



# POLICY BRIEF

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### KEY POINTS

- Before the COVID-19 pandemic, the least developed countries had fallen behind other country groups, including other developing countries. The pandemic has aggravated this situation by increasing these countries' vulnerabilities.
- Multilateral efforts, in which international support measures play a significant role, remain critical for mobilizing international support for the least developed countries. However, the failure of international support measures to address new realities has become more evident.
- A new generation of international support measures is needed to improve the impact, effectiveness and relevance to least developed countries.
- The new generation of international support measures needs to be broader than current ones and focused on bolstering the productive capacities of the least developed countries.

## The least developed countries need a new generation of international support measures to face the development challenges of the 2020s

The least developed countries find themselves at a crossroad. Beset by long-standing structural weaknesses, shortcomings in international support and widening inequalities within and among all countries, they have to confront new or intensifying problems worsened by the coronavirus disease (COVID-19) crisis, climate change, the rapidly evolving character of globalization and the new technological realities of the digital age. Developing productive capacities is the key to unlocking the potential of the least developed countries achieving structural transformation to face these new realities. To be able to rise to both old and new challenges, the least developed countries need a new generation of international support measures that are fit for purpose in a fast-changing global environment. These new international support measures need to be effective, relevant and closely tailored to least developed country aspirations if international support measures are to change the course of the development trajectories of these countries.

## Introduction

Most least developed countries (LDCs) consistently failed to achieve goals and targets set by the LDC programmes of action that have been implemented since 1981. Economic growth among LDCs has been manifestly slow, while many of them have stagnated or even fallen behind. Consequently, the income gap between LDCs and other country groups has widened, and the economic vulnerabilities of LDCs have been aggravated. Although the level and diversity of international support measures for LDCs have also grown, their development outcomes remain markedly fragile.

The majority of LDCs are heading into the new decade significantly below full strength and risk damage from further international marginalization due to shocks related to the COVID-19 pandemic and long-standing challenges. The current economic environment portends many downside risks from the protraction of the pandemic that has dramatically exposed the development shortcomings of LDCs, including their lack of resilience and diminished capacity to react to major exogenous shocks affecting their economies. The health crisis emerged at a time when progress was unsatisfactory, with many LDCs already facing broadly similar economic challenges that led to the establishment of the category in 1971, including high levels of poverty; commodity dependence; inadequate accumulation of financial, physical and human capital; low labour productivity; low value addition to exports; and structurally weak economies.

The final push in the pursuit of the Sustainable Development Goals will coincide largely with the time frame of the forthcoming Doha programme of action for the least developed countries for the decade 2022–2031. Accelerating progress towards both agendas will require enhanced and renewed international support to these countries. Critically, LDCs need a new development model centred on productive capacities to eliminate structural impediments, build resilience to shocks and overcome the limitations imposed by their continued marginalization in the global economy.

## Why a new generation of international support measures?

The disappointing past performance of LDCs and the context in which they find themselves at present mean that, on their own, they will be unable to bridge the investment and technology gaps vis-à-vis other country groups. International support is needed more than ever to strengthen their productive capacities, restructure their economies and build resilience to shocks and emerging challenges. This needs to take the form of a new generation of international support measures.

International support measures emanate from outcomes of major United Nations conferences, multilateral organizations and a host of bilateral policy initiatives undertaken by LDC development partners countries and institutions. They encompass support in the fields of trade, finance, technical assistance, development cooperation and technology transfer. The implementation of international support measures in these different fields and their effectiveness have varied significantly. Those in the field of international trade have been the most effective ones for countries that have organized their productive sphere to benefit from them. At the same time, international support measures in the field of technology are a more recent phenomenon and have been tentative. Overall, existing international support measures have so far had only modest impacts due to inadequate design, partial implementation by donor countries, insufficient funding, declining effectiveness, institutional weaknesses and limited utilization by LDCs.

## A new generation of international measures

A new generation of international support measures for LDCs should aim at strengthening existing international support measures, to make them more appropriate and effective, and at establishing new international support measures, to address the gaps in international support. UNCTAD has proposed some principles that could assist the international community and their partners in enhancing the coordination, synergy and coherence of international support measures, namely:

- Align the new generation of international support measures with the overall objective of fostering the development of productive capacities aimed at achieving structural transformation.
- Foster coherence and synergy among international support measures in the fields of trade, finance, technology and capacity-building.
- Adapt international support measures to twenty-first century realities, including the lingering effects COVID-19, climate change and the accelerated digitalization of the world economy.



- Strengthen the mutual accountability of LDCs and their development partners through a specially designed, overarching multilateral governance framework and monitoring and evaluation to achieve greater transparency in international support measure operations.
- Strengthen and accelerate the process of graduation from the LDC category.

Examples of measures relevant to trade, financing for development and technology are provided in the table below.

Areas	Past performance	Challenges	Alternatives
<b>Trade</b>	The main trade-related international support measures, including duty-free, quota-free market access for LDCs have failed to double the LDC share of world exports by 2020, as envisaged in paragraph 65 of the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action) and target 17.12 of the Sustainable Development Goals	Limited market access in preference-granting countries due to a host of reasons, including the multiplicity of preference schemes and prevalence of alternative arrangements, unilateral nature of the arrangements, stringent rules of origin applied to LDC exports and a general lack of broader action to support development of productive capacities or export diversification of LDCs.	<ul style="list-style-type: none"> <li>• Develop and implement decisive multilateral mechanisms through the World Trade Organization</li> <li>• Complete unfinished business on duty-free, quota-free market access, including on rules of origin and application of the duty-free, quota-free regime</li> <li>• Agree and apply services trade waivers</li> <li>• Strengthen Aid for Trade initiatives, capacity development and regulatory reforms</li> </ul>
<b>Financing for development</b>	Unfulfilled official development assistance pledges by donors, low domestic resource mobilization and rising indebtedness among LDCs	<ul style="list-style-type: none"> <li>• The investment gap to achieve the Sustainable Development Goals is widening with each missed target and year</li> <li>• LDCs economies are not large enough to generate adequate domestic resources</li> <li>• Official development assistance reliance on private sector instruments facilitates foreign direct investment that may not be complementary to the emergence of a strong and resilient entrepreneurial base needed to foster the acquisition of productive capacities and structural transformation in LDCs</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve genuine official development assistance additionality and alignment with LDC priorities</li> <li>• Prudence in utilizing financing instruments that increase foreign debt, financial risks, and contingent liabilities or weaken the link between external finance and national development priorities</li> <li>• Explicitly link official development assistance delivered through private sector instruments to genuine and documented practices of fostering technology transfer and development of domestic private-sector capacity</li> <li>• Strengthen the institutional capacity of LDCs to mobilize domestic resources and effectively utilize newly created financing vehicles and instruments</li> </ul>



Areas	Past performance	Challenges	Alternatives
<b>Technology</b>	Policy initiatives in the field of technology have had limited impact on building the technological capabilities of LDCs; for example, (a) waivers and exemptions under article 66.2 of the World Trade Organization’s Agreement on Trade-related Aspects of Intellectual Property Rights and (b) other technology mechanisms (e.g. climate and health) that have added complexity to an already fragmented field	<ul style="list-style-type: none"> <li>• Low funding, resource restrictions and limited project-based engagement with the Technology Bank for the Least Developed Countries</li> <li>• Inadequate mobilization of technology transfer to LDCs</li> <li>• No additionality in climate change technology mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Create a unified framework for the voluntary sharing of technologies and related intellectual property information, building on practical models, for example, the World Health Organization’s COVID-19 Technology Access Pool</li> <li>• Strengthen international partnership for technology transfer to LDCs comprising coordinated initiatives by national Governments and development partners, including through the promotion of investment regimes for LDCs as envisaged in target 17.5 of the Sustainable Development Goals</li> <li>• Expand options, foster enterprise development and encourage the extended technology partnerships available through bilateral and South–South cooperation</li> </ul>

### Strong partnerships needed to implement international support measures

Multilateral efforts are critical in all cases discussed above, though there is also scope for bilateral, regional and South–South cooperation to play an important role in mobilizing international support to LDCs. The LDC category was established to garner international support for the countries to achieve self-sustaining growth. Considering the prominence of domestic policy for the development of productive capacities and attaining structural transformation, the new generation of international support measures should be tailored more closely to enabling and sustaining the aspirations of the LDCs and addressing the long-standing structural vulnerabilities of these countries.

For more details on the analyses and recommendations contained in this policy brief, see *The Least Developed Countries Report 2021: The Least Developed Countries in the Post-COVID World – Learning From 50 Years of Experience*.<sup>1</sup>

<sup>1</sup> UNCTAD, 2021 (United Nations publication, Sales No. E.21.II.D.4, Geneva).

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