STUDY

Least Developed Countries

History, Challenges and Solutions in the Context of UN LDCV and WTO MC12

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Published by:

CUTS INTERNATIONAL, GENEVA
Rue de Vermont 37-39
1202 Geneva, Switzerland
www.cuts-geneva.org
Also at: Jaipur, New Delhi, Chittorgarh, Kolkata, Hanoi, Nairobi, Lusaka, Accra, Washington DC

This study was prepared by Kyle de Klerk, Abhishek Bhattacharya and Rashid S Kaukab. It is published under CUTS International Geneva's project "Keeping Pace with Trade Developments", undertaken with funding support from the Ministry of Foreign Affairs, Sweden.

Citation: De Klerk, Bhattacharya and Kaukab. (2021). *Least Developed Countries: History, Challenges and Solutions in the Context of UN LDCV and WTO MC12*. Geneva: CUTS International, Geneva.

Cover Photo: WTO

Abstract

This study aims to contribute to a better understanding of the special developmental challenges faced by the Least Developed Countries (LDCs) and of possible ways to address them. It traces the 50-year long history of LDC category since its formal creation in 1971 and outlines various initiatives undertaken under the auspices of the United Nations (UN) as well as the World Trade Organisation (WTO) to help and support LDC growth and development towards their graduation from the category.

It notes the very limited progress that has been made in that regard - only 6 LDCs have been able to graduate out of the category during this long period. This points to the need for deeper reflections and engagement to effectively address the root causes of LDC under-development and vulnerabilities. To that end, the study offers some recommendations for consideration at WTO MC12 and UN LDC-V.

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Abbreviations

AGOA	African Growth and Opportunity Act
BEPS	Base Erosion and Profit Shifting
BPoA	Brussels Programme of Action
CDP	Committee for Development Policy
DESA	Department of Economic and Social Affairs
DFQF	Duty-Free Quota Free Market Access
DFTP	Duty-Free Tariff Preference
DSSI	Debt Suspension Service Initiative
EBA	Everything but Arms
ECOSOC	Economic and Social Council
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
EVI	Economic and Environmental Vulnerability Index
FERDI	Foundation for Studies & Research for International Development
FAO	Food & Agricultural Organisation
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	Generalized System of Preferences
HAI	Human Assets Index
IATF	Inter-Agency Task Force
IF/EIF	Integrated Framework/Enhanced Integrated Framework
IMF	International Monetary Fund
IP	Intellectual Property
IPoA	Istanbul Programme of Action
ITC	International Trade Centre
LDC/LDCs	Least Developed Country/Countries
MDG/Gs	Millennium Development Goal/Goals

MFN	Most Favoured Nation
MSMEs	Micro, Small, and Medium Enterprises
NASDAQ	National Association of Securities Dealers Automated Quotations
NFPs	National Focal Points
NTMs	Non-Tariff Measures
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPoA	Paris Programme of Action
S&DT	Special and Differential Treatment
SAFTA	South Asian Free Trade Agreement
SDG/Gs	Sustainable Development Goal/Goals
SNPA	Substantial New Programme of Action
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TRIPS	Trade Related Aspects of Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNCTAD	United Nations Conference on Trade & Development
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNITAR	United Nations Institute for Training & Research
UNRCO	UN Resident Coordinator Office
USA/US	United States of America
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

Introduction

Least developed countries (LDCs) are a specially designated group of countries by the United Nations (UN). These countries face severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets. Given their lower levels of development and severe vulnerabilities and capacity constraints, particularly relative to other countries of the world, they are often described as "the poorest of the poor" and "the most marginalised".

The special categorisation has been instrumental in bringing the attention of the international community and development partners to the problems faced by LDCs. This led to the creation of both long-term plans and medium to short term projects to assist LDCs in various areas, including trade, finance, environment, and governance. The special categorisation also helped LDC governments and other stakeholders to focus on their special challenges while being somewhat exempted from taking reciprocal commitments under international agreements dealing with trade and the environment. Finally, international organisations, think tanks and civil society have undertaken wide-ranging research and analysis to better understand the root causes of LDC underdevelopment and vulnerabilities, and identify more effective national and international policies and programmes to address them.

Unfortunately, the progress has been limited and uneven. Upon the formal creation of the special category in 1971, 25 countries were designated as LDCs. While a few of the original LDCs successfully graduated, the total number of current LDCs stands at 46, almost double the original count. The increase in numbers seemingly belies the efforts by LDCs and the international community in the past half-century. Admittedly, the COVID 19 pandemic has played a role in retarding their developmental progress but cannot explain the persistent lack of progress towards graduation by LDCs over this long period.

This year (2021) provides an opportune moment to reflect on the real challenges faced by LDCs, the solutions offered/tried so far, and the possible pathways for better results in the future. It is the 50th year since the formal creation of the category and LDCs will be in the spotlight in two forthcoming major international conferences: The 12th Ministerial Conference of the World Trade Organisation (WTO) is scheduled for November - early December 2021, where LDC issues are part of the agenda. This will be followed by the decadal conference of the UN for LDCS, the LDC-V, in late January 2022, which will deliberate a comprehensive agenda for LDC development for the next decade.

The present study has been undertaken in the context of the above two major international conferences. It aims to provide a snapshot of the history, challenges, and responses to generate further discussions and possible solutions in the run-up to and at the WTO MC12 and UN LDC-V. The study is divided into four parts. Part one provides a brief history of the LDC category and its key associated concepts and main challenges. Part two focuses on the LDC-related issues in the WTO from accession to graduation. Part three presents a brief history of past LDC conferences, an analysis of the Istanbul Programme of Action (IPoA) adopted at the UN LDC IV in Istanbul, Turkey in 2011, and key issues in preparation for UN LDC-V in Doha, Qatar, in January 2022. Part four offers’ conclusions and recommendations.

SECTION 1

LDCs in Context

1.1 Background Information on LDCs

LDCs were first identified at the inaugural session of the United Nations Conference on Trade and Development (UNCTAD) in 1964, in which member states agreed that special attention needed to be paid to the ‘least developed of the developing countries’, "as an effective means of ensuring sustained growth with equitable opportunity for each developing country"(DESA 2021a). However, no concrete action was taken until 1969, when the UN General Assembly acknowledged the need to alleviate the problems associated with underdevelopment of the ‘least developed of the developing countries’ and mandated the Secretary-General and the then ‘Committee for Development Planning’ to identify the unique challenges faced by these countries and recommend special measures which could be used to mitigate them. A year later, the Committee for Development Planning released a study titled "Special measures to be taken in favour of the least developed countries” (E/AC.54/L.36), which identified these unique challenges, proposed several criteria which could be used to identify countries that faced these challenges and recommended several special mitigation measures. In addition, 1970 marked the first formal recognition of LDCs when the General Assembly included a separate section for the ‘least developed of the developing countries’ within the ‘International Development Strategy for the Second United Nations Development Decade’ (DESA 2018).

FIGURE 1: MAP OF THE CURRENT LDCS

Source: (DESA 2018) and author edits

The First LDC Countries

Upon creation in 1971 the LDC category included the following countries: Afghanistan, Bhutan, Botswana, Burundi, Chad, Dahomey (later Benin), Ethiopia, Guinea, Haiti, Laos (later Lao People's Democratic Republic), Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Sikkim (later part of India), Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta (later Burkina Faso), Western Samoa (later Samoa) and Yemen.

Finally, in 1971, the Committee for Development Planning recommended a final list of criteria for identifying LDCs, including GDP per capita, adult literacy rate, and share of manufacturing in GDP. This was accompanied by a provisional list of countries that met these criteria and were thus recommended for inclusion in the new category. The UN Economic and Social Council (ECOSOC) granted its approval, and the UN General Assembly subsequently adopted both the criteria and nominated countries to form the LDC category(DESA 2021a). The General Assembly also mandated the Committee for Development Planning (now called the 'Committee for Development Policy') to continue monitoring and revising the list of LDCs and LDC inclusion criteria (DESA 2018).

An increasing number of LDCs have been added since the categories creation: the most recently included LDCs are South Sudan in 2012 and Timor Leste in 2003(DESA 2021c). Currently, there are 46 LDCs, of which 33 are in Africa, 9 within Asia, 3 within Oceania and one in the Caribbean (see figure 1).

Criteria for Inclusion within the LDC Category

Three quantitative criteria are used to determine LDC status: Per Capita Gross National Income (GNI per capita), the Human Assets Index score, and the Economic and Environmental Vulnerability Index score.

First, GNI per capita is used to estimate the overall level of resources at a country's disposal and replaced the original criteria of GDP per capita at the 2002 triennial review. The LDC inclusion threshold for this criteria is a three-year average GNI per capita of $1,018 or below, calculated using the World Bank Atlas method(DESA 2021d). Since the World Bank adjusts its income thresholds annually to account for inflation, the GNI criteria is adjusted accordingly at each triennial review to remain constant in real terms (DESA 2018).

Second, the Human Asset Index (HAI) provides an estimate of a country's overall level of human capital, with a low HAI score indicating structural impediments to sustainable development through limiting production and economic growth, exacerbating inequality, and undermining poverty alleviation efforts (DESA 2021d).

The Committee for Development Policy (CDP)

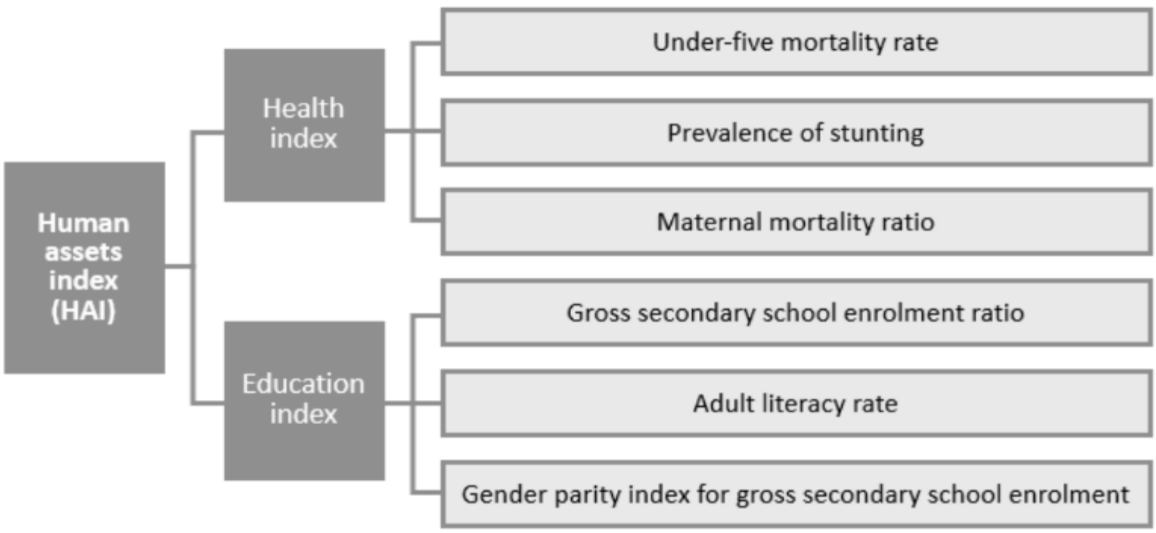
The CDP is a subsidiary body of ECOSOC, which advises ECOSOC on a wide range of economic, social, and environmental issues which relate to development. The CDP is made up of 24 members which are nominated by the Secretary General in their personal capacity and appointed by ECOSOC for three-year terms.

The CDP meets once a year at the UN Plenary, and has several functions related to LDCs. It engages in a triennial review of the list of LDCs and makes recommendations to ECOSOC for LDC inclusion and graduation. During this review it may also recommend the addition, removal, or alteration of the inclusion and graduation criteria. Outside of the triennial review it monitors the development progress of graduated LDCs, monitors the use of the LDC category by the wider UN ecosystem, and publishes analytical studies on LDC issues

Source: DESA 2018

The HAI consists of both health and education indicators (see figure 2). The inclusion of health indicators reflects that improving health increases economic productivity and reduces poverty. In contrast, education indicators reflect the supply of skilled labour to the economy and its capacity to absorb and utilise new technologies (DESA 2018). Each of the six indicators is weighted equally and combined to create an HAI score out of 100. The threshold for LDC inclusion is set at an HAI score of 60 or below, which is the third quartile HAI index score of all LDCs and low-income countries (a separate World Bank category) in 2012. While the HAI inclusion threshold previously fluctuated according to this reference group, at the 2014 triennial review, the CDP fixed it at the 2012 threshold to create an absolute score that allows LDCs to measure progress independently of the developmental progress or regress of other countries (DESA 2018).

FIGURE 2: INDICATORS USED TO CALCULATE THE HAI

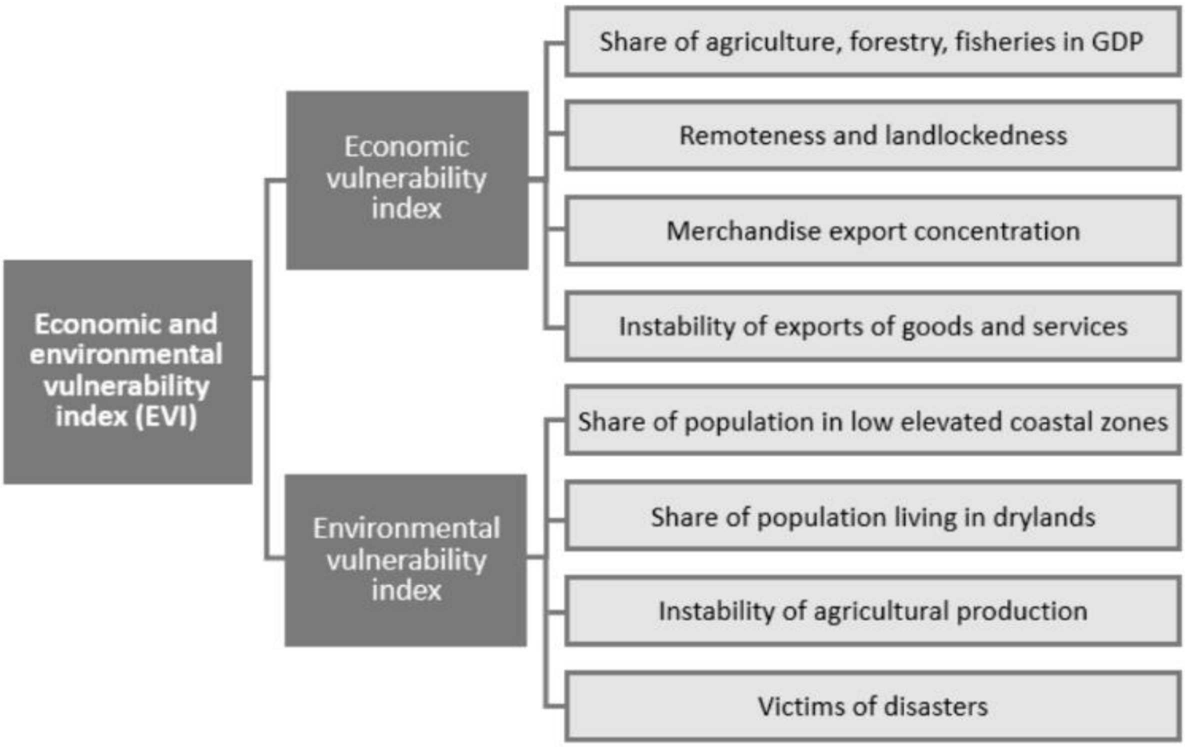


Source: (DESA 2021d)

At the 2021 triennial review, the category 'prevalence of stunting' replaced 'prevalence of undernourishment', as the CDP felt that the former is better suited to capture the developmental impact of malnutrition and has superior data availability. In addition, the 'Gender parity index for gross secondary school enrolment' indicator was added, reflecting the long-term negative impact of gender inequity in education on sustainable development (CDP 2020). For the full history of changes to the HAI indicators, see Annex I.

Third, the Economic and Environmental Vulnerability Index (EVI) estimates the structural vulnerability of a country to environmental and economic shocks that impede sustainable development, with a higher score reflecting increased vulnerability. As all countries are vulnerable to exogenous shocks to some extent, the eight equally-weighted indicators used to calculate the EVI (see figure 3) are those vulnerabilities which perpetuate under development, do not arise from misguided policy, and are beyond the control of policymakers (DESA 2021d).

FIGURE 3: INDICATORS USED TO CALCULATE THE EVI



Source: (DESA 2021d)

As with the HAI score, each vulnerability indicator is combined to create an EVI score of 100, while the inclusion threshold is 36 or above (indicating greater vulnerability). Additionally, this inclusion threshold is calculated in the same way as the HAI score and is fixed at 2012 levels to ensure comparability of progress (DESA 2018).

At the 2021 triennial review, the CDP added the indicator 'share of population living in drylands', as habitants of drylands are particularly vulnerable to the effects of climate change and the size and quantity of drylands are increasing. The CDP also removed the 'gross population' indicator used since 1999, as small size is no longer considered directly correlative to economic or environmental vulnerability (CDP 2020). For the full list of changes to the EVI indicators, see Annex I.

The Process of Inclusion

For a country to be considered for inclusion in the LDC category, it must meet all three criteria simultaneously and have a population below 75 million people. If these conditions are met at the time of the CDP's triennial review, it may recommend that the country in question is included in the LDC category. This recommendation is not exclusively based on the three criteria but also considers the country-specific situation and government views: if the government objects to LDC inclusion, no further action is taken. The only country that has done so is Zimbabwe, which has met the criteria at numerous triennial reviews but has rejected inclusion each time (DESA 2018). This process is assisted by the UN Department of Economic and Social Affairs (DESA), which hosts the CDP secretariat and coordinates the inclusion process. DESA routinely liaises with governments regarding CDP decisions and provides governments information and analysis on the underlying reasons for the CDP's recommendations or lack thereof.

Principles Underlying the Refinement and Application of Criteria

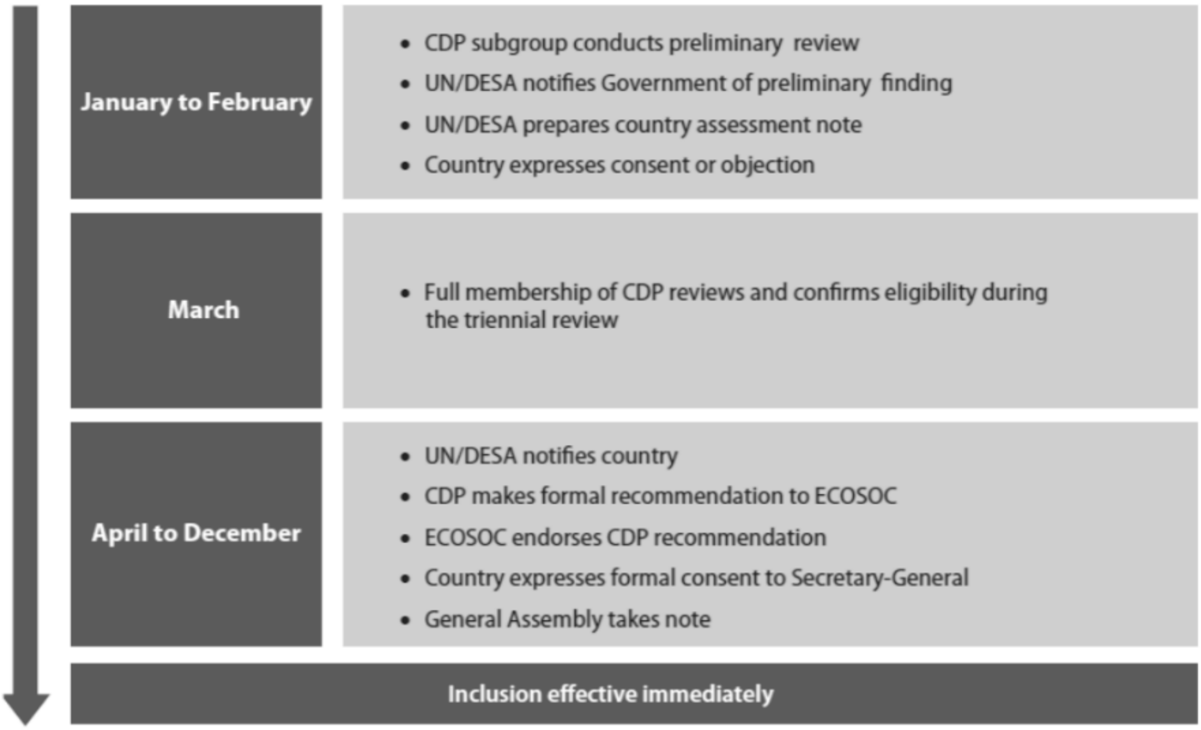
The criteria for inclusion in the LDC category have changed substantially over time as data collection and the understanding of development have both become more sophisticated. The CDP adopts four principles when refining and applying criteria:

1. Temporal consistency and equitable treatment: Changing the criteria should not raise questions over the graduation or inclusion of countries in the past
2. Stability: Changing the criteria should only be done when leading to significant improvements in LDC identification
3. Flexibility: Criteria should be applied holistically and in conjunction with other relevant sources of information
4. Methodological robustness: Revised criteria should only be adopted where high-quality data is available for all countries

Source: DESA 2018

Once the CDP has made a recommendation, and the government has provided consent for inclusion, the recommendation is endorsed by ECOSOC with the final decision ratified by the UN General Assembly (DESA 2018). The temporal breakdown of the inclusion process is reflected in Figure 4.

FIGURE 4: TIMELINE FOR INCLUSION IN THE LDC CATEGORY (OVER COURSE OF YEAR OF



Source: (DESA 2018)

1.2 The Trade Profile of LDCs

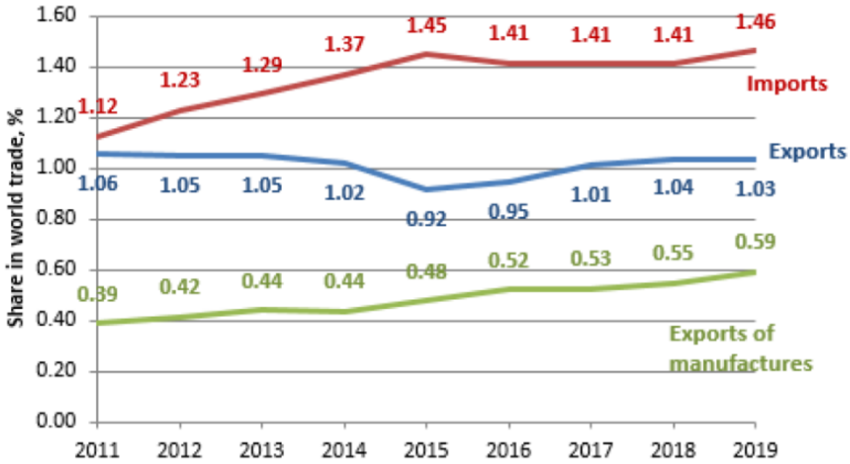
Imports

The collective imports of LDCs were worth $259.7 billion in 2020, a decline from $292 billion in 2019 and $284 billion in 2018 (ITC 2021). These figures correspond to a share of 1.38%, 1.43%, and 1.38% of global trade each year, respectively, which shows that LDC's global share of imports has remained relatively consistent over the last few years (UNCTAD 2021a). In 2020 LDCs primarily imported distilled mineral fuels worth $29.6 billion, followed by mechanical machinery worth $22.8 billion, electrical machinery worth $17.5 billion and vehicles worth $14.8 billion (ITC 2021).

Exports

In 2020 LDC exports were collectively worth $182 billion, a $21.2 billion decline from $203.2 billion in 2019 and $209.6 billion in 2018 (ITC 2021). This corresponds with the stagnation of LDCs share of world trade, as reflected in figure 5, which has declined from 1.06% in 2011 to 1.03% in 2019 and 0.98% in 2020 (UNCTAD 2021a). This is far from the target of 2% of global exports by 2020 as set by the 2011 IPoA and target 17.11 of the Sustainable Development Goals (SDGs) (UN 2020).

FIGURE 5: LDC ANNUAL SHARE OF GLOBAL TRADE



Source: (WTO 2020)

The primary export of LDCs in 2020 was textiles and clothing worth $50 billion, followed by mineral fuel and oil worth $33.7 billion, precious metal and stones worth $17.9 billion, and copper worth $16.9 billion (ITC 2021).

The EU and China are the primary trade partners of LDCs, importing 28% and 22% of LDC exports, respectively (WTO 2020). African LDCs primarily export commodities to these countries, such as oil and fuel products, minerals and metals, while Asian LDCs export low-value manufactured goods such as textiles(WTO 2020).

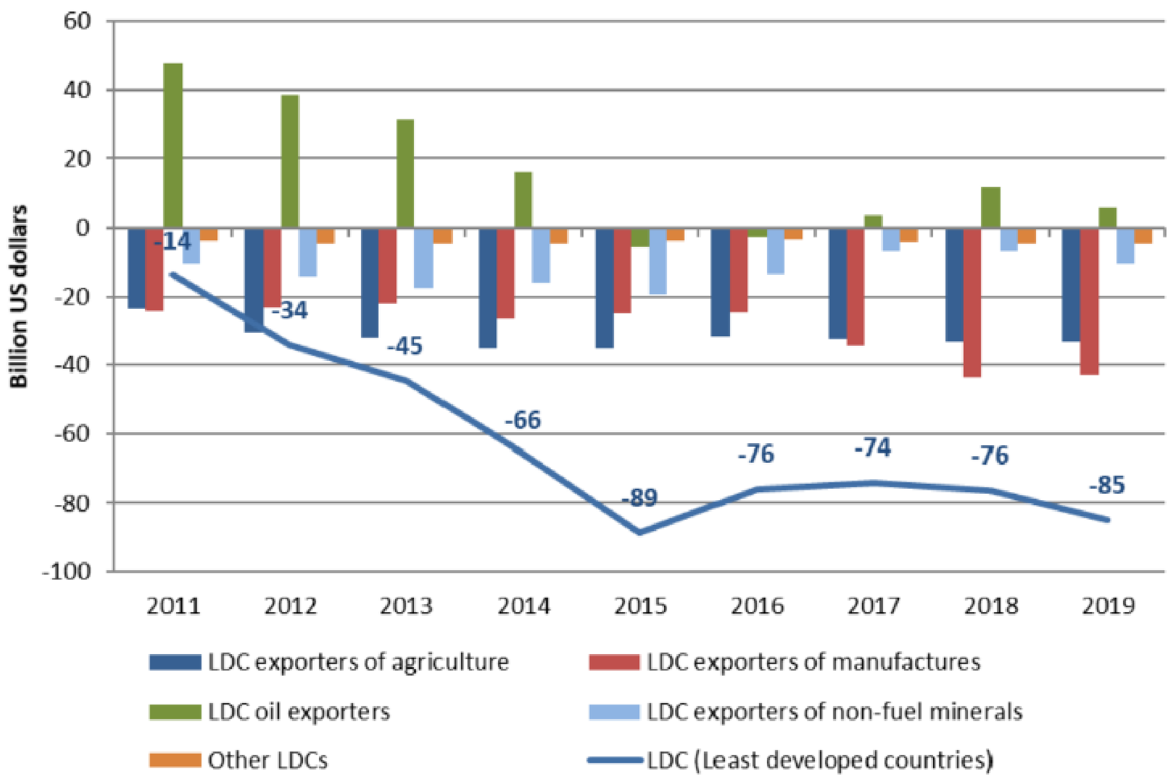
The COVID-19 pandemic has reversed gains in trade made since the start of the implementation of the IPoA in 2011. It is likely to entrench LDC reliance on commodity and/or low value manufacturing exports as states with limited fiscal resources prioritise public health and supporting established industries. The slump in oil prices and reduced demand for manufactured goods due to the pandemic caused the exports of more than 66% of LDCs to contract significantly in 2020 (ECOSOC 2021a) while overall LDC exports contracted by 16%, more than the global average (UN-OHRLLS 2021a).

This contraction also extends to the export of LDC services which contribute 18% to total LDC exports and primarily consists of travel exports. While this is a relatively small overall contribution, it obscures the varying importance of tourism for LDCs. LDCs which rely on tourism — such as Cambodia, which depends on tourist expenditure for 20% of its GDP — was hit hard by COVID-19 related travel restrictions

The Trade Balance of LDCs

While the overall share of manufacturing in LDC exports has grown from 22% in 2011 to 40% in 2019 due to the growth of the textiles industry in Asian LDCs, LDC participation in trade remains structurally imbalanced: LDC exports are dominated by low-value unprocessed commodities and basic manufactured goods, while imports primarily consist of processed commodities and complex value-added manufactured goods (WTO 2020). This imbalance is the main contributing factor to the persistent trade deficit LDCs face, estimated to be over $100 billion in 2020 when including services. This is more than double the collective deficit in 2011, and shows that the relative trade position of LDCs has worsened substantially since the IPoA, as reflected in figure 6 (WTO 2020). This decline is primarily due to the fall in commodity export prices since 2011, with the oil price dropping to record lows in 2020 and recovering to only 80% of the 2011 price (NASDAQ 2021). The dependence on commodity exports and vulnerability to global market volatility points to some of the main developmental challenges facing LDCs, which shall be explored in the next section.

FIGURE 6: TRADE BALANCE OF LDCS (GOODS), 2011-2019



Source: (WTO 2020)

1.3 The Key Development Challenges of LDCs

LDCs account for 13% of the global population but for less than 1.3% of global GDP and ,as mentioned above, less than 1% of global trade (UN-OHRLLS 2019). This reflects the prevalence of poverty within LDCs: 39% of the collective population lives in extreme poverty, increasing 2.4% in 2020 due to the pandemic. This marks the first increase in poverty in 25 years and makes the first SDG of eradicating extreme poverty by 2030 increasingly unlikely (CDP 2021a), with 35% of the population in LDCs expected to remain in extreme poverty by then (UN 2020).

In addition, the IPoA and SDG 8 both set a target of 7% annual growth for LDCs. However, LDCs only grew an average of 4.5% in 2018, 4.8% in 2019 and -1.3% in 2020, with growth expected to rebound to 4.1% in 2021 (UN 2020). The (likely) failure to fulfil both the first and eighth SDGs points towards several structural-developmental challenges LDCs continue to face. This section explores several of these key challenges, including low productive capacity, lack of infrastructure, large debt burdens, and vulnerability to external shocks.

Low Productive Capacity, Commodity Dependence, and Limited Export Diversification

As mentioned in section 1.2, the economies of LDCs are heavily reliant on the export of commodities and low-value manufactured goods: LDC manufacturing value-added was only $132 in 2019 compared to $4,816 in Europe and North America, and39 of the 46 LDCs are classified as 'commodity dependant' (UN 2020). This structural dependence on commodities renders LDCs persistently vulnerable to global price volatility, as fluctuations in prices greatly impact exports and current account balances, translating into currency volatility and reduced export competitiveness (UN 2020). This dependence reflects the limited export diversification of LDCs, which according to UNCTAD's 'product concentration index', is three times as concentrated as the global average (UNCTAD 2021a).

The structural dependence on commodities and low-value manufacturing, as well as low export diversification, points to the low productive capacity of LDCs, which the CDP defines as "the productive resources (natural, human, physical and financial), entrepreneurial and institutional capabilities, and production linkages which together determine the capacity of a country to increase production and to diversify its economy into higher productivity sectors for faster growth and sustainable development" (UN-OHRLLS 2021b). Low productive capacity translates into weak export potential, limited generation of employment opportunities, and increased vulnerability to shocks (UN-OHRLLS 2021b).

The key challenge to LDC sustainable development is increasing productive capacity, which is currently hamstrung by low human, physical and financial capital levels and a lack of access to technologies (UNCTAD 2011). Addressing these constraints would facilitate the structural transformation of LDC economies away from commodity dependence, increase the share of manufacturing in GDP, diversify exports, and boost LDC resilience (UNCTAD 2021b).

Overcoming low productive capacity is the overarching developmental challenge for LDCs and represents the totality of all developmental constraints they face. Therefore, the following challenges identified in this section expand upon a number of these developmental constraints, each reflecting a contributory aspect to and symptom of low productive capacity.

Lack of Infrastructure and Investment

LDCs suffer from a lack of infrastructure, which hinders the development of the private sector, hampers economic growth, and reduces the accessibility of domestic and international markets for firms. For example, only 22% of roads are paved in LDCs compared to over 88% in OECD countries, while just over half of the LDC population has access to electricity (UN-OHRLLS 2021a). 79% of LDCs (compared to 32% of other developing countries) report that inadequate infrastructure significantly undermines export diversification, reflecting the impact of low physical capital on productive capacity. This impact is especially true for telecommunications and broadband infrastructure, which are becoming increasingly critical for enabling participation in the digital economy. Only 19% of the population in LDCs uses the internet, compared to 43% and 86% in developing and developed economies, respectively (UN-OHRLLS 2021a). This lack of digital infrastructure threatens to increase the digital divide between LDCs and the rest and will further entrench the developmental deficit which LDCs face.

Low levels of per capita income, domestic savings, and investment combined with small tax bases mean that LDCs lack the financial resources to improve infrastructure. Instead, LDCs rely on capital inflows in the form of foreign direct investment (FDI) and official development assistance (ODA) to both fund infrastructure development projects and finance persistent current account deficits, which grew to an average of 5.6% of GDP in 2020 (UNCTAD 2020). However, both FDI and ODA flows to LDCs remain insufficient. The annual quantity of ODA from developed countries is far from the annual target of 0.15-0.2% of GNI to which they committed, while an increasing share of that ODA which is provided is in the form of loans instead of grants (UN 2020). LDCs also receive a fractional share of FDI, totalling $24 billion or 2.4% of total FDI in 2020 which is 7% decline from 2019 if one discounts negative inflows (recorded as positive FDI) related to oil disinvestments in Angola (UNCTAD 2021b). Moreover, this already limited investment in LDCs is projected to decline further in coming years as long-term earnings expectations of key extractive sectors — such as oil, mining, and gas— have been revised downwards due to the pandemic (UN-OHRLLS 2021a).

This also points to the fact that capital inflows generally target extractive industries, which provide few forward and backward production linkages within the economy, entrench LDC commodity dependence(U 2020), and ensures that investment is concentrated in a small number of resource-rich countries with the top 10 LDC recipients accounting for more than 75% of total LDC-destined FDI (UNCTAD 2021b).

Large Public Debt Burdens

Large public debt detracts from the fiscal capabilities of LDC governments by reducing their ability to borrow on international markets, while large interest repayments drain limited fiscal resources. Since 2011 average LDC debt service payments as a percentage of balance of payments have risen from 5% to 13% (UN-OHRLLS 2021a), growing as large as 10% of GNI for some LDCs (CDP 2021a). Large debt repayments such as these hamper the ability of LDC governments to take policy initiatives and intervene effectively in increasing the productive capacities of LDCs (UNCTAD 2011). The COVID-19 pandemic has greatly exacerbated the problems associated with large debt burdens. Large fiscal response packages combined with low government revenue from reduced tax rates and economic activity have forced many LDCs to take on unsustainable amounts of debt (UN-OHRLLS 2021a). The average public debt of LDCs has risen continuously from 34% of GDP in 2011 to 58% of GDP in 2020. 44% of LDCs are either in or at high risk of debt distress, and a further 39% of LDCs are at moderate risk of debt distress (CDP 2021a).

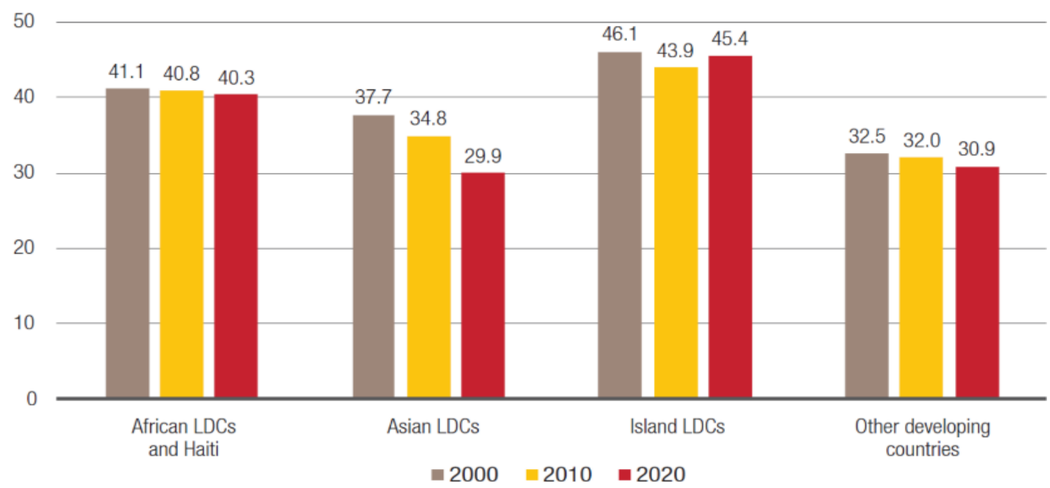
In response to the 'debt pandemic', the G20, IMF, and World Bank created the Debt Suspension Service Initiative (DSSI), allowing LDCs to suspend interest repayments until December 2021. This has been accompanied by the implementation of the Common Framework for Debt Treatments Beyond the DSSI (Common Framework) by the G20 and Paris Club, which assists LDCs in coordinating debt restructuring negotiations with all official bilateral creditors. However, while these measures grant temporary relief for LDCs, they are unlikely to assist in tackling long-term debt burdens as they do not apply to private creditors, do not cancel any debt, and still require all debt to be paid in full (CDP 2021a).

Vulnerability to Exogenous Shocks

All the challenges mentioned in this section, combined with low levels of economic and human development, render LDCs extremely vulnerable to exogenous shocks, including food, financial, and economic crises, and natural disasters. Micro, small, and medium enterprises (MSMEs), which constitute 90% of firms in LDCs (of which 75% are informal), are particularly vulnerable to shocks as they lack resilience, flexibility, and access to limited formal safety nets in times of crisis (UN-OHRLLS 2021a). Moreover, where firms do have access to safety nets, these are often insufficient to cushion against the impacts of a given shock: for example, during COVID-19, LDCs have only been able to afford deploying and average of 2.6% of their GDP in fiscal support, while developed countries have deployed and average of 15.8% of GDP in support measures (UN-OHRLLS 2021a). Overall, LDCs are estimated to be 30% more vulnerable than other developing countries according to the EVI index, as reflected in figure 8 (UNCTAD 2020).

This heightened vulnerability is becoming increasingly detrimental to LDC development as accelerating climate change disproportionally impacts those countries least equipped to deal with its effects: LDCs have the least resilient infrastructure (where it exists) and do not have the resources required for climate adaption. As an illustrative example, in 2018, LDCs affected by natural disasters contributed 2% to the collective GDP of all countries affected by disasters but suffered 10% of total direct economic losses (UN 2020).

FIGURE 8: EVI INDEX SCORE BY COUNTRY GROUP



Source: (UNCTAD 2020)

While countries have formally recognised the urgent need to provide LDCs with financial assistance for climate change adaption, little concrete action has been taken: of the $100 billion of assistance pledged for 2020, only $8.9 billion has been committed so far (Green Climate Fund 2021).

1.4 The Graduation Process and Transitional Arrangements for LDCs

Criteria for Graduation

Graduation from the LDC category depends on the same criteria as inclusion, though using a higher 'graduation' threshold. The graduation threshold for the 'GNI per capita' criteria is $1222, which is 20% higher than the inclusion threshold, while the HAI threshold is 66 or above and the EVI threshold is 32 or below, with the former 10% higher and the latter 10% lower than the inclusion threshold.

This asymmetrical relationship between the inclusion and graduation criteria ensures that graduation remains sustainable and that countries do not graduate prematurely (DESA 2021b).

To graduate from the LDC category, a country needs to exceed two of these three graduation thresholds. A country may also graduate through an 'income only' graduation if its GNI per capita exceeds $2444, double the GNI per capita inclusion threshold (DESA 2021b). It is worth noting that LDC status is independent of other country classification schemes. Therefore, due to a higher GNI per capita graduation threshold and the inclusion of the HAI and EVI criteria, several LDCs are classified as middle-income countries (GNI per capita above $1036) by the World Bank. Additionally, a country may be classified as a low income country by the World Bank but graduate from the LDC category by meeting the HAI and EVI graduation threshold, but not the income threshold (DESA 2018).

FIGURE 9: ASYMMETRIES BETWEEN LDC INCLUSION AND GRADUATION

Criteria	Inclusion	Graduation
Number of criteria to be met	3	2[a]
Criteria threshold	Established at each review	Established at each review but set at higher than inclusion
Population threshold	Smaller than 75 million	Not relevant
Eligibility	Determined once	Determined twice (over consecutive reviews)
Timing	Effective immediately	Preparatory period (3 years)
Approval by country	Required	Not required

a Countries with per capita income over twice the regular income graduation threshold do not need to meet any other criteria

Source: (DESA 2018)

The Graduation Process

During the triennial review, the CDP reviews the list of countries within the LDC category and identifies countries that meet either graduation criteria (2/3 of the graduation thresholds or the 'income only' threshold) for the first time. If a country has met either set of criteria in the past but not in the previous triennial review, it is considered to have met the criteria for the first time. At this point, several actors begin preparing for the graduation process, which may take anywhere from 6 to 8 years. First, DESA notifies the country of its identification and begins preparing an ex-ante graduation impact assessment for that country, which outlines the expected impact of a loss of LDC status and suggests several specific support measures that could be implemented to help mitigate this impact. Second, at the same time, the CDP will request UNCTAD to prepare a 'vulnerability profile' on the identified country which provides information on its economic and development situation, compares the statistics used in the CDP's evaluation with the relevant national statistics, and identifies vulnerabilities beyond those included in the EVI score. Finally, the identified country prepares a 'smooth transition' strategy by holding initial consultations with development and trading partners (DESA 2018).

At the next triennial review, if the country meets the graduation criteria for a second consecutive time, the CDP will deliberate regarding the country's graduation. This deliberation includes considering the vulnerability profile and impact assessment prepared by DESA and UNCTAD, the views presented by the country's government, and other relevant factors such as the recently introduced supplementary graduation indicators (DESA 2021b). Following this deliberation, the CDP may decide to recommend graduation if there are serious concerns regarding the sustainability of the eligible LDCs development, such as it did in 2018 when deferring the graduation of Nepal and Timor-Leste (UN-OHRLLS 2019). The graduation recommendation and suggested length of the preparatory period are included in a report submitted to ECOSOC, which then decides to endorse the recommendation or not.

The Supplementary Graduation Indicators

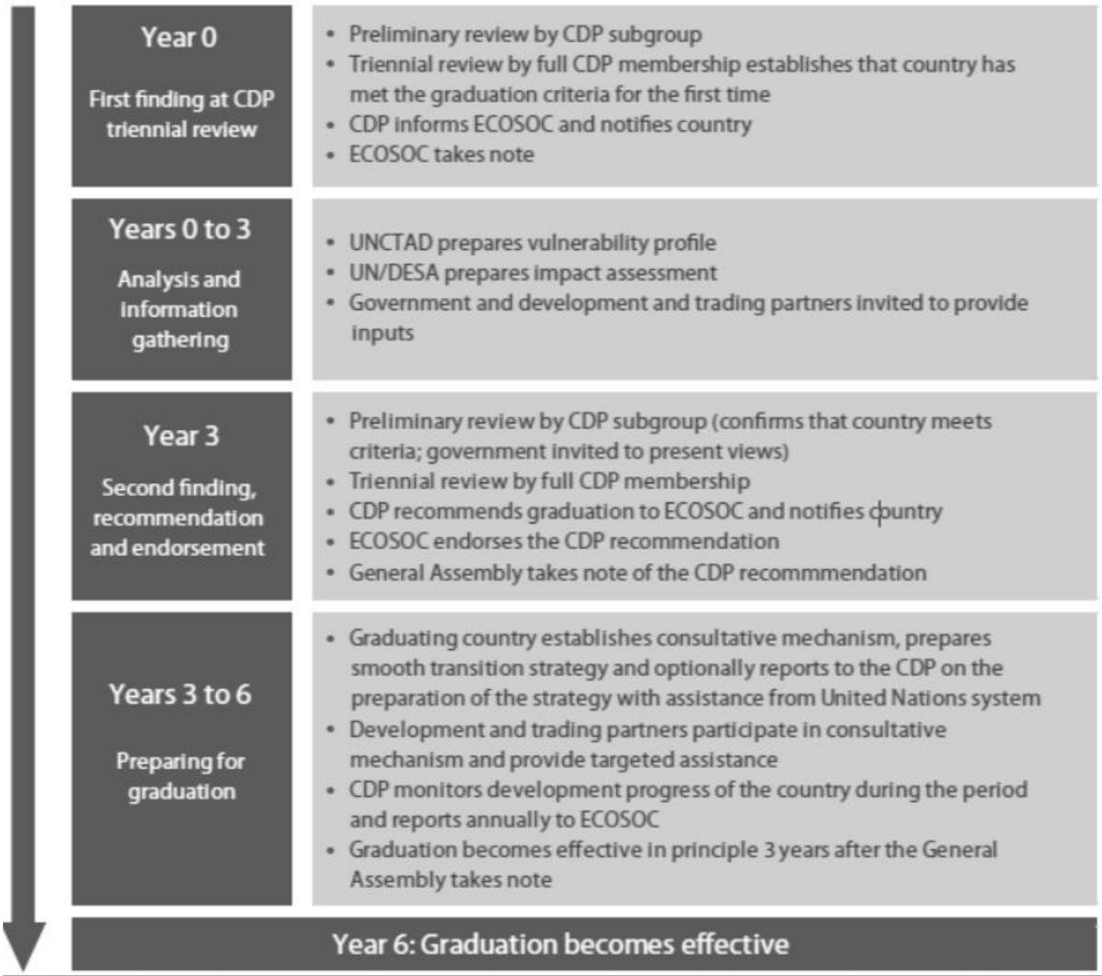
From 2021 a set of 50 supplementary graduation indicators have been introduced for consideration at future triennial reviews. These indicators are not part of the required criteria for graduation but will be considered by the CDP when deciding whether to recommend graduation or not.

These supplementary indicators cover factors and vulnerabilities directly linked to the SDGs but not included in calculating the HAI and EVI scores, such as current account balance, debt, access to drinking water, income inequality, and fertility rate among many others (CDP 2021b). For a full list of the supplementary graduation indicators see Annex II.

Source: CDP 2021b

If the recommendation is endorsed, the 3–5-year graduation preparatory period begins, during which the graduating LDC finalizes its ‘smooth transition’ strategy with the support of the CDP, ECOSOC, and the UN Resident Coordinator Office (UNRCO). Once this period is over, graduation becomes effective through a UN General Assembly resolution (DESA 2021b). The newly graduated country implements its ‘smooth transition’ strategy and submits annual progress reports to the CDP, which includes information on the efficacy of the ‘smooth transition’ strategy, the fulfilment of transition commitments by development and trading partners, and the impact of the loss of LDC-specific support measures (UN-OHRLLS 2019). 6 LDCs have graduated since the category has been established: Botswana (1994), Cabo Verde (2007), Maldives (2011), Samoa (2014), Equatorial Guinea (2017), and Vanuatu (2020) (CDP 2021c).

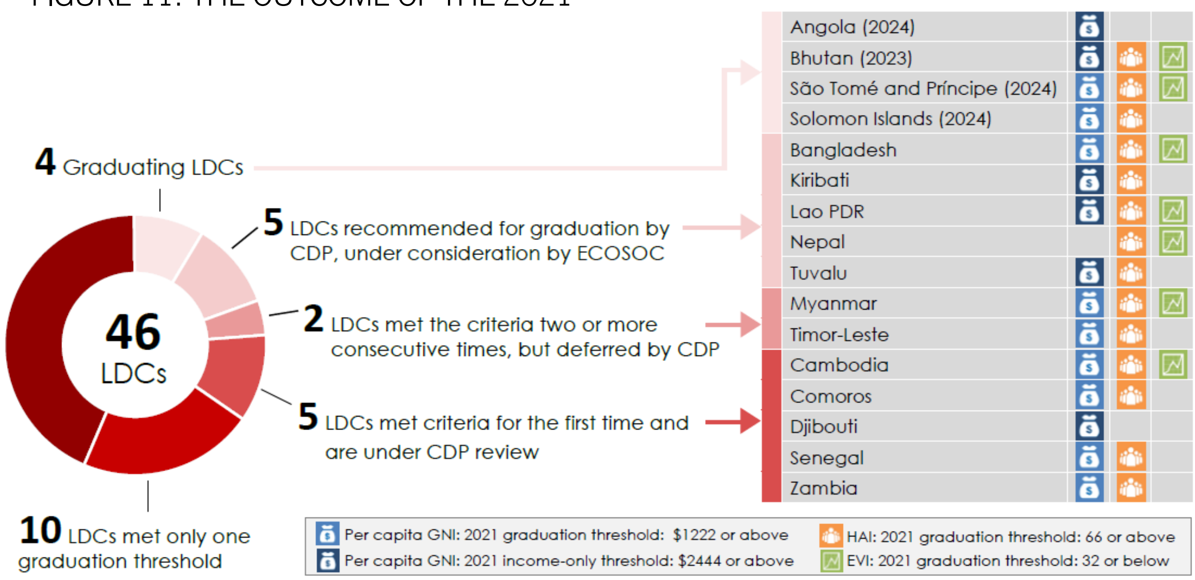
FIGURE 10: THE TIMELINE OF LDC GRADUATION



Source: (DESA 2018)

The adoption of the IPoA at the Fourth UN LDC Conference in 2011 set the objective that half of the countries in the LDC category should meet the graduation criteria by 2020 (UN-OHRLLS 2019). Unfortunately, this target was missed, with only 16 LDCs meeting the criteria at the 2021 triennial review. Those who have not met the criteria are unlikely to do so soon due to the long-term impact of COVID-19 development aspirations (CDP 2021d). Four of these 16 LDCs have been given a graduation date: Angola (2024), Bhutan (2023), Sao Tome and Principe (2024), and the Solomon Islands (2024), though concerns are mounting over Angola and Sao Tome and Principe's high level of external debt which has become increasingly unsustainable during COVID-19 and may jeopardise their imminent graduation (CDP 2021d). Additionally, the CDP recommended to ECOSOC that another 5 LDCs graduate: Bangladesh, Kiribati, Lao PDR, Nepal, and Tuvalu (CDP 2021c). However, ECOSOC decided to defer its consideration of Kiribati and Tuvalu to 2024 given the unprecedented socio-economic impact of COVID-19, while also granting the other LDCs a 5 year graduation preparatory period to address the pandemic's developmental impact (ECOSOC 2021b). The full breakdown of the outcome of the 2021 triennial review is contained in the figure below.

FIGURE 11: THE OUTCOME OF THE 2021



Source: (CDP 2021e)

The 'Smooth Transition' Phase

The need for a gradual transition out of the LDC category is crucial to avoid the negative developmental consequences of the retraction of LDC-specific support. This was recognised in the very first CDP report to ECOSOC in 1971, which states that "to avoid the unfavourable effects of sharp discontinuities in policy, it should be understood that a country would not automatically be deprived of special measures as soon as it ceased to qualify as least developed according to a simple method" (CDP 1971). This was reiterated in the IPoA which argued that a 'smooth transition' was "vital to ensure that these countries are eased onto a sustainable development path without any disruption to their development plans, programmes and projects" (UN 2011). As mentioned in the previous sections, the governments of graduating LDCs are responsible for preparing and implementing a 'smooth transition' strategy that should ensure that graduation has a minimal impact on their respective country's development. This strategy is informed by the DESA ex-ante impact assessment, is developed in consultation with trading and development partners with the assistance of UN country teams, and should contain a set of specific measures to address the impact arising from the withdrawal of LDC-specific support measures (UN-OHRLLS 2019).

The UN Inter-Agency Task Force on LDC Graduation (IATF)

The IATF was created in 2017 by the United Nations Office of the High Representative for Least Developed Countries Landlocked Developing Countries, and Small Island States (OHRLLS), and is a coordinating body to help support graduating LDCs.

The IATF is chaired by the Director of OHRLLS, and brings together UN agencies, international and regional organisations, and graduating LDCs to collaborate on ensuring a smooth transition process. The IATF also works within UN to generate awareness and political support for graduating LDCs by informing other members of challenges graduating LDCs face. This helps ensure that development and trading partners understand how to support the smooth transition process (UN-OHRLLS 2019).

While the 'smooth transition' process is primarily the responsibility of governments, there are several different types of international transitional support measures for recent graduates. These include measures within the UN system and bilateral initiatives, which are discussed below. The issue of support by the World Trade Organisation (WTO) for a smooth transition is discussed in Part 3 of this study.

Transitional Support by the UN System

In December 2016, the UN General Assembly adopted a resolution that mandated UN agencies to provide country-specific support to graduating LDCs (UN 2016). A few examples include:

- UN DESA hosts the CDP and supports the graduating LDCs by conducting research and analysis and providing expert information and assistance through the Gradjet platform (Gradjet 2021).
- OHRLLS established the UN LDC Technology Bank in 2018 as requested by the IPoA. The LDC Technology Bank acts as a knowledge hub for the science, technology, and innovation needs of LDCs. After graduation, ex-LDCs can continue to access the Bank for 5 years (DESA 2018).
- The Global Environment Facility's LDC fund continues to support climate adaption projects within ex-LDCs if they are part of a national adaption programme of action adopted before

graduation. The Global Environment Facility also provides capacity building support for graduated countries for 3 years (UN-OHRLLS 2019).

- The UN's Capital Development Fund provides access to microfinance and capital for LDCs. It continues to support projects for 3 years after graduation and a further 2 years if on a split-cost basis (DESA 2018).

- LDC travel-related support for UN events can be extended for 3 years past graduation, while most ex-LDCs have an 80% discount on contributions to the UN peacekeeping budget (UN-OHRLLS 2019).

Bilateral Transitional Support

Several bilateral support measures have been implemented in recognition of the CDP's request that trade and development partners help facilitate the 'smooth transition' of graduating LDCs. These include:

- The European Union's (EU) Everything but Arms (EBA) initiative is the only bilateral LDC preference programme that explicitly and systematically supports the smooth transition of LDCs. The EBA allows exports from graduated LDCs to continue to benefit from duty-free quota-free market access to the EU for three years (Rahman and Bhattacharya 2020).

- China has continued to provide Samoa with LDC-specific preferential market access for certain items since its graduation in 2014 (Rahman and Bhattacharya 2020).

- The South Asian Free Trade Agreement (SAFTA) contains a special provision (Article 12) that extends LDC treatment under SAFTA to the Maldives despite the fact it graduated in 2011 (Scelta 2021).

- A few countries, including Canada, New Zealand, Norway, and Switzerland, have extended LDC-specific preferential access to graduating LDCs ad hoc (Elliot 2019).

SECTION 2

LDCs in the WTO

International trade is an important means to help LDCs achieve their development goals. As embodied in the WTO agreements, the multilateral trading system is conscious of the role of trade in development, and several initiatives favouring LDCs have been undertaken under the auspices of the WTO. Of the 46 LDCs, 35 of which have become WTO members. These are Angola, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Congo, the Democratic Republic of the Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda, and Zambia.

The countries negotiating accession are given observer status to the WTO. Currently, eight more least-developed countries are negotiating to join the WTO: they are Bhutan, Comoros, Ethiopia, Sao Tomé & Principe, Somalia, South Sudan, Sudan and Timor-Leste.

These LDCs are active participants in the system, through which they elucidate their needs and seek required remedies. This section looks at the LDCs interests, concerns, and aspirations of LDCs in the context of the WTO.

2.1 LDC Accession: Challenges, Guidelines, and Implementation

Accession to the WTO allows countries to integrate into the world economy and implement economic and trade reforms. WTO accession is perceived to achieve the following objectives:

- To ensure stable legal and institutional trade-related frameworks.
- To improve transparency and predictability in trade flows.
- To provide opportunities for access to all WTO member markets and equal treatment (most-favoured nation).
- To strengthen the confidence of foreign investors by offering a WTO-compatible business environment.
- To use the dispute-settlement mechanism in the event of trade disputes.

Challenges for LDC Accession to the WTO

The complexity of the accession process is in many ways inherent to the sweeping formulation of Article XII of the Agreement Establishing the WTO, the main provision in the Agreement which governs the accessions procedure. This article does not limit the requests that WTO members may make of applicants and the degree to which these terms can be extended beyond the general requirement of the Agreement. In addition, it does not provide any specific guidance on how the accession negotiation process should be conducted. The article merely states that "Any State or separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement and the Multilateral Trade Agreements may accede to this Agreement, on terms to be agreed between it and the WTO". Hence article XII leaves open, subject to negotiations, the terms of accession to be agreed between the applicant country and WTO members. This creates a major problem for the negotiating LDC trying to join the WTO as there are no standardised rules and guidelines for every LDC wanting to join the WTO and current members tend to negotiate their terms and conditions for the country to join the WTO; this proves to be a major challenge for LDCs with limited economic resources and since they do not have limited negotiations powers. This delays the negotiations for years.

The accession process consists of parallel negotiating tracks at multiple levels:

- Bilateral: with individual WTO members, to grant them commercially viable levels of market access in goods and services expressed in the form of legally binding commitments for tariff reductions and/ or elimination and to open the main services sectors listed under the General Agreement on Trade in Services to foreign competition.
- Multilateral: examination by WTO members of the acceding member's foreign trade regime to ensure its alignment with WTO agreements and disciplines (systemic issues).

As stated in a recent publication, "Accession to the WTO is a hard and long-drawn-out process. Accession negotiations typically last about 10 years and require far-reaching commitments by the acceding Government (or separate customs territory), as well as the acceptance of disciplines and binding commitments which in several instances go beyond those applied to existing members, and occasionally even acquiescence to lesser rights" (UNCTAD, 2019a).

To some extent, the accession process could be considered a full-fledged round of trade negotiations which, contrary to the stalled negotiations under the Doha work programme, has been delivering tangible outcomes as part of the Article XII accession packages. "A close look at the accession packages suggests that accessions have already contributed to clarifying existing disciplines and developing new ones in virtually all key trade areas. In trade-related aspects of intellectual property rights (TRIPS), geographical indications, competition, agriculture, WTO-plus obligations, and many other areas where the current multilateral negotiations have been progressing slowly, accessions have made significant contributions to shaping the new multilateral trading system." (UNCTAD, 2019b)

Acceding LDCs are thus expected to pursue wide-ranging transformative sectoral policies and verifiable administrative and legislative measures that involve a systematic review to amend existing domestic trade-related laws and regulations, and where necessary, to enact new ones in an inhospitable environment.

In the last few years, several WTO Members have expressed their concerns about the process and have sent strong messages on the need to make it more development friendly. WTO members are currently looking at means to assist those LDCs in the process of joining the WTO, which can impose substantial procedural and technical burdens on LDCs such as learn and understand how the WTO works, amending draft domestic laws to comply with WTO rules establishing mechanisms for enforcing those rules, and negotiating suitable conditions of entry to the WTO with existing members.

Guidelines for LDC Accession to the WTO

Considering these challenges faced by LDCs in accession to the WTO, Members have deliberated upon the possible ways to help LDCs. These deliberations led to the adoption by the General Council of the Guidelines for the Accession of LDCs in December 2002. In the Guidelines, Members decided that negotiations for the accession of LDCs to the WTO should be facilitated and accelerated through simplified and streamlined accession procedures to ensure that these negotiations are concluded as quickly as possible. The WTO guidelines for LDC accession were amended in 2012 to further strengthen provisions related to accession negotiations for LDCs commitments on market access and rules and regulations. The amended Guidelines strive to somewhat shield the acceding LDCs from onerous demands by the WTO Members to undertake much greater market access and rules commitments than the existing LDC Members.

In the area of market access, WTO Members are to "exercise restraint in seeking concessions and commitments on trade in goods and services from acceding LDCs, taking into account the levels of concessions and commitments undertaken by existing WTO LDCs' Members" (WTO, 2021i). For their part, acceding LDCs are expected to offer "reasonable market access concessions and commitments on goods and services commensurate with their individual development, financial and trade needs", in line with relevant WTO provisions on goods and services (WTO, 2021i).

In the area of WTO Rules, the Guidelines state that special and differential treatment, as set out in the Multilateral Trade Agreements, Ministerial Decisions, and other relevant WTO legal instruments, shall apply to all acceding LDCs, from the date of entry into force of their respective Protocols of Accession. The Guidelines provide that "transitional periods/transitional arrangements foreseen under specific WTO agreements, to enable acceding LDCs to effectively implement commitments and obligations, shall be granted in accession negotiations taking into account individual development, financial and trade needs" and that "Action Plans shall accompany these transitional periods/arrangements for compliance with WTO rules, supported by Technical Assistance and Capacity Building measures for the acceding LDCs". Finally, under this heading, the Guidelines make clear that "commitments to accede to any of the WTO plurilateral trade agreements or to participate in other optional sectoral market access initiatives shall not be a precondition for accession to the Multilateral Trade Agreements of the WTO" but "WTO Members may seek to ascertain acceding LDCs interests in the plurilateral trade agreements" (WTO, 2021i).

The Guidelines for the process of accession state that "The WTO Director-General shall be available to assist acceding LDCs and chairpersons of LDCs' accession Working Parties in implementing this decision and call for continued efforts to expedite and streamline the process of accession" (WTO, 2021i).

The Guidelines stipulate that targeted and coordinated technical assistance and capacity building shall be provided by the WTO and other relevant multilateral, regional and bilateral development partners, on a priority basis, to assist acceding LDCs. Assistance shall be accorded to effectively integrate the acceding LDC into the multilateral trading system. Technical assistance and capacity building cover all stages of the accession process, i.e., preparing documentation to set up the legislative infrastructure and enforcement mechanisms.

The implementation of these Guidelines is reviewed regularly, and the results of these reviews are included in the Annual Report of the Committee on Trade and Development to the WTO General Council. LDCs have pointed out the lack of full and faithful implementation of the Guidelines by the WTO and other members, which is one of the main reasons for the speedy conclusion of the accession process for the currently acceding LDCs.

2.2 General Levels of Obligations for all LDCs in the WTO

As the primary objective of the WTO is to provide a stable environment for international trade & development, LDCs, upon becoming WTO members, are required to fulfil certain rights, and obligations while other WTO member countries are supposed to provide certain accommodations and assurances towards LDCs. These include:

- Market access – WTO LDC member countries are encouraged to reduce tariffs and open their markets for exports from other members. However, they are not required to make any commitments of doing so, giving them the choice of whether to encourage LDC exports or not. LDCs are also encouraged to open their services industry by reducing tariffs, but again they are not required to make any stringent commitments. (As mentioned above, the situation regarding market access for both goods and services is different for acceding LDCs.) They are to comply with all the anti-dumping rules and regulations and the applicable rules of origin while developing and developed member countries are encouraged to provide technical assistance and help in capacity building for LDCs.

- Rules and regulations - All LDCs becoming WTO members must abide by the WTO rules and regulations. However, they are generally allowed to take lesser commitments and longer transition periods to implement these rules. Annex II provides details of specific flexibilities offered to LDCs under various WTO agreements.

- Capacity building or technical assistance - All agreements state that LDCs should receive technical and financial assistance from other developed and developing member countries of the WTO, and their special needs are recognised, including through the enhanced integrative framework.

2.3 WTO Initiatives in Favour of LDCs

To address the special needs of LDCs, several initiatives have been introduced at the WTO to help their integration in the multilateral trading system. Some of the key initiatives amongst them include:

Duty-Free Quota Free market access (DFQF)

LDCs have been granted preferential tariff treatment in the markets of developed and developing countries in a position to do so under several schemes and arrangements, such as the Generalized System of Preferences (GSP), and Everything but Arms (EBA), and other preferential instruments granted to selected countries and groups of countries.

There have been significant improvements in market access opportunities for LDCs. Twenty-eight WTO members have pledged market access improvements. Many have agreed to drop all barriers and provide "duty-free and quota-free" treatment to all LDC exports. They join several other countries that already offer open markets. As per a study conducted by UNCTAD, some major initiatives taken by developed and developing countries include (UNCTAD, 2018):

- Canada provides 90% of all LDC imports a duty-free treatment.
- Since 1st July 2001, New Zealand offers duty-free and quota-free access to 100% imports from LDCs.
- The European Union, Norway, and Switzerland provide duty-free, quota-free market access for all LDC exports (except arms). A transition period is in place for a few specific products.
- Japan, in December 2000, announced its "99%-initiative on Industrial Tariffs". It provides duty-free imports to 99% of industrial imports from LDCs, including textile and clothing products.
- The US had further elaborated on the African Growth and Opportunity Act (AGOA) in May 2000. Thirty-four Sub-Saharan countries, including many LDCs, have been designated as beneficiaries under AGOA in October 2000, who can avail new GSP benefits from 1835 tariff lines from December 2000.
- Hungary, the Czech Republic, and the Slovak Republic provide duty-free and quota-free access to all imports from LDCs.
- Egypt notified tariff reductions ranging from 10% to 20% of existing applied duties for 77 products of export interest to LDCs and provides duty-free access for about 50 products. In addition, Egypt bound customs duties, with a 10% reduction for industrial products imported from LDCs.
- China extended its DFQF scheme for LDCs in 2015. It has been according LDCs DFQF market access on 97% of its tariff lines.
- India announced the Duty-Free Tariff Preference (DFTP) in 2008 and provides

duty-free and preferential duty access for about 98.2% of imports from LDCs.

Despite these existing initiatives, there remain significant obstacles to LDCs market access due to various technical barriers to trade such as sanitary and phytosanitary obligations and stringent rules of origin among other things.

Rules of Origin

Rules of origin are the criteria used to define where a product is made and are essential for implementing other trade policy measures, including preferences favouring LDCs. Building on an earlier decision at the WTO Bali Ministerial Conference in 2013, WTO members adopted the 2015 Nairobi Decision on Preferential Rules of Origin for LDCs, which for the first time stipulated multilaterally agreed guidelines to facilitate LDC exports that qualify for preferential market access granted by WTO members. Five years later, LDC members said the time has come to acknowledge that, with few exceptions, implementation of the Decision is lagging by preference-granting members. (WTO, 2020)

Services Waiver

LDC services exports represent only a tiny portion of world exports and are concentrated in few sectors. They are supplied mainly in mode 1 (services provided from one country to another) and mode 2 (consumers or firms using a service in another country - e.g., tourism). Only limited data is available on the destination of LDC exports.

On 17 December 2011, the Geneva Ministerial Conference adopted a decision allowing WTO members to grant preferential treatment to services and service suppliers from LDC members for a period of 15 years. No members used the LDC services waiver initially, but the initiative took off within a few years and extended until 2030.

TRIPS Waiver

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is an international legal agreement between all the member nations of the World Trade Organization (WTO). It establishes minimum standards for the regulation by national governments of different forms of intellectual property (IP) as applied to nationals of other WTO member nations.

Since the inception of the TRIPS Agreement, LDCs have benefitted from an extended transition period to apply provisions of the TRIPS Agreement in recognition of their special requirements, their economic, financial, and administrative constraints, and their need for flexibility in order to create a viable technological base. The transition period for LDC members under Article 66.1 of the TRIPS Agreement had been extended twice before (in 2005 and 2013).

The latest decision for further extension adopted earlier this year was the result of intensive consultations over several months. Members were broadly in agreement on the principle of the extension but were unable to reach a decision due to their differences on the additional request that members graduating from LDC status should be accorded additional flexibilities under the TRIPS Agreement after their graduation. LDCs, on the other hand, favoured extending the transition period for as long as the member remains categorized as an LDC and for an additional period of 12 years from the date of graduation of a member from the LDC category. A group of delegations expressed a preference for extending the period for a limited time, while others argued that a transition period for members that have graduated from LDC status went beyond the TRIPS Council's mandate under Article 66.1.

Under the agreed decision, LDC country members shall not be required to apply the provisions of the TRIPS Agreement, other than Articles 3, 4 and 5, until 1 July 2034, or until the date when they cease to be a least developed country, whichever date is earlier.

Targeted Special and Differential Treatment (S&DT) for LDCs

The WTO Agreements contain special provisions that give LDCs countries special rights, allowing WTO members to treat LDCs more favourably than other WTO Members without violating Most Favoured Nation (MFN) obligations. These special provisions include, for example, longer time periods for implementing agreements and commitments or measures to increase trading opportunities for LDCs.

These provisions are referred to as "special and differential treatment" (S&DT) provisions which are generally offered to all developing countries, often with further specificities for LDCs. These include:

- Longer time periods for implementing agreements and commitments,
- Measures to increase trading opportunities for developing countries,
- Provisions requiring all WTO members to safeguard the trade interests of developing countries,
- Support to help developing countries build the capacity to carry out WTO work, handle disputes, and implement technical standards, and
- Lower levels of obligations.

The Enhanced Integrated Framework (EIF)

The joint IMF, ITC, UNCTAD, UNDP, World Bank, and WTO technical assistance Programme for LDCs has been redesigned to help LDCs mainstream trade into their national development plans and strategies for poverty reduction as well as ensure trade, as an engine for growth, is central to development plans. Trade-related technical assistance & capacity building is delivered within a coherent policy framework rather than on a stand-alone basis.

The first-ever joint seminar of the six agencies of what was then called the Integrated Framework was held in January 2001. It demonstrated the rationale and techniques for mainstreaming trade into LDCs' development plans and poverty reduction strategy papers and showed how the redesigned Integrated Framework could operate as a mechanism for poverty reduction and delivery of trade-related technical assistance.

Integrated Framework was redesigned as the Enhanced Integrated Framework (EIF) from 1st January 2007 and has been operating since then to provide trade-related technical assistance for the capacity building of LDCs.[1]

It should be noted that technical assistance to enable LDCs to implement their rights and obligations under WTO Agreements is also being provided through several other programmes in addition to the EIF, for

1 Technical assistance to enable LDCs to implement their rights and obligations under WTO Agreements is also being provided through several other programmes, for example, under the Joint Initiative on Technical. Cooperation for LDCs by WIPO and WTO, assistance is being offered to make the best use of the intellectual property system of these countries.

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Other Measures and Initiatives

Other than the measures described above, the WTO and its members have taken a host of additional initiatives to help LDCs participate more fully in international trade. These include:

- Establishment of WTO reference centres connecting LDCs' capitals to WTO sources of information through the Internet.

- Facilitating the participation of LDCs at WTO Ministerial Conferences — for example, financing LDC trade ministers' travel and hotel expenses.

Finally, it is worthwhile to note the following measures and initiatives also that are not specifically targeted to LDCs but where LDCs are an important part of the beneficiaries:

- Activities for non-resident members and observers to ensure that those countries not represented in Geneva can still follow the daily business of the WTO and still be an integral part of the WTO process.

- The "Geneva Week": an annual event bringing together senior officials from capitals and European-based missions — not only of LDCs but also of other small economies — to learn and exchange views concerning critical areas of the WTO work.

- Improvement of the WTO's Trade Policy Review Mechanism and shedding light on a country's trade rules now helps trade policy capacity building and the mainstreaming of trade priorities into national development plans and poverty reduction strategies.

- Expansion of the WTO training and policy courses.

- Establishment of a new Programme to fund interns within country missions in Geneva.

Continuing Needs and Challenges of LDCs

The WTO provides a forum where LDCs can raise problems relating to food safety and quality standards. Indeed, LDCs can find it challenging to comply with their exports with developed countries' sanitary standards. WTO agreements limit importing countries' scope to impose arbitrary requirements on LDCs' exports and encourage the use of internationally set standards. The WTO Director-General has initiated high-level discussions with the secretariats of international standard-setting bodies to improve LDCs' participation and capacity to use international standards fully.

A critical issue that is yet to be addressed for LDCs is non-tariff barriers (NTMs). NTMs to trade include a wide range of requisites from technical standards (TBTs), and sanitary and phytosanitary (SPS) measures to antidumping, rules of origin, and other administrative provisions. All these measures add to the cost of trading for all exporters. However, the costs of compliance with many of these measures are asymmetrical across exporters because compliance depends on technical know-how, production facilities, and an infrastructural base that, while usually available in developed and emerging markets, is often lacking in many LDCs.

Policy responses are essential. The WTO packages for LDCs should go beyond DFQF to include technical cooperation and trade facilitation mechanisms to help them comply with the asymmetric and increasing costs associated with NTMs. Global regulatory convergence towards international standards to the extent possible is vital so that LDCs do not face different regulations in each market. Furthermore, ensuring effective and coherent rules within LDCs is important to strengthen participation in regional and global value chains.

2.4 The Main Demands of LDCs in the WTO

LDCs have been facing certain obstacles while involved in international trade and have made several demands at the WTO. LDCs have strongly pushed for the full and faithful implementation of existing regulations and obligations in their favour, which include:

Market access

LDCs have demanded that the preferential market access commitments for LDCs (i.e., DFQF for all their exports) are full and faithfully observed by all developed countries and the developing members which are able to do so. While several countries, such as the USA, have been providing the DFQF scheme to LDCs for over 90% of products, most of the products exempt by countries are not produced by LDCs at all. This creates a competitive disadvantage for the LDC countries as even though member countries are apparently abiding by the obligation to implement DFQF preference measures, in practical terms they are not, abiding by the obligation faithfully.

Similarly, LDCs have pointed out the need for further concrete actions to fully and faithfully implement the Services waiver to grant preferential market access to their services as they do not seem to have reaped any concrete benefits from the waiver so far.

Rules and regulations

While member countries of the WTO are to abide by the rules and regulations established by the organisation, LDCs are not always able to do so for two main reasons: one, the rules may not be relevant at their level of development, and two, they lack the human, financial, technical, and institutional resources required for the implementation. Hence, they demand a differentiated set of rules applicable to them in certain areas, keeping in mind their level of development and capacity constraints. A case in point is the TRIPS Agreement, where LDCs had requested, and have been granted, time-bound extensions in the implementation period for several commitments. While this time-bound extension is helpful, LDC demand has been to link the extension to the LDC status, i.e., the implementation obligations become operative only when a country is no more an LDC. Many other WTO Members, particularly major developed countries, have not agreed to this.

The requests by LDCs for differentiated obligations under rules are based on the difficulties that LDCs continue to face in reaching their development goals and significant setbacks that they have experienced towards achieving the SDGs, which have been further aggravated by the COVID-19 pandemic, as acknowledged by the UN Secretary-General and several reports by DESA. LDCs specifically note that the COVID-19 pandemic will adversely impact the economies of all LDCs, including those LDCs that are on the verge of graduation due to a decline in exports, fall in commodity prices, supply chain disruptions and the bleak prospect of an impending balance of payments crisis.

Rules of origin

LDCs have demanded simplifying the rules governing their preferential market access from preference-granting countries. Not only are these rules cumbersome, but preference granting countries often have rules of origin that are different from each other. LDCs do not have the resources and the capacity to comply with cumbersome rules of origin, especially when these vary among their export markets. Thus, LDCs have demanded that the preferential rules of origin scheme be simplified and streamlined to fully implement the Nairobi Ministerial Decision.

Trade-related technical assistance and capacity building

LDCs have demanded targeted, needs-based, adequate, and medium-term technical assistance for their capacity building in all areas covered by the WTO. They need such assistance to build their technical, human, and institutional capacities for the implementation of their WTO commitments as well as to develop productive capacities to fully benefit from market access opportunities, move into higher value-added production, and structurally transform their economies.

Graduating from the LDC Category

Apart from the full and effective implementation of the current obligations towards LDCs, LDCs have also raised concerns about their situation once they graduate from the LDC category, noting that almost a quarter of LDCs were on track to graduate from LDC status before the outbreak of the COVID-19 pandemic. Graduation from the status of LDC marks an important milestone in the development path of each LDC. However, the phasing-out of international support measures associated with LDC status could present challenges for graduating LDCs in their efforts to continue to integrate into the global economy. The impact of graduation varies for each LDC depending on the export structure, use of preferential treatment and its terms of entry into the WTO.

Impacts of LDC graduation include a loss of preferences under LDC schemes of developed and developing country members, which has been one of the main concerns of graduating LDCs. LDCs also face dual erosion of preferences in certain developed country markets – loss of preference margin and loss of favourable rules-of-origin conditions.

In addition to the loss of preferential market access, the graduating LDCs would also stand to lose the benefits of any other specific initiatives and measures that the WTO offers to LDCs, for example, dedicated trade-related technical assistance and capacity building, non-reciprocity in market access and other commitments, longer implementation periods. Together these can pose substantial challenges for graduating LDCs who would not be entitled to such measures upon graduation from the LDC category.

Members at the UN and other institutions and forums are exploring measures to assist the graduating LDCs. Graduating LDCs need to engage in WTO work while keeping three perspectives in mind: as an LDC, a graduated LDC, and a developing country member of the WTO. Graduating LDCs could actively engage with their trading partners to develop arrangements that could allow them to maintain LDC-like treatment for an appropriate period after graduation.

SECTION 3

Past UN LDC Conferences and Key Issues for LDC-V

3.1 Background of UN LDC Conferences

Every ten years since 1981, the UN convenes a conference devoted to addressing the needs of LDCs. These UN LDC conferences examine ways in which the international community may best support LDCs in their development goals and what LDCs could do to aid their own development (Diallo, Diarra, and Katjomuise 2020).

After the LDC category was established in 1971, the conditions within LDCs continued to deteriorate with little developmental progress made throughout the decade. This prompted the UN General Assembly in 1979 to convene a conference devoted to LDCs, to attract international attention to their plight and coordinate action to address their development challenges. UNCTAD's Intergovernmental Group on LDCs was designated as the preparatory committee to the conference, which decided to make individual LDC country reviews the basis of conference preparations as remains till today. These reviews are facilitated by the preparatory committee and consist of the presentation of proposed development programmes by LDCs to development partners, while larger regional review sessions compliment this process and offer an opportunity for African and Asian LDCs to outline common regional development goals and strategies (UN 1982).

The first UN LDC conference was held in Paris in 1981, during which the first LDC programme of action (developed by UNCTAD) was finalized and adopted. It was titled the Substantial New Programme of Action (SNPA) and aimed to address malnutrition, poverty, and unemployment within LDCs through the structural transformation of LDC economies (UN 2021b). To this end, the SNPA set several key targets for LDC development through the 1980s, including an annual LDC growth rate of 7.2%, an annual agriculture growth rate of 4%, growing LDCs share of global trade, and committing development partners to provide 0.15% of their annual GDP as ODA to LDCs (UN 1982).

The Objectives of the Substantial New Programme of Action (SNPA)

The SNPA had four main objectives:

1. The promotion of structural change in LDC economies to overcome extreme economic difficulties.
2. The provision of adequate minimum standards for the poor.
3. The Identification and facilitation of investment in priority areas of LDCs
4. The mitigation of the most adverse effects of natural disasters (UN 1982).

The SNPA's legacy as the first programme of action was the formalization and entrenchment of the idea that LDCs were primarily responsible for their own development while international actors should play supporting role, with the opening paragraph stating, *"The least developed countries have primary responsibility for their overall development, and the domestic policies they pursue will be of critical importance for the success of their development efforts. However, the international community, in particular the developed countries and relevant international organizations, as well as the developing countries in a position to do so and non-governmental organizations, will have to provide substantial assistance to these countries to overcome their poverty"* (UN 1982). This approach continued to shape global attitudes to LDC development in subsequent programmes of action and persists to this day.

In 1987 the UN General Assembly decided to convene the second UN LDC conference (LDC-II), held again in Paris in 1990. LDC-II was given the mandate to examine the progress of LDCs in the context of the SNPA, review adherence to international commitments such as ODA targets, and implement a new programme of action to address LDC development in the following decade (UN 1990). The review of the SNPA found that the situation of LDCs had worsened significantly throughout the 1980s: annual average GDP growth was 2.2% instead of 7.2%, annual average agriculture growth was 2% instead of 4%, LDCs share of global exports declined to 0.3% compared to 1.4% in 1960, and ODA disbursements only totalled an average of 0.09% of annual GDP of development partners. In addition to failing every quantitative economic target, social conditions within LDCs had also rapidly deteriorated, with 66% of LDC inhabitants remaining illiterate, while infrastructure had crumbled and malnutrition had grown (UN 1990). In light of this situation, LDC-II adopted the Paris Programme of Action of LDCs for the 1990s (PPoA), which aimed to invert the development trajectory of LDCs by widening the scope of priority action areas to include environmental degradation, economic diversification, and sound governance practices (UN 2021a). The PPoA also reaffirmed the 0.15% of GDP ODA commitment for development partners and encouraged those which had previously exceeded this threshold to aim to contribute 0.2% of annual GDP. However, other than this ODA target, the PPoA discarded the use of quantitative targets and instead rather vaguely called for LDCs to increase GDP and agriculture growth, diversify exports, and increase their share in global trade, among other things (UN 1990).

In 2001 the third UN LDC conference (LDC-III) was held in Brussels, with the same mandate of reviewing the progress of LDCs under the PPoA and replacing it with a new LDC programme of action for the 2000s, which was compatible with the then newly adopted Millennium Development Goals (MDGs). The review again found that LDCs had not achieved the goals set in the PPoA and that their developmental position had worsened relative to other countries as they had missed out on the benefits associated with accelerating globalisation over the preceding period. The review noted that despite LDCs having largely adopted the reforms recommended by the PPoA—such as lowering tariffs, accelerating privatization, and adopting liberal investment policy—they did not have the desired effect with ODA continually declining, debt growing, and commodity dependence persisting throughout the '90s (UN 2001).

The Brussels Programme of Action (BPoA) was subsequently adopted at LDC-III, which consisted of seven priority areas (see box) and aimed to align LDC development in the 2000s with the MDGs. Therefore, the BPoA set the overarching target of halving extreme poverty in LDCs by 2015, which would require 7% of annual GDP growth and an annual investment-to-GDP ratio of 25%. Other derivative quantitative targets included connecting 10% of the population to the internet by 2010, ensuring universal access to primary education by 2015, improving adult literacy rates by 50% by 2015, and once again reiterating the ODA target of 0.15-0.2% of annual GDP (UN 2001).

The Seven Priority Areas of the Brussels Programme of Action (BPoA)

1. Creating a robust and people-centred poverty framework
2. Promoting good governance at national and international levels
3. Building human and institutional capabilities
4. Building productive capacity to harness globalization
5. Enhancing the role of trade in development
6. Reducing vulnerability and protecting the environment
7. Mobilizing financial resources (UN 2001)

LDC-III also established the United Nations Office of the High Representative for the Least Developing Countries, Landlocked Developing Countries, and Small Island Developing States (UN-OHRLLS) to monitor LDC progress under the BPoA and ensure its effective implementation (UN-OHRLLS 2021c).

The 2005 midterm review of the BPoA found that LDCs had experienced a real improvement in preceding years, breaking the long trend of stagnation and decline. Average annual GDP growth had increased by 1.5%; ODA flows as a percentage of donor GDP had increased by 0.01%, while the percentage of undernourished people had decreased by 5%. However, despite these improvements, LDCs were not on track to meet either the BPoA or the MDGs (UN-OHRLLS 2006). This was confirmed at the fourth UN LDC conference (LDC-IV) in Istanbul in 2011, which found although LDCs had fared better under the BPoA than in the previous programmes of action, they still failed to fully meet their targets. Instead, the LDC-IV review found that progress in LDCs was increasingly heterogeneous, with 15/47 LDCs achieving average annual growth above 7%, 13/47 only achieving average annual growth of 3%, and some experiencing protracted recessions. This growth also did not seem to contribute to the BPoA's overall goal of poverty reduction, with poverty only decreasing by 0.9% from 2001-2011. Average ODA flows were found to have remained below the 0.15% of GDP target. ODA, which was disbursed, had mainly contributed to alleviating social pressure instead of developing physical and economic infrastructure (UN 2011). On a more positive note, the value of LDC exports had increased substantially over the period from $41 billion in 2001 to $175 billion in 2010. However, this growth largely reflected a boom in commodity prices over the period as opposed to the real growth of LDC exports, as the rapid growth of China's manufacturing sector caused a correlative increase in the demand for and thus spike in the price of commodity inputs (Diallo, Diarra, and Katjomuise 2020).

The UN-OHRLLS

Today, the UN-OHRLLS serves 91 vulnerable member states, including the 46 LDCs, 32 landlocked developing nations, and 38 small island developing states.

It has three primary roles:

1. Mobilize international support for the effective implementation of current LDC programme of action
2. Coordinate the UN system, national governments, civil society, media, academic, and foundations to raise awareness on the international stage about the needs of these vulnerable groups
3. Publish research and analysis (Such as the flagship annual 'State of Least Developed Countries' report) on LDC development issues and recommend policies (UN-OHRLLS 2021c)

LDC-IV also adopted a new LDC programme of action (the Istanbul Programme of Action – IPoA), which has guided the developmental trajectory and treatment of LDCs for the past decade and will be evaluated at the fifth UN LDC conference in 2022. The next section will examine the IPoA in more depth and how LDCs have fared since its adoption.

3.2 The Istanbul Programme of Action

The IPoA departed from the MDGs and instead adopted the overarching target of getting half of LDC countries to graduate out of the category by 2020. This would be done through the same secondary target of 7% annual GDP growth, emphasising the expansion of the productive capacity of LDCs (UN 2011).

To expand LDC productive capacity, achieve 7% average annual growth, and enable LDC's to graduate, the IPoA identified 8 key areas in which LDCs required support: productive capacity, food security, trade, commodities, human development, crisis resilience, financial resources, and governance. Within each area, the IPoA mostly eschewed quantitative targets in favour of softer goals, calling on LDCs and development partners to strive to 'enhance', 'strengthen', 'develop' and 'promote' certain aspects of each area without defining a future target. However, the IPoA did include a small number of concrete targets, including 100% internet access for LDC habitants, a doubling of LDC's share of global exports from 1% to 2%, and universal access to free primary education by 2020. It also included the enduring request that development partners provide 0.15-0.2% of their annual GNI as ODA to LDCs (UN 2011).

Principles of the Istanbul Programme of Action (IPoA)

The IPoA adopted 8 underlying principles which guided the recommendation and implementation of measures intended to enable LDCs to graduate by 2020. These principles are:

1. Country ownership: LDCs take primary responsibility for their own development, with development partners supporting the implementation of their development strategies
2. Integrated approach: Development process is viewed in a holistic manner with the IPoA to be integrated into all relevant international processes
3. Genuine partnerships: International solidarity and understanding by development partners that LDCs need support at all levels
4. Result orientation: The success of the IPoA is determined by meeting targets and enabling the graduation of LDCs
5. Peace, security, development, and human rights: The development of LDCs both requires and strengthens these concepts, which are also interlinked and mutually reenforcing
6. Equity: Development strategies should enhance the empowerment of the poor and marginalized within LDCs
7. Representation: The international economic system should be inclusive to development needs of LDCs and should ensure their effective participation in all processes
8. Balanced role of the State and market considerations: LDC governments should design policies which enables inclusive economic growth and a stable economic environment for the functioning of markets. (UN 2011)

As the previous section has alluded to, the overall progress of LDCs towards achieving these targets has been disappointing. The IPoA's overall goal of enabling half of LDCs to graduate has been spectacularly missed, with only 4 countries having graduated between 2011-2020 while an additional 4 are due to graduate before 2024. However, the impact of COVID-19 on LDCs has placed the sustainability of these graduations in doubt and has severely undermined any progress other LDCs have made towards graduation(ECOSOC 2021a). According to the fourth principle of the IPoA (Result Orientation), there is already some evidence to deem the IPoA unsuccessful, which is confirmed upon examining the lack of progress towards subsidiary targets. The average annual growth of LDCs between 2011-2020 was 4%, with only Bangladesh, Lao PDR, Rwanda, and Uganda surpassing the 7% annual growth target (UN-OHRLLS 2020). Due to COVID-19, all but 8 LDCs experienced negative growth in 2020, which has placed an additional 32 million residents in LDCs in extreme poverty and caused poverty to increase by 2.4% to 39% of the population in LDCs (CDP 2021a).

In terms of trade, most LDCs have not managed to diversify away from commodities and increase the share of manufacturing in their exports. The contribution of manufacturing to GDP has remained constant at around 10% since 2011, with only Bangladesh, Cambodia, Ethiopia, and Myanmar expanding the sector's relative share in GDP. As described in part 1, the LDC's share of global exports has stagnated since 2011 and remains dominated by a handful of LDCs: 5 LDCs contribute over 60% to collective LDC exports (ECOSOC 2021a). Only 6/33 African LDCs have registered a decline in commodity dependence since 2011 (UNECA 2021), and 7/11 of Asian LDCs remain commodity dependant with the share of commodities in total exports have increased by 5.3% since 2011 (Razzaque and Tateno 2021).

The goals of universal access to the internet and primary education have both been missed. Internet access in LDCs grew from 5% in 2011 to 19% in 2019, a far cry from 100% coverage. Additionally, this modest gain in accessibility has not equally accrued to women, with only 13.9% of women in LDCs having internet access compared to 24.4% of men (ECOSOC 2021a). Although considerable progress has been made in providing access to primary education since 2011, 16.2% of eligible children in LDCs remained out of school in 2019, with substantially worse enrolment rates in secondary and tertiary education (ECOSOC 2021a).

Finally, the ODA goal was also missed. The average share of GNI distributed as ODA declined from 0.1% in 2011 to 0.09% in 2019, meaning development partners regressed in the aspiration to contribute 0.15-0.2% of their GNI as ODA. Only 6 countries—Denmark, Luxembourg, Netherlands, Norway, Sweden, and the UK— fulfilled this obligation in 2019, compared to 10 countries in 2011 (ECOSOC 2021a).

In 2022 the IPoA will be replaced by a new LDC programme of action at the fifth UN LDC conference (LDC-V), which will attempt to address these failures of the IPoA. The next two sections will outline the state of preparations for LDC-V and discuss the collective demands that LDCs have tabled in the context of the IPoA's failure and the impact of COVID-19.

3.3 The Preparatory Process for the LDC-V

LDC-V will be held in Doha, Qatar, from 23 to 27 January 2022. and will provide an opportunity for Heads of States and other key stakeholders to address current LDC challenges, seek and secure international support, and form partnerships to achieve the transformational change that is sorely needed. Such transformational change is necessary if LDCs are to overcome long-standing inequalities and marginalization and progress toward long-term sustainable development.

While the UN-OHRLS leads preparations for the LDC-V, other relevant UN and international organisations participate as well. UNCTAD plays a critical role in LDC-V, providing support in the following areas:

- Research and policy analysis on LDC-specific issues
- Advisory and technical assistance services (on-demand from member States or Groups)
- Briefings on critical LDC issues
- Establishment of dialogue spaces for member states to engage with UNCTAD experts and receive substantive guidance and feedback (both in Geneva and New York).

National reviews

During 2019-2020, LDCs assessed their progress and challenges in implementing the IPoA at the national level. UN country teams in LDCs were asked to extend their support as appropriate to national level preparations. The network of existing LDC National Focal Points (NFPs) played a key role in preparing the national reviews.

In November 2019, OHRLLS organized the Annual Workshop of the National Focal Points of LDCs at UNHQ in New York. The workshop provided an opportunity for NFPs to exchange experiences, challenges, and policy solutions among peers in the implementation of the IPoA. Many presented the main findings of their draft national reviews.

In June 2020, during the COVID-19 pandemic, OHRLLS convened a virtual meeting of the NFPs of African LDCs. At this meeting, they were invited to share their effective initiatives and policies and challenges faced due to COVID-19 as it threatens to roll back years of progress made in the implementation of the IPoA and SDGs. NFPs also discussed impediments to recovery and much-needed international support. Relevant UN agencies, as well as UN Resident Coordinators, also shared their perspectives. To date, 25 LDCs have submitted their national reports to UN-OHRLLS in preparation for LDC-V.

LDC National Focal Points (NFPs)

A network of NFPs for LDCs was established by OHRLLS after the adoption of the BPoA in 2001.

The aim of the network is to facilitate and coordinate effective implementation of the PoAs for LDCs at the national level.

It also aims at building coherence between the implementation and review of the PoAs and other global processes, including the SDGs. Nominated by LDCs themselves, NFPs are senior government representatives from line ministries that oversee their national development strategies.

The platform provides an opportunity for Member States to share national experiences and identify emerging challenges and ways forward. Over the years, the NFPs network has become a valuable conduit for OHRLLS to engage with LDCs and solicit their direct feedback on the programme of work. NFPs meet annually to discuss progress towards the national-level implementation and monitoring of the PoA.

The annual meeting of NFPs also draws participation from relevant UN agencies, regional commissions, and development partners. The annual discussion helps OHRLLS, development partners and other implementing agencies to ascertain the status of implementation of the PoA, and tailor programmes and capacity building activities in support LDCs' development agendas. (UN 2021c)

Regional reviews

With the General Assembly resolution adopted in August 2020, the two LDC regional review meetings for Africa and Asia, to be held in Malawi and Bangladesh were rescheduled for April and August 2021, organized in close collaboration with both host countries the UN Economic Commission for Africa (UNECA), the UN Economic and Social Commission for Asia and the Pacific (ESCAP), LDCs and their development partners. The UN Economic and Social Commission for West Asia organized a virtual sub-regional review meeting focusing on four Arab LDCs, namely Yemen, Somalia, Mauritania, and Sudan, on 18 February 2021.

The Africa Regional Review Meeting (also covering Haiti) was held between 22nd to 26th February 2021, co-organized by the OHRLLS with the Government of Malawi and UNECA in collaboration with various other UN agencies. It provided an opportunity to review the implementation of the IPoA in the region, as 33 out of the 46 LDCs are in Africa. The outcome document was an African LDCs Ministerial Declaration and outlined components of a renewed partnership for sustainable development between African LDCs and their development partners. Key highlights of the document include (UN, 2021c):

- Lessons learned from the previous PoA and focusing on building back better.
- Building peaceful, just, and inclusive societies.
- Rethinking structural transformation in African LDCs in the areas of technological advancement and innovation.
- Mobilizing resources for sustainable development in African LDCs.
- Enhancing external trade, building, and maintaining resilient infrastructure and promoting regional integration in African LDCs.
- Social and human development in the African LDCs, reducing inequality and advancing wellbeing and opportunities which would be organized in cooperation with UNDP.
- Building sustainable, inclusive, and resilient food systems in African LDCs which would be organized in cooperation with Food and Agricultural Organisation (FAO).
- Building climate resilience and accelerating the energy transition in African LDCs.

The Asia-Pacific Regional review is being held virtually from 30th August to 2nd September 2021. The objective of the Asia-Pacific Regional Review is to undertake a comprehensive appraisal of the implementation of the IPoA in Asia-Pacific LDCs, share best practices and lessons learned and identify obstacles and constraints encountered. The meeting is expected identify effective international and domestic policies in the light of the outcome of the appraisal as well as new and emerging challenges and opportunities and the means to address them as well as put forward specific recommendations on strategies and policy measures at the national, regional, and global levels to accelerate the implementation of the Sustainable Development Goals by the Asia-Pacific LDCs.

The outcome of this review is expected to be a ministerial declaration negotiated by the Asia-Pacific LDCs which will feature a strengthened and renewed partnership between the least developed countries and their development partners. This declaration will be submitted to member States at the seventy-seventh session of the Commission of the ESCAP in 2021. This will also serve as an important background document for the Inter-Governmental Preparatory Committee meetings for the LDC-V to be held in 2021 in New York.

Global level reviews

OHRLLS coordinates the interagency group on the IPoA and its contributions to LDC-V. It has the mandate to serve as a focal point for the LDC5 Conferences and, for that purpose, to mobilize and coordinate the active involvement of the UN system. UN-OHRLLS prepared a report that builds on best practices undertaken by the UN system and other organizations to support the efforts made by LDCs in implementing the IPoA and the SDGs and highlights the challenges faced on the ground and actions needed to strengthen UN system support in LDCs. The report also benefits from perspectives shared by UN Resident Coordinators on how the UN system could best support LDCs to advance the achievement of SDGs. Furthermore, the report provides recommendations on strengthening the effectiveness of the UN system in promoting sustainable development in LDCs through examples that have had a positive and transformative impact on the ground (UN, 2021c).

UN Agencies and the World Bank and IMF, the WTO, and other relevant international and regional organizations have been invited to collaborate on the global IPoA review process. This includes collaborating on thematic appraisals of IPoA implementation to propose sector-by-sector strategies to facilitate the sustainable development of LDCs. Moreover, as part of the UN Secretary-General's preparations for LDC-V, a report in collaboration with the UNHCR analysed the implementation of the right to development in LDCs in the context of the coronavirus pandemic and other challenges, with recommendations on how to overcome them (UN, 2021c).

Finally, a series of pre-conference global thematic events have been/are being organized. These include:

- A high-level event on 21st and 23rd October 2020 entitled "Towards UN LDC5: Recovery from COVID-19 - Tackling Vulnerabilities and Leveraging Scarce Resources," jointly organized by OECD Development Centre, Foundation for Studies & Research for International Development (FERDI) and UN-OHRLLS.

- The 8th LDC Ministerial Conference, co-organized by the United Nations Industrial Development Organisation (UNIDO) and UN-OHRLLS on 2 November 2019 in Abu Dhabi.

- A special event on 19 November 2021 entitled "Leaving no one behind and building back better from COVID-19: The Future of Work in LDCs," jointly organized by UN-OHRLLS and the International Labour Organisation (ILO).

- The Presidents of the General Assembly and the ECOSOC convened a joint thematic event on 18 June 2021 under the theme "Diversifying the Financing Toolbox to Enhance Investment in LDCs".

- The LDC Future Forum on the theme of "Achieving Sustainable Development in the Least Developed Countries – Towards LDC5" is being held in Helsinki, Finland, from 30 August to 1 September 2021. UN-OHRLLS jointly organizes it, United Nations University-World Institute for Development Economics Research (UNU-WIDER), the Sustainable Development Solutions Network (SDSN), and Finland's Government. It provides new thinking on key thematic areas of the new LDC agenda. Papers have been selected from almost a thousand proposals received from around the world.

- The several UN Member States and UN System and other partners have collaborated to organize side events during the two sessions of the LDC 5 Preparatory Committee.

In addition to the intergovernmental process described above, OHRLLS has been organizing consultative meetings for the Ambassadors of LDCs and Friends of LDCs in New York to find consensus on new priorities. OHRLLS is also committed to ensuring the full engagement of civil society and youth in the preparatory process for LDC-V. OHRLLS will continue to coordinate the inter-agency group on IPOA and its contributions to LDC-V.

UN-OHRLLS is also working to ensure the full involvement of UN Resident Coordinators and Country Teams across all 46 LDCs in the LDC-V planning and preparatory process.

The outcomes of these inclusive and broad-based reviews at national, regional, and global levels will feed into the work of the Intergovernmental Preparatory Committee (PrepCom), whose mandate is to agree on elements of the new Programme of Action for LDCs that will then be finalized and adopted by the Doha Conference. At its Organizational Session on 8 February 2021, the LDC-V PrepCom elected its Bureau and two co-Chairs, Ambassador Fatima of Bangladesh, and Ambassador Rae of Canada (UN, 2021c).

3.4 The Expectations of LDCs from LDC-V

The COVID-19 crisis has hit hard LDCs economies, including their trade performance. According to a presentation by the WTO Secretariat, there was a 10.3% decline in LDC merchandise exports and a 10.5%decline in LDC merchandise imports in 2020 compared to 2019. This contraction is greater than the global 7.7% decline in exports and 7.8% decline in imports over the same period. Additionally, LDC exports of services are estimated to have dropped around 40 per cent in the first three quarters of 2020, double the decline experienced by the rest of the world (19 per cent).

The ongoing crisis has revealed the importance of building LDCs' trade infrastructure and strengthening their capacities to keep the pandemic in check and better integrate into the world economy (WTO, 2021d). Therefore, international trade is expected to remain central in the next LDC programme of action, alongside other issues such as improving access to sustainable energy, finance, employment and achieving food security. Lifting LDCs out of poverty and attaining the UN SDGs also features prominently on the agenda. In addition, the international community is looking to accelerate the graduation of countries from LDC status in a sustainable manner.

A recent report by the UN Secretary-General on implementing the IPoA over the past decade underlined the importance of structural transformation in LDCs and building resilience to future shocks to build back better from the COVID-19 crisis. It also pointed to the need to harness the potential of new technologies, improve governance, and create robust institutions in the world's poorest economies (UN, 2021).

LDCs have called on the international community to seek an ambitious new programme of action, fine-tuned to the needs of LDCs. At the WTO, the members emphasized the role of trade in helping LDCs meet their development objectives (WTO 2021d).

LDCs also demand to help enhance their productive capacity and export competitiveness. They call for additional and robust trade-related support measures from country donors and international organizations, such as duty-free quota-free market access, technology transfer and simplified preferential rules of origin. They also argue that extending such measures after LDCs graduate would help them sustain their export performance.

There is also competition amongst African and Asian LDCs, for example, in the textile industry., Asian LDCs have experienced higher growth and economic output in recent years and are major players in the global textile market. However, African LDCs have increasingly grown their own textile manufacturing capacity and are challenging Asian LDCs on global markets, with competition driving down global prices and hurting both industries. The need for a solution to this challenge has been raised in preparations for LDC-V.

Overall, LDC-V will be fully conscious of the enormity of the current challenges faced by LDCs in trade and beyond. It is estimated that over 300 million people are still living in extreme poverty, according to UNCTAD. The organization's new productive capacities index indicates that LDCs lag behind other developing countries in several productive capacity areas (UNCTAD, 2021c). The transition to a digital economy remains pending. This is due to the costly adoption of new technological capabilities, insufficient skills, and inadequate infrastructure. Policies are needed to develop LDCs' productive capacities through investment and industrial transition.

Several international online gatherings highlighted the importance of building a resilient manufacturing sector in LDCs to ensure structural economic transformation. This includes the African Regional Review meeting in February 2021, which reviewed the implementation of the IPoA in Africa, the 53rd session of the United Nations Economic Commission for Africa in March 2021, and the WTO-led Aid for Trade Stocktaking Event held from 23 to 25 March 2021.

It is strongly demanded by LDCs that all elements of the next programme of action to be adopted at the LDC-V should be fully implemented, and it is ensured that LDCs get the maximum benefits from the future programme of action. LDCs also point out that several countries did not fully comply with the IPoA – this must change in respect of the next programme of action which should have the full commitment of all the required resources and policy actions by all concerned. All these issues, demands and challenges must be thoroughly discussed and considered at LDC-V, and the next programme of action for LDCs for the coming decade is comprehensive, targeted, and result-oriented with adequate resources for effective implementation.

Conclusions and Recommendations

This study has sought to illuminate the plight of the 46 LDCs, which house 13% of the global population yet contribute less than 2% to global GDP (UNCTAD 2020) and 0.98% of global exports (UNCTAD 2021a). The United Nations first recognised the structural constraints faced by LDCs in 1964, which it aimed to address by creating the category and various initiatives over the following years. The number of countries within the LDC category has grown substantially since its creation, with few having developed sufficiently to merit their graduation. Today, of the 46 LDCs, 33 are based in Africa, 9 in Asia, 3 in Oceania, while Haiti is the sole LDC in the Americas (DESA 2021a). Over the past several decades, the UN has convened a conference to address the needs of LDCs. The objectives of these conferences have been to raise support for LDCs from the international community, help identify means through which LDCs may address their development challenges and facilitate the exchange of best practices between LDCs. Each of these conferences has adopted a Programme of Action for LDCs– the last being the Istanbul Programme of Action in 2011 – which have sought to govern the development trajectory of LDCs over the proceeding decade. But their desired impacts have been elusive, as evinced by the low number of LDCs that have been able to graduate out of the category in the 50 years since its creation. Moreover, the COVID-19 pandemic has exacerbated the severity and complexity of the development challenges faced by LDCs.

The plight of LDCs has also been recognised within the WTO, which has implemented several measures to address the trade-related challenges faced by LDCs, given the role of trade in the economic growth and development of LDCs. These measures aim to boost the integration of LDCs into the multilateral trading system and include providing WTO LDC members with better market access opportunities, flexibility in the implementation of certain rules & regulations, and trade-related technical assistance and capacity building. However, despite the imposition of these measures, LDC share in global trade has remained insignificant. This has prompted LDCs to demand further strengthening and full and faithful implementation of these initiatives by the WTO and other member states. Furthermore, LDCs have also asked for the continuation of special benefits for a time-bound period to ensure the 'smooth transition' of LDCs that are graduated from the category.

Two forthcoming international conferences, the Twelfth WTO Ministerial Conference (MC12) in November 2021 and LDC-V in January 2022, provide valuable opportunities for LDCs and their development partners to identify and deliberate on the root causes of persistent LDC under-development. Moreover, these conferences may benefit from the lessons learnt from the previous LDC programmes of actions and WTO initiatives. While the WTO MC12 will focus on the challenges faced by LDCs in international trade, LDC-V will have a much broader agenda, including trade, industrialisation, energy, financing, employment, and food security with an overall aim of alleviating poverty within LDCs, facilitating their eventual graduation, and achieving the SDGs.

To contribute to possible meaningful and result-oriented outcomes at WTO MC12 and UN LDC-V and based on preceding discussion and analysis, this study offers several recommendations in the following sections.

4.1 Recommendations within the Context of UN LDC-V and WTO MC12

Reform ODA Financing Obligations

Since the first LDC programme of action, the Official Development Assistance (ODA) target has remained identical (0.15% of GDP/GNI) despite the persistent failure of donor countries to meet it: only six donor countries provided 0.15% of GNI as ODA to LDC's in 2018, compared to ten donor countries in 2011 (ECOSOC, 2021a).

Recommendation

- Make the ODA target mandatory with a suitable compliance mechanism
- Combine/align the ODA financing target with other financing obligations, i.e., the annual target of $100 billion in climate finance under Art. 54 and Art. 115 of the Paris Agreement (UN 2015). This may both streamline the process and enhance the incentive for ODA provision by developed countries, as ODA would simultaneously fulfil two obligations.
- The LDC-V Programme of Action also collapse ODA commitments within the LDC's call for the creation of a global LDC stimulus fund (UN 2020)). This would allow development partners to commit to financing the fund instead of individual LDCs, which may ease logistics-related financing bottlenecks
- Push for the adoption of innovative financing mechanisms, such as blended finance, and increase incentives for private investment in LDCs.

This persistent failure raises questions regarding the continual inclusion of this ODA target in LDC programmes of action, especially considering continually shrinking ODA flows. Therefore, it is necessary to examine ways to make development partners commit to meeting this target as well as finding alternative means of getting financial resources LDCs require for their development.

Conceive of future LDC Programme of Action in terms of building productive capacity

Low productive capacity has been identified as the core hindrance to LDC development. Past programmes of action have often aimed to address symptoms of low productive capacity (debt, low domestic saving, infrastructure deficit, low human capital) without concentrating efforts to target the root cause of low productive capacity itself.

Recommendation

- Conceive of LDC-V Programme of Action in terms of productive capacity. All proposed measures and targets should be directly linked to growing productive capacity. This would result in a more streamlined, focused, and easy to implement Programme of Action.
- Doing so aligns with the CDP recommendation that the theme of the next POA should be "Expanding Productive Capacities for Sustainable Development" (CDP 2021d)

Enhance smooth transition measures

The adoption of a 'smooth transition' is a relatively new concept: it was only introduced with the IPoA and has had limited use considering low graduation rates since then. Currently, ensuring the smooth transition of graduating LDCs does not create any binding commitments for development partners, which reflects the SNPA ethos of placing the development burden on LDCs themselves. Enhancing 'smooth transition' measures would help incentivise the graduation of LDCs.

Recommendation

- The LDC-V Programme of Action should enhance the smooth transition process. This may be done by introducing new measures which outline concrete obligations for development partners.
- If not made binding, these obligations should at least contain concrete suggestions instead of vague requests, as is currently the case.

Support Global Tax Reform

LDC's low fiscal capacity, dependence on ODA, low resilience, and high public debt relate to low fiscal revenue. Multiple LDC programmes of action have recommended that LDCs increase fiscal revenue but have remained silent on how to do so without inducing capital flight or dissuading future investment. In addition, multinationals often deprive LDCs of tax revenue through transfer pricing and profit shifting, with the former particularly prevalent in extractive industries. Recent efforts in global tax reform offer LDCs the opportunity to address these tax evasion strategies, as well as counter the risk of capital flight. Global adoption of these tax reforms would substantially increase LDC fiscal revenue without creating a relatively adverse investment and business climate.

Recommendation

- Integrate an LDC endorsement of the G20 proposal for global minimum corporate tax into the LDC-V programme of action, thereby placing a burden on signatory development partners to implement global tax reform
- Integrate an LDC endorsement of the broader OECD Base Erosion and Profit Shifting (BEPS) initiative into the LDC-V programme of action which would address the practice of transfer pricing and profit shifting

Support in the Multilateral Trading System

LDCs need to be fully integrated into the multilateral trading system in a way that facilitates their sustainable development and ultimate graduation out of the category. This requires both the further strengthening of existing initiatives in favour of LDCs and the creation of new measures to ensure the 'smooth transition' of graduating LDCs.

Recommendation

- Fully and faithfully implement all the current measures in favour of LDCs, including DFQF, the services waiver, and the Guidelines for LDC Accession.
- Strengthen and expand the initiatives as needed, for example, further ministerial decisions regarding the simplification of rules of origin, provision of substantial and dedicated trade-related technical assistance and capacity building, etc.
- Implement measures to support the 'smooth transition' of graduating LDCs, such as the extension of LDC-specific measures for a period post-graduation.

4.2 Broader Questions for Reflection

The study has also shown the need for broader and fundamental reflections, particularly at LDC-V, which offers a once-in-a-decade opportunity to take a step back from the immediate and take a longer-term view of LDC development considering the past 50 years. There should be sufficient evidence, experience, and lessons to ensure broader deliberations are held regarding the root causes of the persistent under-development and vulnerability of LDCs, and the relevance and effectiveness of the measures undertaken to address them. The below points may inform such reflections.

Setting Realistic Goals with Commensurate Means

The SNPA created a developmental template that has mostly been reproduced by subsequent programmes of action, regardless of the persistent failure to meet these goals at each review. Questions must be asked as to why these same goals continue to be set, which also seemingly reflects a lack of progress in the conceptualisation of development since the 1980s.

Previous LDC programmes of action have also set wildly ambitious goals without stipulating the means with sufficient ambition to achieve them. For example, the 2011 IPoA goal of having half of LDCs graduating by 2020 was always unlikely to be fulfilled without a substantial increase in international support for LDCs but ensuring this support was provided through the creation of concrete obligations for development partners was left unaddressed.

Therefore, the setting of specific development goals and their relationship with proposed means needs critical reflection.

Categorisation for Targeted Actions

The persistent failure of progression within LDCs since the category's creation should be a cause to dispassionately consider how to increase the real value of the category itself beyond the creation of a bloc of nations within intentional fora. It is hard to determine what concrete developmental impact the category has had for constituent countries, at least that additional development which would not have occurred otherwise through bi-lateral assistance. Is the value of the category merely to delineate access to forms of special international treatment and support measures? In that case, an argument can be made that the criteria used to define the LDC category should instead be used to create more granular thresholds for access to different levels of treatment. This would sensitise support measures to the needs of individual countries rather than the status-quo of granting blanket support measures that are blind to the differences between LDCs.

LDCs, individually and as a group, should remain a priority for needs-based, focussed, relevant and effective development assistance. The world cannot progress with 46 countries and over 880 million people lagging far behind. It is the responsibility of the international community – acting through bilateral, regional and multilateral means - to help LDCs break out of the vicious cycle of extreme vulnerability and low growth and development.

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ANNEXURE

ANNEX I: HISTORY OF CHANGES TO THE EVI AND HAI CRITERIONS

New components are shown in **bold**

2020 — LDCs are low-income countries suffering from the most severe structural impediments to sustainable development

GNI per capita	Human assets index (HAI)	Economic and environmental vulnerability index (EVI)
	Under-five mortality rate **Prevalence of stunting** Maternal mortality ratio Gross secondary school enrolment ratio Adult literacy rate **Gender parity index of gross secondary school enrolment**	Remoteness and landlockedness Merchandise export concentration Share of agriculture, forestry and fishing in GDP Instability of exports of goods and services Share of population in low elevated coastal zones **Share of population living in drylands** Victims of disasters Instability of agricultural production

2017 — LDCs are low-income countries suffering from the most severe structural impediments to sustainable development

GNI per capita	Human assets index (HAI)	Economic vulnerability index (EVI)
	Under-five mortality rate Percentage of population undernourished **Maternal mortality ratio** Gross secondary school enrolment ratio Adult literacy rate	Population Remoteness Merchandise export concentration Share of agriculture, forestry and fishing in GDP Share of population in low elevated coastal zones Instability of exports of goods and services Victims of natural disasters Instability of agricultural production

2011 — LDCs are low-income countries suffering from the most severe structural impediments to sustainable development

GNI per capita	Human assets index (HAI)	Economic vulnerability index (EVI)
	Under-five mortality rate Percentage of population undernourished Gross secondary school enrolment ratio Adult literacy rate	Population Remoteness Merchandise export concentration Share of agriculture, forestry and fishing in GDP **Share of population in low elevated coastal zones** Instability of exports of goods and services **Victims of natural disasters** Instability of agricultural production

2005 LDCs are low-income countries suffering from low level of human resources and a high degree of economic vulnerability

GNI per capita	Human assets index (HAI)	**Economic vulnerability index (EVI)**
	Under-five mortality rate **Percentage of population undernourished** Gross secondary school enrolment ratio Adult literacy rate	Population **Remoteness** Merchandise export concentration **Share of agriculture, forestry and fishing in GDP** Instability of exports of goods and services **Homelessness due to natural disasters** Instability of agricultural production

2002 LDCs are low-income countries suffering from low level of human resources and a high degree of economic vulnerability

GNI per capita	**Human assets index (HAI)**	**Economic vulnerability index (EVI)**
	Under-five mortality rate Average calorie intake per capita as a percentage of the requirement **Gross secondary school enrolment ratio** Adult literacy rate	Population size Export concentration Share of manufacturing and modern services in GDP Instability of exports of goods and services Instability of agricultural production

1999 LDCs are low-income countries suffering from low level of human resources and a high degree of economic vulnerability

GDP per capita	Augmented physical quality of life (APQL)	**Economic vulnerability index (EVI)**
	Under-five mortality rate **Average calorie intake per capita as a percentage of the requirement** Combined primary and secondary school enrolment ratio Adult literacy rate	**Population size** Export concentration **Share of manufacturing and modern services in GDP** **Instability of exports of goods and services** **Instability of agricultural production**

1991 LDCs are low-income countries suffering from long-term handicaps to growth, in particular, low levels of human resource development and/or severe structural weaknesses

GDP per capita	**Augmented physical quality of life (APQL)**	**Economic diversification index (EDI)**
	Life expectancy at birth **Per capita calorie supply** **Combined primary and secondary school enrolment ratio** Adult literacy rate	**Export concentration ratio** Share of manufacturing in GDP **Share of employment in industry** **Per capita electricity consumption**

1971 LDCs are countries with very low levels of per capita gross domestic product facing the most severe obstacles to development

GDP per capita	**Adult literacy rate**	**Share of manufacturing in GDP**

Source: (DESA 2021a)

ANNEX II: LIST OF LDC-SPECIFIC FLEXIBILITIES AT THE WTO

Agreement/decision	Support measure
Understanding on the Balance-of-Payments Provisions of General Agreement on Tariffs and Trade (GATT)	Simplified procedures when invoking trade restrictions for balance-of-payment reasons (paragraph 8)
Agreement on Agriculture	LDCs and net food importing developing countries may provide certain export subsidies until the end of 2030 (article 9.4, most recent extension in G/AG/5/Rev.10)
	Longer repayment periods for export financing support (WT/MIN(15)/45-WT/L/980)
	Less frequent notifications to WTO regarding domestic support (G/AG/2)
Sanitary and Phytosanitary (SPS) Measures	Priority for technical assistance (article 9.1). The Standards and Trade Development Facility (STDF) has a target of dedicating at least 40% of total project financing allocated to LDCs or Other Low-Income Countries (STDF Operational Rules)
	Lower co-financing requirement for technical assistance. Beneficiaries from LDCs and OLICs contribute at least 10% of the requested STDF contribution to a project, as opposed to 20% for lower-middle-income countries and 60% for upper-middle-income countries (STDF Operational Rules)
Agreement on Subsidies and Countervailing Measures	LDCs (and other countries with GNI per capita below $1,000 in constant 1990 dollars) are exempted from the prohibition of export subsidies (article 27.2 and Annex VII of the Agreement and paragraph 10.1 of the Doha Ministerial Decision on Implementation-Related Issues and Concerns (WT/MIN(01)/17))
Trade Facilitation Agreement (TFA)	Longer notification time frames: until 22 February 2020 for category B measures; until 22 February 2021 for indicative dates and definitive dates; by 22 August 2022 for category C measures (articles 15 and 16)
	Longer deadlines under the early warning mechanism, in case an LDC has difficulties in implementing categories B and C measures (article 17)
	Longer time frame (4 years rather than 18 months) for new implementation dates for measures shifted from category B to category C before approval from the Trade Facilitation Committee is required (article 19)
	Longer grace period from dispute settlement (until 22 February 2023 for category A measures, and 8 years from the date of implementation of category B or C measures (article 20)
Trade-Related Aspects of Intellectual Property Rights (TRIPS)	Exemption from applying all substantive TRIPS standards until 1 July 2021. There have been extensions to this deadline (article 66.1, latest extension IP/C/64)
	Exemption from providing protection for pharmaceutical patents, from providing the possibility of filing mailbox applications and from granting exclusive marketing rights (IP/C/73 and WT/L/971)
	Waiver from notification requirements for issuing compulsory licenses for exports of pharmaceutical products to LDCs or other countries with insufficient manufacturing capacities in the pharmaceutical sector (article 31 bis)
Dispute Settlement Understanding	LDCs can request the Director-General of the WTO or the Chairman of the Dispute Settlement Body to provide their good offices, conciliation and mediation for settling disputes (article 24)
	Free legal advice from the Advisory Center on WTO Law (ACWL) (article 27.7)
Trade Policy Review Mechanism	LDCs may have a longer period between trade policy reviews than other countries (Annex 3)

(DESA 2018)

ANNEX III: SUPPLEMENTARY GRADUATION INDICATORS

Group	Issue	Indicator
Economic vulnerability	Economic growth	GDP growth rate (%)
		Maximum GDP shock (Largest decline/lowest growth of GDP in 20 years)
	Debt	External debt (% of GNI)
		Total debt servicing (% of exports and primary income)
	Remittances	Personal Remittances, received (% of GDP)
	ODA	ODA received as percentage of GNI
	Tourism	Tourism receipts as share of exports
	Current account	Current account balance (% of GDP)
	Trade	Standard deviation of net barter terms of trade over 20 years
	Domestic resource mobilization	Tax revenue as share of GDP
	Domestic savings	Gross domestic savings (% of GDP)
		Adjusted net savings (% of GNI
	Structural change	Share of employment in agriculture
	Technology	Percentage of individuals using the internet
		Fixed broadband subscriptions per 100 people
	Energy	Renewable electricity capacity per capita
		Percentage of population with access to electricity
	Productive capacity	Productive capacities index
Environmental vulnerability	Environment	Environmental Performance Index
	Climate change	Global Adaptation Index
	Disaster	INFORM risk index 2021
		Economic loss from natural disaster (% of GDP)
	Water access	Access to basic drinking water (% of population)
	Sanitation access	Access to basic sanitation (% of population)
	Air pollution	PM2.5 air pollution, mean annual exposure (micrograms per cubic meter)
	Water availability	Freshwater withdrawal as a proportion of available freshwater resources
	Biodiversity	Red list index, showing trends in overall extinction risks of species
	Material consumption	Domestic material consumption per capita
Human assets	Human development	Human development index
	Human capital	Human capital index
	Poverty	Multidimensional poverty index
	Hunger	Prevalence of undernourishment (% of population)
	Health - NDC	Mortality rate attributed to major non-communicable diseases
	Education	Mean years of schooling
		Learning-adjusted years of school
	Demographics	Total fertility rate
		Dependency ratio
	Gender inequality in labour markets	Female labour force participation rate
Income	Disposable income	Gross national disposable income (GNDI) per capita, market exchange rates
	GDP	GDP per capita, market exchange rates
	GNI	GNI per capita, PPP rates
	Income inequality	Gini coefficient of disposable income
	Income poverty	Percentage of population below international poverty line ($1.90)
Other vulnerabilities	Conflict and violence	Battle deaths per 100,000, 20-year average
		Population of concern to UNHCR as percentage of total population
		Stock of persons internally displaced by conflict as percent of total population
		Homicide rate
	Governance	Voice and accountability
		Government effectiveness
		Women empowerment index

(CDP 2021b)