries to spend more on basic social services, social protection, and basic infrastructure along with measures for raising the incomes of the poor.

Promoting intraregional trade and investment flows, with more inclusive regional integration benefiting the least developed countries, is crucial. Measures are needed for (a) promoting integrated markets, lower tariff and non-tariff barriers and greater investment in physical infrastructure; (b) creating robust transportation networks and information platforms; and (c) installing better regulatory structures.

7. Asia-Pacific least developed countries need to redouble their efforts to reduce inequality or, at least, keep it constant; poverty and other social deprivations can then be reduced more rapidly and the Millennium Development Goals can be achieved within the stipulated time. The least developed countries therefore need to promote activities that provide the poor with more benefits, such as agriculture and productive employment in small and medium enterprises and the informal sector. In order to create more opportunities for the poor, governments also need to adopt policies aimed at generating more employment opportunities and to invest more in education, health care and other basic social services.

8. Asia-Pacific least developed countries also need to strengthen the links between aid for trade and the implementation of the Istanbul Programme of Action, in particular by developing the trade and transport infrastructure and implementing trade facilitation measures. This would require least developed countries to have greater ownership of the Aid for Trade Initiative by mainstreaming trade into their national and regional development strategies.

B. Reducing economic and social disparities

9. Economic and social imbalances are pervasive in least developed countries with a large majority of people living under \$1.25 per day poverty line. Thus, reducing poverty and ensuring equitable sharing of economic prosperity is an important agenda for mitigating social imbalances in these countries. Moreover, the sheer number of the poor can provide potentially large markets in these countries if additional demand can be created, especially through social and infrastructural investments that provide employment and business opportunities for the poor.

10. Poverty remains a rural phenomenon in Asia-Pacific least developed countries, and policies that promote employment and income opportunities and improve access to basic social services, especially in rural areas, are therefore essential for reducing poverty and rural-urban imbalances. Since the rural poor derive most of their income from agricultural activities, policies to facilitate the access of smallholder producers to land, agricultural inputs, finance, extension services, and markets would both contribute to enhancing food security and reducing poverty. This will also promote non-farm business and employment opportunities. Moreover, investing in agriculture and rural activities is a top priority for these countries because of the expected rise in demand for food and feed resulting from rapid income and population growth.

C. Building the productive capacity of least developed countries

11. To climb the development ladder, least developed countries need to increase their productive capacity. Unfortunately, least developed countries have made little or no progress on this front in the past 40 years. For example, the share of Asia-Pacific least developed countries in world gross domestic product is less than one-tenth of their share of the global population, and their

share of merchandise exports was less than a quarter of 1 per cent throughout a period when global exports experienced a 42-fold increase in current terms. The focus on productive capacities should bring production back to the core of the development agenda; this means that economic development should be focused on diversifying, or expanding product range and complexity, rather than producing more of the same goods and services. However, relying on market forces alone, least developed countries might not be able to diversify enough to yield higher future returns. The special circumstances that least developed countries face require targeted assistance and strategies for the improvement of their productive capacities. In that context, a pragmatic strategy is moving towards more sophisticated products that would better serve further diversification. The strategy would require the government and the private sector coordinating their efforts for steering innovation and replicating successful business models. Asia-Pacific least developed countries would need to pursue policies on macroeconomics, trade, finance and infrastructure that promote strategic diversification and lead to increases in their productive capacities. All of these things could be supported by targeted development assistance, preferential trade agreements and regional and South-South cooperation.

D. Bridging infrastructure gaps

12. The limited availability and low quality of infrastructure in least developed countries constrains the contribution of infrastructure to economic growth by limiting the values of multipliers in terms of investment, employment, output, income and ancillary development. Thus, closing the infrastructure gaps in these countries is necessary if they are to achieve balanced and inclusive development. The resource requirements for bridging or even narrowing infrastructure gaps are substantial, necessitating appropriate financing mechanisms.

13. The low quality of infrastructure in least developed countries disproportionately affects the poor and the rural people due to wide disparities in the quality of infrastructure between urban and rural areas. Since most of the infrastructure related to the Millennium Development Goals is likely to come from the public sector, issues that should receive priority attention in least developed countries include mobilizing financial resources, committing to repairs and maintenance, reforming governance and efforts to increase capacity, bringing better coordination, and paying closer attention to the environmental impact and the implications of climate change.

14. A critical area involves tapping the opportunities for improving infrastructure at the regional and subregional levels. In least developed countries, one of the most immediate benefits of better connectivity is wider cross-national integration between neighbouring border areas that are often among the poorest and most remote regions of a country. In order to derive greater benefits, physical links between the countries need to be accompanied by the harmonization of technical standards, such as railway signalling systems and customs codes.

E. Enhancing food security and strengthening social protection through sustainable agriculture

15. Food and energy price rises are again emerging as an issue of serious concern across much of the Asia-Pacific region. The least developed countries are among those that will be most affected. Policies that provide for

social protection in times of adversity and reduce unacceptable levels of deprivation are important for the least developed countries for both reducing poverty and protecting the population from the risk of falling into poverty as a result of unexpected shocks or disasters. Various types of programmes, such as employment generation measures, cash transfer programmes, targeted social services and microfinance programmes, may be considered by least developed countries.

16. The coverage of the social protection programmes in least developed countries is among the lowest in the world. The fragmented social safety nets that exist in these countries lack the framework of institutionalized welfare systems. They are not adequately funded and do not provide coverage to protect the majority of the vulnerable populations. A minimum level of social security benefits for all citizens could include (a) guaranteed universal access to essential health services; (b) guaranteed income security for all children through family and/or child benefits; (c) guaranteed access to basic means-tested or self-targeted social assistance for the poor and the unemployed; and (d) guaranteed income security through basic pensions for people of old age and people living with disabilities.

17. Poverty remains predominantly a rural phenomenon, and the poor are often concentrated on marginal lands. The agricultural sector is the backbone of the economies of many developing countries, particularly countries with special needs, but growth in this sector has typically been sluggish, or the sector has too often relied on unsustainable production practices. Sustainable productivity increases are urgently required in order to meet the Millennium Development Goals related to food security and poverty reduction. This will require faster and more widespread adoption of technological solutions and approaches to adding value than is currently the case. To accelerate the diffusion and adoption processes, the system of agricultural research for development needs to be altered. Stakeholders need to work together more effectively within countries and across the region to focus on transforming the outputs of research into development outcomes. Attention also needs to be paid to building and strengthening capacity in research and government decision-making bodies in Asia and the Pacific.

F. Promoting financial inclusiveness

18. In least developed countries, the barriers to financial inclusiveness exist on both the demand and supply sides. In general, the development of finance institutions and microfinance institutions has become more successful in reaching out to the poor as well as to small and microenterprises. In addition, public and technology-enabled networks, such as post offices, telecommunications companies and the Internet, hold significant potential for fostering financial inclusiveness in least developed countries. The regulatory environment needs to encourage diversity in the provision of financial services to increase the options available to the poor. The poor in least developed countries can avail themselves of a new range of products and services, such as mobile banking services, through the development of innovative partnerships with non-governmental organizations, microfinance institutions and other entities.

G. Strengthening and expanding regional and South-South cooperation

19. In view of the emerging developments, the Asia-Pacific least developed countries need to embark on a new development paradigm with the strategic goal of becoming better regionally integrated in order to generate rapid growth which is inclusive and sustainable. For boosting regional economic integration, the least developed countries need to address a wide spectrum of constraints in their institutional and physical infrastructure and in the policy agenda. This would require concerted action to evolve a broader framework for economic integration at the regional level that would ensure equitable economic and social benefits for least developed countries. It would also require developing regional transportation networks and improving trade facilitation as well as strengthening connectivity through the wider use of information and communications technologies.

20. External resources, such as official development assistance, will have to play a key role in supporting the economic development and social progress of Asia-Pacific least developed countries. The external resources are needed to build economic and social infrastructure in least developed countries, especially by investing in such basic services as water, sanitation, energy, transport, shelter, health care and education. Such resources can also assist least developed countries in expanding their productive capacities, promoting foreign direct investment and trade, adapting technological innovations, fostering gender equality, ensuring food security and reducing income poverty. It is also important to improve the quality of aid and increase its development impact by building on the fundamental principles of national ownership, harmonization, and managing for results. This would require aligning aid, by sector, with internationally agreed development goals and country priorities.

21. There is scope for extending regional cooperation and policy coordination through the sharing of information and for coordinated actions which are vital for harnessing advantages that no single least developed country can manage on its own. Existing regional cooperation frameworks can be strengthened to face challenges collectively. Development cooperation both within and across regions aiming at developing regional markets and domestic productive capacities should be explored. The areas may cover such priorities as developing new markets, technology transfer, and attracting foreign direct investment. Asia-Pacific least developed countries also need to target climate change mitigation and reduction of environmental vulnerability as development opportunities within the regional framework. If necessary, new frameworks may be created and regional and subregional intergovernmental bodies may be formed to monitor their performance in expanding and revitalizing regional cooperation and economic integration. Asia-Pacific least developed countries should strengthen South-South cooperation and try to obtain special consideration, where appropriate (for example, special and differential treatment in trade and other areas).

H. Promoting good governance at all levels

22. Good governance and rule of law at the local, national and international levels are essential for sustained, inclusive and equitable economic growth, sustainable development and the eradication of poverty and hunger. They are also essential for the achievement of the commitments embodied in the Istanbul Programme of Action.

23. Many Asia-Pacific least developed countries have made progress over the last decade in good governance, rule of law, protection and promotion of human rights, and democratic participation. That progress needs to be enhanced, and the governance issues should be given priority.

24. Sustainable development in least developed countries is closely linked to peace and security. Conflict-affected least developed countries require context-specific approaches to address poverty, security and governance in an integrated manner. Progress in achieving internationally agreed development goals, including the Millennium Development Goals, and towards sustained, inclusive and equitable economic growth and sustainable development has been slowest in least developed countries affected by conflicts. Poverty and hunger are also among the causes of conflict in least developed countries. Conflict resolution and peace processes should be nationally owned and led. Appropriate national policies and strategies should promote confidence-building, conflict prevention and peaceful settlement of disputes. Targeted national policies and assistance and international support measures are required for least developed countries affected by conflict to address the challenges related to peacebuilding, nation building, reconstruction and rehabilitation and to improve and strengthen governance as per their request. The Asia-Pacific least developed countries that are associated with the Dili Declaration³ regard it as a basic framework for addressing post-conflict challenges.

IV. Ways forward

25. A meeting of Asia-Pacific least developed countries on the implementation of Istanbul Programme of Action is being organized by ESCAP in cooperation with the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and will be held in Bangkok from 23 to 25 November 2011. The meeting would bring together all key stakeholders of the Istanbul Programme of Action, including member States, the United Nations system, relevant regional organizations, development partners and the broad spectrum of the civil society from Asia and the Pacific. Senior policymakers and other stakeholders from Asia-Pacific least developed countries as well as their development partners and other member States will be invited to participate. The main objectives of the meeting are (a) to facilitate the formulation of the Istanbul Programme of Action regional implementation strategy and (b) to develop a road map, including capacity development activities, for Asia-Pacific least developed countries to implement the Istanbul Programme of Action.

26. The meeting will start with a dialogue on key policy issues, challenges and opportunities for Asia-Pacific least developed countries on the steps needed to implement the Istanbul Programme of Action. The main objective of the dialogue will be to bring together policymakers from the Governments of least developed countries, eminent persons and independent experts to discuss key issues and identify obstacles and challenges that Asia-Pacific least developed countries would face in formulating an implementation strategy for the Istanbul Programme of Action. Following the policy dialogue, discussions will be organized along five broad clusters, reflecting the commitments and priorities contained in the Istanbul Programme of Action

³ “Dili Declaration: a new vision for peacebuilding and statebuilding”, 10 April 2010 (www.oecd.org/dataoecd/12/30/44927821.pdf).

that are relevant to Asia-Pacific least developed countries. The five suggested clusters are the following:

- (a) Building productive capacities;
- (b) Promoting food security through sustainable agriculture;
- (c) Enhancing the share of least developed countries in trade, aid and financial flows;
- (d) Developing human and institutional capacities to support inclusive and sustainable development in least developed countries;
- (e) Promoting good governance for sustainable development.

V. Conclusions

27. As noted in the Istanbul Programme of Action, in the decade since the adoption of the Brussels Programme of Action in 2001, the least developed countries have made some progress in economic, social and human development. However, there is no room for complacency, as more than 75 per cent of the population of these countries still live in poverty. It is a matter of deep concern to the international community that only three countries have graduated from the least developed country category in the past three decades.

28. In the coming decade, the Asia-Pacific least developed countries will need significantly greater international support so that they can meet their development challenges more effectively, particularly as regards food security, poverty reduction, human resource development, increasing productive capacity and coping with the effects of climate change.

29. The least developed countries continue to have the lowest per capita incomes and the highest population growth rates.⁴ They are the most off-track in the achievement of the internationally agreed development goals, including the Millennium Development Goals, and are at the bottom of the human development index rankings.⁵ Least developed countries have been unable to overcome their economic vulnerability and structurally transform their economies or build resilience against internal and external shocks and crises.

30. One of the most significant challenges facing Asia-Pacific least developed countries lies in promoting inclusive and sustainable growth in order to reduce poverty and improve the quality of life. Such growth requires measures to strengthen social protection along with a focus on agriculture and rural development. It also requires productive capacity and enhanced financial inclusiveness. The persistence of low per capita incomes in least developed countries results in a vicious circle whereby demand for manufactured goods and basic services, such as education, health care and sanitation, is constrained, as is demand for basic infrastructural services. In addition, the supply constraints permeating the economies of the Asia-Pacific least developed countries result in economic activities that are conducted

⁴ See United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects: The 2010 Revision*, CD-ROM Edition (2011) (population growth rate table available from <http://esa.un.org/wpp/Excel-Data/population.htm>).

⁵ See United Nations Development Programme, *Human Development Report 2011: Sustainability and Equity: A Better Future for All* (forthcoming) (available from <http://hdr.undp.org/en/reports/global/hdr2011>).

along a narrow range of products and services, limiting public generation of revenues and investments, and further constraining progress towards achieving the Millennium Development Goals.

31. Many of the Asia-Pacific least developed countries successfully weathered the global economic crisis, and prudent and timely national policies, emphasizing short-term responses to the external shocks, played an important role therein. In order to sustain the growth momentum, these countries need to deepen their dynamism by finding new sources of demand, mainly through increased investment in their productive capacities and diversification of their economies in favour of greater domestic and regional consumption. More specifically, Asia-Pacific least developed countries need to address several major imbalances that characterized the process of their economic growth and social development during the last decade.

32. The Committee may wish to recommend measures for regional cooperation to promote the full implementation of the Istanbul Programme of Action.
