



# HIGH-LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT

**HLPF 2020 session: Responding to the economic shock, relaunching growth and sharing economic benefits and addressing developing countries' financing challenges**

**United Nations Office of the High Representative for the LDCs, LLDCs and SIDS (UN-OHRRLS) - answers to guiding questions:**

- Policies, actions and trade-offs:* What are some promising actions to support progress toward advancing sustainable, inclusive and just economies? What policy measures contribute to human-centred growth and to promote access to quality and productive employment for all? How could these actions be designed to generate synergies between SDG 8 and other Goals and Targets? What are some of the possible trade-offs from these actions and how can they be mitigated (see example below)? What are the most critical interventions that will be needed in economic systems over the next 2 years, 5 years, 10 years? For example, what key measures are necessary in both public and private sectors to promote decent work and social protection, eliminate wage gaps and the unequal burdens of unpaid carework between women and men, and support the transition to a sustainable production and consumption systems and 'green' jobs? What are some concrete policy examples that have illustrated success and could be shared for good practices?**

## Enhancing Productive capacity and diversification in LDCs, LLDCs and SIDS

In many LDCs, LLDCs and SIDS, export earnings are highly dependent on a narrow range of products and services, including oil and minerals, agricultural raw materials and tourism. The economic spillover effects of the current COVID-19 pandemic have shown once again their exposure to external shocks and the need to enhance the resilience of economies and employment through enhanced productive capacity and diversification.

Progress in enhancing productive capacity has been limited in LDCs over the past decade but would be crucial to achieving a sustained GDP growth rate of at least 7% annually (SDG target 8.1). The share of manufacturing in GDP increased only marginally, from 10 to 12%, calling for accelerated action to reach SDG target 9.2 to double this share. In LLDCs, the share of manufacturing in GDP has remained stagnant around 9.5% with slight increases in the past three years. In SIDS, the share has decreased slightly from 8.3 to 7.7% in the last three years. However, a faster increase in energy efficiency in manufacturing is needed to avoid negative effects on climate change. Moving up agricultural value chains presents opportunities for many LDCs, LLDCs and SIDS but enhancing agricultural productivity is key to increased agro-processing, highlighting the importance of addressing climate change impacts. At the same time services also

provide opportunities for the creation of decent jobs, including in sustainable tourism and transport, retail, financial services and business support.

The share of manufactured products in exports by the LDCs increased from 22 to 37% during the period 2011–2018, reflecting an increase in the share of clothing products. In LLDCs, where 26 of the 32 LLDCs are commodity dependent, the share of manufacturing exports increased from 14 to 16% but remains small. Trade comprises a larger share of the GDP of SIDS at 71%, compared to 50% in LDCs and 60% in LLDCs. Many SIDS rely on importing basic food and other agricultural goods, and exports are concentrated in few industries, such as tourism and primary commodities. SIDS also struggle with persistent trade deficits and high costs for debt servicing. The heavy reliance of LDCs, SIDS and LLDCs on primary commodities in production and trade generates macroeconomic instabilities and potentially deepens income inequalities.

To move up global value chains, commodity-dependent countries must diversify their economy and invest in greater value addition to their products. Regional integration, for example through the AfCFTA, and infrastructure development present an opportunity in this respect. Barriers to global trade also limit the exports of the three groups, including through agricultural subsidies and trade and non-trade barriers in developed economies. Governments in LDCs, LLDCs and SIDS need to implement reforms to improve the business environment and design industrial and export policies that incentivize structural transformation, skills and entrepreneurship development, productivity enhancement, environmental sustainability as well as socioeconomic development for local communities. These policies need to focus on the creation of jobs using modern cleaner production and avoid that total labor demand will be reduced through the use of new technologies and automated production.

In addition, support for the adoption of sustainability reporting by companies from LDCs, LLDCs and SIDS through capacity building is needed, so as to improve the private sector contribution to sustainable development, while enhancing firms' competitiveness and their ability to participate in global value chains.

As the development of physical infrastructure is an important prerequisite for sustained economic growth and sustainable development, significant amounts of investment and technology are essential, including through public-private partnerships, innovative financing, capacity building for developing viable bankable infrastructure projects, regional integration and appropriate institutions and regulation, to bridge the existing savings-investment gap.

Climate driven extreme and slow-onset events limit productive capacity and expose fragile economies to economic shocks. Climate adaptation strategies also need to be employed to build sustainable, climate- and disaster-resilient infrastructure. For atoll

SIDS and other vulnerable communities across the three groups climate risks are existential, in addition to limiting productive capacity and exposing fragile economies to economic shocks

The COVID-19 crisis might accelerate the tendency to move production of some goods back to industrial countries. This makes the provision of preferential trade agreements for LDCs as stipulated in SDG targets 17.11 and 17.12 even more urgent. Preferential market access needs to be extended to goods and services that are exported using an e-commerce- platform from LDC suppliers. At the same time, enhanced capacity building for vulnerable countries is needed to prepare enterprises, in particular SMEs to take advantage of the digital economy for enhanced trade opportunities, amongst other things. For example, limited e-commerce skills, limited use of Internet and access to affordable Internet have been identified as one of the key barriers to the development of the digital economy in the LDCs and LLDCs.

Enhanced Aid for Trade and technical assistance are required if the most vulnerable countries were to fully and effectively implement policies and regulations aimed at facilitating trade, transit and transport and diversifying their export base.

#### Social protection

Social protection in LDCs, LLDCs and SIDS is often low, both in terms of coverage of the population and in terms of benefits. While some LDCs have extended social protection coverage to workers in the informal economy, average spending in LDCs on social protection is only 3% of GDP, which is less than half the average of middle-income countries. Data is broadly lacking for SIDS, however, the spending is lower than the average in middle income countries. In Caribbean SIDS, the social insurance spending comprises about 2% of GDP. In the LLDCs, only a quarter of the population is covered by at least one social protection benefit.

COVID-19 is having a huge impact on employment in LDCs, LLDCs and SIDS, especially in textiles and garment as well as the tourism sector. In addition, ILO estimates show that earnings for informal workers are expected to decline in the first month of the COVID-19 crisis by 82% in lower-middle and low-income countries to which LDCs belong.

Therefore, the extension of social protection systems is crucial. To be able to scale up transfers rapidly, it is important to integrate risk considerations into the design and planning of social protection programmes from the start, including economic as well as climate related shocks. To further extend the use of social protection in LDCs, there is a need to strengthen administrative capacity and provide additional resources. Likewise, information about potentially vulnerable groups is crucial for the planning process. Furthermore, social protection programs need to be gender sensitive in their design in

order to have gender-equitable effects. Coordination of all relevant stakeholders providing social protection is crucial in this respect, including local governments.

- 2. *Leaving no-one behind:* Which groups are especially likely to miss out on economic benefits and decent work? To what extent are women missing out compared to men? Which groups risk being left behind even further as a result of COVID 19? How can economic and employment opportunities be improved for both women and men and specific groups at the low end of the income distribution? What is the role of labour market institutions, such as collective bargaining and minimum wages, versus other policies to ensure a fair sharing of the fruits of progress? How can social protection systems play a stronger role in reducing inequalities in opportunities and outcomes? What long-term policy measures need to be put in place or strengthened to promote the economic resilience of the most marginalized groups, including persons with disabilities, indigenous peoples, migrants, rural populations, older persons and LGBTQ peoples?**

Women still face disadvantages in gaining access to economic opportunities, in particular the proportion of women in managerial positions was 22.1% in LDCs in 2018 and 30% in LLDCs. In the informal sector in LDCs 50 percent of women employees are unpaid, compared with 33% of men. Women's representation in government is also lacking. For example, three of the four countries in the world with no female members of Parliaments are Pacific SIDS. Thus, the full, equal and meaningful participation of women in decision-making as well as equal access to leadership and representation for all women at all levels and in all spheres of society needs to be achieved.

- 3. *Knowledge gaps:* What science, knowledge and data gaps need to be addressed for better understanding the interlinkages between SDG8 and SDG 1, 5, 10 and others in economic systems? How can these be addressed? What are the information gaps that need to be addressed to respond in an efficient and equitable way to the COVID 19 Crisis? What steps are being taken to mainstream disaggregated data, including on gender, into research and data production to address multiple and intersecting inequalities, and to improve the quality and comparability of available data across countries and time?**

In many LDCs, LLDCs and SIDS data related to several SDGs is sparse. This applies especially for data on poverty and employment, as well as disaggregation by gender- and other vulnerability-based indicators, all of which are crucial to design social protection measures. Likewise, data on science, technology and innovation is very scarce making it difficult to identify bottlenecks for adapting new technologies.

- 4. *Relevant means of implementation and the global partnership for development (SDG 17):* Achieving the 2030 Agenda relies on applying the means of implementation to harness synergies and/or reduce trade-offs. Are there examples of how the various means of implementation, including finance, partnerships, capacity building, and**

**science and technology (also see below), are being brought together to achieve these objectives at scale? scale? How can existing UN system partnerships more effectively support these objectives? Can these be replicated or adjusted to fit other contexts? What are the most important partnerships that will be needed over the next 2 years, 5 years, 10 years? What kinds of safeguards can be put in place in partnerships, for example, gender, human rights and environmental impact assessments? What are steps that can be taken by existing and new partnerships to promote the sustained participation of civil society organizations including women's and girls' organizations, youth-led organizations and national human rights institutions?**

#### FDI with spillover effects

FDI flows to the LDCs stood at \$24 billion in 2018, representing 1.8% of global FDI inflows, similarly with inflows to LLDCs standing at \$23 billion and SIDS at \$7 billion (excluding Singapore). FDI in the LDCs, LLDCs and SIDS remains heavily concentrated in the extractive industries often providing few forward and backward productive linkages within the economy, although the share in manufacturing and services is increasing in several countries.

LDCs, LLDCs and SIDS need to implement strategic policies to attract FDI, especially in sectors with high development potential, which would contribute to structural transformation and scale up and accelerate development. In SIDS FDI has been stagnant in later years, excluding Singapore. Small economies, and related problems with economies of scale and diversification is a challenge for SIDS in attracting FDI. In a similar vein, the prospects for FDI to LLDCs depend on their level of industrialization, with the fastest growing inflows expected to those with better potential for economic diversification. Furthermore, the availability of skilled labour, ICT and high-quality local infrastructure, such as transportation facilities, and access to electricity are all essential for attracting FDI, as well as supporting the achievement of many SDGs. Priority should be given to policies that help the domestic private sector to forge linkages with foreign investors, ensuring this source of finance delivers broader development payoffs, particularly transfer of technology and managerial know how. Furthermore, the international community needs to adopt and implement investment promotion regimes for LDCs as stipulated in SDG target 17.5.

#### Debt relief to create fiscal space

The challenge of indebtedness in LDCs, LLDCs and SIDS has deepened over the past decade, reducing fiscal space and making it more difficult to respond to the economic impact of COVID-19. By end of April 2020, 7 LDCs, LLDCs and SIDS were classified as debt distressed, while an additional 23 were rated at a high risk of debt distress. The changing composition of external debt is also presenting new vulnerabilities. In order to allow LDCs, LLDCs and SIDS to enhance spending for health, economic stimulus and

social protection urgent measures need to be taken to reach sustainable debt levels and receive additional concessional financing.

In April 2020 partial suspensions of debt service by bilateral creditors were offered to 76 IDA-eligible developing and LDCs, including 23 LLDCs and 22 SIDS. The IMF also offered further debt service relief to 25 of the poorest countries. These efforts need to be extended to a full standstill on all debt service (bilateral, multilateral and commercial) for all developing countries that request it. In the medium term, the international community needs to revisit existing mechanisms and arrive at a fair, effective and timely international process for debt resolution to achieve the SDGs by 2030. In particular, it will be important to move from ad-hoc debt relief measures to a global institutional framework of sovereign debt restructuring.

### New partnerships

The next programme of action for LDCs, which will replace the Istanbul Programme of Action and coincide with the decade of action for the Sustainable Development Goals, will provide a window of opportunity for a concerted effort to address barriers and bottlenecks to the achievement of the Goals in the LDCs. Export diversification, building productive capacity and moving up global value chains remain crucial to enhance productivity and decent employment for a growing population.

The Global Business Network for SIDS and the SIDS Partnership Steering committee are fora for creating and enhancing partnerships for and with SIDS to achieve the SAMOA Pathway.

5. ***Science, technology and innovation: The ways we live and work are defined to various extents by science, technology and innovation, and achieving sustainability in these areas will require STI-based solutions.***
  - a. **What types of gender-responsive STI solutions are needed to make economies more equitable and sustainable?**
  - b. **What role can STI play in this transformation to sustainable and equitable economic systems? What are the most promising technology solutions? What are potential trade-offs and synergies to keep in mind in this context?**
  - c. **How can STI help reduce inequality, with related improvements in sustainability, in both developing and developed countries? What strategies and investments are needed to close the digital divide between countries and the gender digital divide? What steps need to be taken to counter and risks and challenges that can emerge from the use of technologies?**
  - d. **How can we make sure that STI solutions reach those most at risk of being excluded from sustainable economic progress? How can the public and private sectors promote women's and other underrepresented groups' participation in science and research, as well as in the design and development of**

**technology? How could education, training and skills policies help make a difference?**

Enhancing science, technology and innovation may become increasingly important as a driver of productivity growth in the era of enhanced digitization for LDCs, LLDCs and SIDS.

Those LDCs with data show a significant lag in major indicators relating to science, technology and innovation. The average ratio of research and development expenditure as a share of GDP was 0.6% or less between 2011 and 2017 in LDCs and just 0.21% in LLDCs, compared with 2% in more advanced economies.

The Technology Bank for the Least Developed Countries, operationalized in 2018, has begun to provide increased support to the LDCs in building the science, technology and innovation capacity needed to promote their structural transformation. Programmes are now running in 20 countries and work is under way with partners to enhance support and coordination in technology sectors.

The digital divide between LDCs, LLDCs and SIDS and other developing and developed countries is still large. Despite a significant increase over the past decade, only 19.1% of LDC population was using the Internet in 2019. The same indicator reached only 26% in LLDCs and 48% in SIDS in 2017, compared with 82% in developed countries. Remote and less developed SIDS in particular also struggle with basic internet connectivity, including islands and areas dependent on satellite connection as the only option.

In order to make the jump to universal and affordable access to the Internet and stimulate Internet use, especially broadband, the LDCs, LLDCs and SIDS need, among other things, to extend Internet coverage to underserved and unserved areas, make access to the Internet more affordable, increase secondary school enrolment, and reduce the gender gap in Internet use. In majority of LDCs and LLDCs where data is available, percentage of male individuals using the Internet is higher than for female. Rapid improvement in high-speed Internet use in the LDCs, LLDCs and SIDS can lead to the increased utilization of some of the most promising broadband applications for education, governance, health and e-commerce. Remittances are also important sources of revenue, in particular for SIDS and some LDCs and LLDCs. Lowering transaction costs through fintech and internet availability and addressing de-risking issues *inter alia* can provide substantial benefits for remote and vulnerable countries.

In the future, it will be essential to fully harness the potential of new technologies and prevent a deepening of the divide, not only with regard to broadband, but also artificial intelligence, blockchain and other new technologies, as well as utilizing innovative solutions in sectors such as agriculture, transport, energy, health and education. Ensuring that all LDCs, LLDCs and SIDS have access to new technologies and the capacity

to make the best use of them and take part in their governance, including overcoming rural-urban and gender disparities, will be cornerstones of future action. Because emerging digital technologies rely on access to large amounts of digital data, how the flow and transfer of data across borders is regulated is of increasing importance.

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