



CONCEPT NOTE

[Version: 27 April 2011]

**Fourth United Nations Conference on the Least Developed Countries (LDC-IV)
Special Event on the Implementation of the Brussels Programme of Action for the
Decade 2001-2010 by Asia-Pacific LDCs and Way Forward**

Wednesday, 11 May 2011, at 1:15 - 2:45 p.m.

**Room Topkapi A, Lutfi Kirdar Convention and Exhibition Centre
Istanbul, Turkey**

Organized by

The United Nations Economic and Social Commission for Asia and the Pacific

In cooperation with

The Office of the High Representative for the LDCs, LLDCs and SIDS

Background

The General Assembly in its resolution 63/227 decided to convene the Fourth United Nations Conference on the Least Developed Countries (LDC-IV) at a high level in 2011. In preparation for the LDC-IV, ESCAP and the Government of Bangladesh successfully organized the Asia-Pacific regional review of the implementation of the Brussels Programme of Action for Least Developed Countries (BPoA) for the Decade 2001-2010 in the form of an Asia-Pacific High-level Policy Dialogue on BPoA in Dhaka, Bangladesh during 18-20 January 2010.

The Asia-Pacific High-level Policy Dialogue on BPoA resulted in the adoption of the Dhaka Outcome Document which was subsequently submitted to the 66th session of ESCAP Commission for review, held in Incheon, Republic of Korea in May 2010. The ESCAP Commission endorsed the Dhaka Outcome Document and requested the Executive Secretary of ESCAP to transmit it as the Asia-Pacific input to the Fourth United Nations Conference on LDCs, to be held in Istanbul, Turkey, from 9 to 13 May 2011.

The Dhaka Outcome Document notes that despite significant progress achieved in different areas such as achievement of targeted growth rate and increased investment ratios for a number of countries, the BPoA has remained an unfinished agenda for the Asia-Pacific LDCs. These LDCs have in general lagged behind other countries in the region in achieving the MDGs and other internationally agreed development goals. In addition, the Asia-Pacific LDCs have suffered from multiple effects of food and energy crisis, the global financial and economic crisis and climate change consequences, although several of them did demonstrate their resilience in coping with some of the consequences of the global economic crisis. The increased frequency of natural disasters in the Asia-Pacific LDCs coupled with their inability

to address the impacts heightened their vulnerability and continued to undermine their economic growth and social development. In particular, progress towards reducing poverty and hunger and achieving the MDGs had been significantly slowed down for a number of LDCs. They also encountered challenges in securing cost effective financing for development, particularly as the global economic crisis left many traditional development partners in difficulties. All these trends and events threatened to undermine the development gains achieved so far as well as negatively affected their future prospects for sustainable development. New and emerging challenges such as the record levels of food-fuel prices witnessed in 2011, growing youth employment, unbridled urbanization and internal migration, widespread shortages of infrastructural facilities, possible disruptions in remittance flows and the climate change effects working through their fragile economies have added to the development gaps faced by the Asia-Pacific LDCs.

Policy challenges and options: Looking forward in light of the implementation of the BPoA

In the coming decade, the Asia-Pacific LDCs will need significantly increased international support so that they can meet their development challenges more effectively, particularly in areas such as food security, poverty reduction, human resource development, increasing their productive capacity and coping with climate change effects.

One of the most significant challenges facing the Asia-Pacific LDCs is to promote inclusive and sustainable growth for reducing poverty and improving the quality of life of the people. Such growth requires measures to strengthen social protection along with a focus on agriculture and rural development and creation of productive capacity and enhanced financial inclusiveness. The persistence of low level of per capita incomes in the LDCs results in a vicious circle where demand for manufactured goods as well as basic services such as education, health, and sanitation remains constrained. Similarly demand for basic infrastructure services also remains low. Added to these, the supply constraints permeating the economies of the Asia-Pacific LDCs, result in economic activities that are conducted along a narrow range of products and services, limiting public generation of revenues and investments, and further constraining progress towards achieving the MDGs.

Many of the Asia-Pacific LDCs successfully weathered the global economic crisis for which prudent and timely national policies emphasizing short term responses to the external shocks played an important role. For sustaining the growth momentum, these countries need to find new sources of demand to deepen their dynamism mainly through increased investments in their productive capacities as well as diversifying their economies in favour of greater domestic and regional consumption. More specifically, the LDCs need to address several major imbalances that had characterized the process of their economic growth and social development during the last decade.

Adjusting to global imbalances

In the coming decade, the LDCs will be required to rethink their development strategies in light of global imbalances, particularly those which have relied on the import demand from the developed countries, especially from the United States and European Union. They will have to identify new drivers of growth to compensate for the anticipated reduction in demand in traditional export markets. Each LDC will have to address its own specific needs and constraints and exploit the opportunities for strengthening growth and achieving the MDGs. A critical concern for the LDCs is to introduce deliberate changes in growth pattern and government policies such that economic growth becomes more inclusive allowing a more equal sharing of the benefits of growth.

The prospects for achieving the MDGs by 2015 by the “off-track” LDCs depend on accelerating growth and narrowing internal disparities. This would require these countries to spend more on basic social services, social protection, and basic infrastructure along with measures for boosting the incomes of the poor. Promoting intra-regional trade and investment flows with more inclusive regional integration that benefits the LLDCs is crucial. Measures are needed to promote integrated markets, lower tariff and nontariff barriers, greater investments in physical infrastructure, creating robust transportation networks and information platforms, and installing better regulatory structures.

The LDCs need to redouble their efforts to reduce inequality, or at least hold it constant, then poverty and other social deprivations can be reduced more rapidly and MDGs can be achieved within the stipulated time. The LDCs, therefore, need to promote activities that provide more benefits to the poor such as agriculture and productive employment in small and medium enterprises (SMEs) and the informal sector. In order to create wider opportunities for the poor, the governments also need to adopt policies to promote greater employment generation and invest more in education, health, and other basic services.

The LDCs need to strengthen the links between aid for trade with the implementation of the new programme of action for the next decade, particularly through developing the trade and transport infrastructure and the implementation of trade facilitation measures. This would require wider ownership of the aid for trade initiative by the LDCs by mainstreaming trade into their national and regional development strategies.

The LDCs need to promote environmentally sustainable development by enhancing the efficiency of natural resource use, reducing energy intensity, preserving biodiversity, reducing waste generation, and adapting to the effects of climate change in their growth process. The Asia-Pacific LDCs also need to recognize the new contexts of development with trade liberalization creating new challenges as well as new opportunities, technological revolution in ICT bringing in new dimensions of knowledge in development, and the increasing role of migration and remittances in domestic development.

Reducing economic and social disparities

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

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

Building the productive capacity of the LDCs

For LDCs to climb the rungs of the development ladder, they need to increase their productive capacity. Unfortunately, LDCs have made little or no progress in this front in the last 40 years. For example, Asia-Pacific LDCs' share in total GDP is less than one tenth of their share in global population and their share in merchandise exports has been lower than a quarter of percent throughout a period when global merchandise exports in current terms has increased 42nd fold. The focus on productive capacities should bring production back to the core of the development agenda; and for that to happen, economic development is associated not with producing more of the same goods and services but with diversification – expanding their range and sophistication. However, based on market forces alone, LDCs may not be able to diversify that would yield the highest future returns. The special circumstances that LDCs face require targeted assistance and strategies for the improvement of their productive capacities. In that context, a pragmatic strategy is to move towards more complex products that would serve as better platforms for further diversification. This would require the government and the private sector to coordinate their efforts for steering innovation and replicating successful business models. LDCs will therefore need to pursue policies on macroeconomics, trade, finance and infrastructure that promote strategic diversification and lead to increases in their productive capacities. All of this can be supported by targeted development assistance, preferential trade agreements and regional and south-south cooperation.

Bridging infrastructure gaps

The limited availability and low quality of infrastructure in the LDCs constrains the contribution of infrastructure to economic growth through limiting the values of multipliers in terms of investment, employment, output, income, and ancillary development. Thus, closing the infrastructure gaps across these countries is a necessary condition for their balanced and inclusive development. The resource requirements for bridging or even narrowing the infrastructure gaps are substantial and hence appropriate financing mechanisms are needed.

The low quality of infrastructure in the LDCs disproportionately affects the poor and the rural people due to wide gaps in the quality of infrastructure between the urban and rural areas. Since most of the MDG-related infrastructure is likely to come from the public sector, mobilization of finance, commitment to repairs and maintenance, reforms in governance and efforts to increase capacity, bringing better coordination, and paying closer attention to the environmental impact and the implications of climate change are issues that need priority in the LDCs.

A critical area is to tap the opportunities for improving infrastructure at regional and sub-regional levels. In these countries, some of the most immediate benefits of better connectivity will be better cross-national integration between neighbouring border areas which are often amongst the more remote and poorer regions in respective countries. For deriving greater benefits, physical links between the countries need to be accompanied by harmonization of standards such as railway signalling systems and custom codes.

Addressing ecological imbalances and enhancing green growth

In the LDCs, ecological imbalances are reflected in the degradation of key natural resources such as forests and freshwater, and in unsustainable uses of energy. The production system,

especially of the agriculture sector, and the livelihoods of a large majority of the people living especially in the rural and fragile areas are also adversely affected because of increased frequency of droughts and other extreme weather events associated with climate change. Thus, as ensuring food security becomes increasingly more important in these countries as population grows, measures are needed to protect the natural capital and address ecological imbalances.

Along with expanding the “new economy and green industries” through investments in renewable energy and in energy efficient technologies, addressing ecological imbalances of growth would also make substantial contribution to reducing poverty in the LLDCs since the poor usually live in ecologically vulnerable areas and depend more on natural resources for their livelihood. A key to addressing the ecological imbalances of the LLDCs will be the implementation of technological innovations to reduce the adverse impacts of production and consumption activities on the environment and unsustainable pressures on natural resources.

Enhancing food security and strengthening social protection

Food and energy price rises are again emerging as an issue of serious concern across much of Asia-Pacific region with food prices increasing by between 10 and 35 per cent since 2009. The LDCs are amongst those that will be most affected. Policies that provide social protection in times of adversity and reduce unacceptable levels of deprivation are important for the LDCs both for reducing poverty and protecting the population from the risk of falling into poverty as a result of unexpected shocks and disasters. Various types of programmes may be considered by the LDCs such as employment generation measures, cash transfer programmes, targeted social services, and microfinance programmes.

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

Promoting financial inclusiveness

In the LDCs, the barriers to financial inclusiveness exist on both demand and supply sides. In

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