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EU Position in view of the Fourth United Nations Conference on the Least Developed Countries, 9-13 May 2011

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1. INTRODUCTION

The **Fourth United Nations Conference on the Least Developed Countries**[1] (LDC-IV) will take place in Istanbul, Turkey[2], from 9-13 May 2011. The Conference's aims are[3]:

- To undertake a comprehensive appraisal of the implementation of the 10-year Brussels Programme of Action (BPoA) adopted at the previous Conference on the Least Developed Countries in Brussels in 2001;

- To 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;

- To reaffirm the global commitment to addressing the special needs of the least developed countries, in particular related to sustainable development, and to support the least developed countries in eradicating poverty and integrating beneficially into the global economy;

- To mobilise additional international support measures in favour of the least developed countries, and, in this regard, formulate and adopt a renewed partnership between the least developed countries and their development partners.

Two **preparatory meetings** are taking place in New York ahead of the conference. The 1st Prep Com, at which negotiations officially started, took place from 10-14 January, and the 2nd Prep Com will take place from 4-8 April 2011.

In order to prepare a **common EU position** for LDC-IV before ahead of the second Prep Com, this paper, based on existing EU policies, outlines the priority issues that the EU could promote.

2. KEY MESSAGES

The EU supports the objective set by the Least Developed Countries (LDCs) that **half of them should graduate**[4] by the end of the decade. Both LDCs and their development partners should take the necessary action to considerably reduce poverty, with a firm resolve to increase the number of graduations. **The EU has always led** the international community's measures to support the LDCs, and it **has been the most successful at** fulfilling its

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1 The Least Developed Countries (LDCs) category was established in 1971. It is currently characterized by a low GNI per capita, and structural impediments to growth measured by a low Human Assets Index (HAI) and a high Economic Vulnerability Index (EVI). The HAI has 4 indicators: undernourishment, under 5 mortality, secondary school enrolment, and adult literacy. The EVI has 7 indicators: population size, remoteness, merchandise export concentration, share of agriculture, forestry and fisheries in GDP, homelessness due to natural disasters, instability of agricultural production, and instability of exports of goods and services.

2 UNGA Resolution A/C.2/65/L.55 of 22 November 2010.

3 UNGA Resolution A/RES/63/227 of 19 December 2008.

4 Graduation from the list of LDCs occurs when a country has made sufficient progress on two LDC criteria, or when its GNI per capita has significantly increased and is deemed highly likely to remain sustainable.

commitments, notably in terms of market access, rules of origin, debt alleviation, and official development assistance (ODA). **All donors should continue working towards reaching the ODA target of 0.15 to 0.20 % of GNI for LDCs and making their support more effective.**

Development is a joint challenge for developed countries who have the responsibility and obligation to help developing countries lift themselves out of poverty and also for developing countries who have the **primary responsibility** for their own development by designing and implementing appropriate policies and achieving good governance. LDCs need to assess why progress is slow, which commitments have not been met and why.

The work should also focus on improving the efficiency and effectiveness of **existing mechanisms** and fulfilling **existing commitments**, by **both development partners and LDCs**.

All available sources of financing for development should be mobilised, primarily domestic resources, complemented by innovative financing mechanisms and support from developed countries, the private sector and emerging donors. Developing countries are expected to account for 60 % of world GDP by 2030. **Emerging countries** should thus provide their fair share of assistance to LDCs and the G20's work should support this aim.

The conference should be **results-oriented**, i.e. it should avoid focusing only on aid, narrow down its objectives, decide to review progress on a more frequent basis in a spirit of mutual accountability, and address the issue of graduation. The Brussels Programme of Action set out a long list of priorities and failed to pay sufficient attention to the feasibility of implementing them. The LDCs' recent proposal still contains 264 measures. The LDC-IV outcome should clearly distinguish between what should be achieved and how it should be done. It should set clear targets and indicators against which to measure progress. Future measures need to focus more on areas where the LDC-IV outcome can really **add value** and pay due attention to implementation by the LDCs and their international partners.

More emphasis should be placed on the process of **graduating** from the LDC category. A graduated LDC currently risks losing all preferential treatment as soon as the UN process of graduation is concluded, unless development partners agree to a transition phase, as the EU has been doing. Putting in place **a more systematic mechanism** for granting time-sensitive concessions to countries which have recently graduated should therefore be considered, in order to make graduation more appealing and allow LDCs to focus on accelerating progress towards graduation.

The outcome of the September 2010 **Millennium Development Goals (MDGs)** Summit should be used as a framework to accelerate poverty eradication. Its approach should combine mutually supportive policies for sustainable and inclusive growth and development, governance reform and human and institutional capacity building.

Building on the MDG framework, three key issues should be addressed: (a) **vulnerability**, (b) **a favourable environment for LDCs' sustainable development** and (c) **inclusive and sustainable economic growth.**

3. STATE OF PLAY

3.1. EU achievements in relation to the Brussels Programme of Action

The **EU** has launched and supported several initiatives which either specifically target the LDCs (**Everything But Arms** and since January 1 2011 the **new EU GSP regime of rules of origin**) or directly benefit some LDCs, depending on the structure of their economies (**EITI: Extractive Industries Transparency Initiative**, **FLEGT: Forest Law Enforcement on Governance and Trade**) or their environmental situation (Pacific Islands). EU **ODA to LDCs** increased by 78 % from € 8.3 billion in 2000 to € 14.7 billion in 2009 (in $ terms it almost tripled). The share of GNI spent on ODA to LDCs rose from 0.09 % in 2000 to 0.13 % in 2009 and 8 EU countries were already above the 0.15 % threshold in 2009. The EU is still by far the largest donor to the LDCs (55 % in 2008), and the share of Commission-managed EU aid to the LDCs rose from 21.6 % in 2000 to 29.9 % in 2009.

3.2. Progress made by the LDCs

Since the category was established in 1971, **the number of LDCs has increased** from 25 to 48, and only **3 countries** have succeeded in graduating from LDC status: Botswana in 1994, Cape Verde in 2007, and Maldives in 2011. However, many LDCs could potentially graduate within the next decade: **2 LDCs**[5] are already about to graduate; **10 LDCs**[6] have met one graduation threshold and could soon meet a second; and **7 LDCs** are likely to meet one to two graduation thresholds in the long run.[7]

Between 2003 and 2009, LDCs' **Human Assets Index** rose and their **Economic Vulnerability Index** has decreased. Real **GDP growth** exceeded 7 % and real GDP per capita growth was higher than 4.5 % per year between 2002 and 2008. Nonetheless, the average **Human Development Index** (HDI) only rose from 0.34 to 0.39 between 2000 and 2010 and on average LDCs are only on track for 2 of 7 **MDG** indicators.[8] Ethiopia, Laos and Nepal were ranked among the **best HDI performers** for 2010, **Rwanda** achieved noticeable progress as its HDI rose from 0.277 to 0.385 over the past decade, and **Ethiopia, Laos, Malawi, Nepal and Samoa** fare much better than average on the MDGs: they are on track for up to 5 of the 7 above-mentioned indicators and have achieved medium progress on up to 2 indicators. Several countries also managed to **substantially increase GDP growth** in 2008, despite the repeated crises: service exporters like Ethiopia and Rwanda and agriculture exporters like Kiribati and Liberia. Therefore, both economic and social progress is possible, when countries put in place the necessary strategies. With **50 %** of the population still living on less than $ 1.25 a day and **78 %** on less than $ 2 a day[9], progress in the LDCs must be accelerated through appropriate country-specific development strategies.

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5 Equatorial Guinea and Samoa.

6 Angola, Bangladesh, Bhutan, Kiribati, Lesotho, Myanmar, Nepal, Sao Tome and Principe, Tuvalu and Vanuatu.

7 Cambodia, Comoros, Lao People's Democratic Republic, Mauritania, Solomon Islands, Timor-Leste and Yemen.

8 Poverty, nutrition, education, under-five mortality, infant mortality, drinking water, and sanitation.

9 UNCTAD 2010 LDC Report, page 31.

4. OBJECTIVE 1: COMBATING VULNERABILITY

Despite some improvement, the LDCs' structural transformation has been very limited and poverty remains widespread. **LDCs' vulnerability to external shocks and to emerging threats has not been reduced as globalisation proceeds** and the impact of climate change is felt more acutely. Commodity prices risk becoming more volatile and natural disasters more frequent, with the poorest sections of the population hit the hardest. The social fabric in many LDCs has suffered excessive stress. The lack of opportunities increases LDCs' vulnerability to new challenges like drug trafficking and consumption, human trafficking, religious fundamentalism and terrorism, which have an impact both on LDCs and their development partners. **Reducing LDCs' vulnerability and fragility and improving their capacity to cope with shocks are therefore a key prerequisite and priority**.

4.1. Peace and security

Conflict, fragility and armed violence exacerbate poverty and underdevelopment, and can have a significant effect on migration. **29 of the 48 LDCs are defined as fragile** and the Human Development Index (HDI) of non-fragile LDCs has increased faster than average. Democratic governance, respect for human rights and greater focus on **conflict resolution, peace-building and state-building** are needed to smooth the transition from fragility to peace and security, and to underpin sustainable and inclusive institutions which are the foundation for economic, human and social development. Conversely, peace and security can only be stable when the root causes of conflict are addressed, basic human needs are met and economic opportunities created. The EU position on the nexus between security and development enshrined in the European Security Strategy and the European Consensus on Development should be reflected at the Conference. Furthermore, the post-Lisbon Treaty institutional arrangements provide an opportunity for a more comprehensive and better coordinated European approach to **address the root causes of conflicts** within long-term development policies and to support partner countries' efforts to acquire the necessary capacities to **build peaceful, democratic, legitimate and inclusive states**.

4.2. Excessive price volatility

Price volatility is a key issue, as the Conference takes place in the aftermath of significant **world food price increases** in 2007-2008, and a further rise in some commodity prices in 2010-2011. Food price increases at national level are felt deeply in the LDCs, where food makes up a higher proportion of household spending than in other developing countries. The challenge of managing vulnerability is crucial for the LDCs, both as commodity exporters and **food and energy importers**. International efforts are needed to keep international markets open and improve the transparency of price signals, shock-absorption assistance schemes need to be revised by international partners, support for insurance mechanisms scaled up, productivity enhanced and measures to improve market transparency stepped up. Well-functioning and regulated finance markets are an important condition for applying risk management and reducing the negative impacts of price volatility. In addition, social schemes and safety nets are needed to protect poor and vulnerable groups. The EU welcomes the G20's decision to address food price volatility as a priority, its commitment to "enhance food security policy coherence and coordination and increase agricultural productivity and food availability", and the participation of relevant international organizations in the 2011 Summit.

4.3. Climate change

LDCs are among the countries which will be hit earliest and hardest by the adverse effects of climate change, which will exacerbate the problems of food security, water scarcity, and energy access and security. The most effective way to promote adaptation to, and mitigation of, climate change is to integrate relevant objectives and measures into national sustainable development and poverty reduction strategies. It is therefore essential to increase **the capacity of LDCs to adapt to climate change**, to encourage the development and transfer of technologies and to enhance action on adaptation in line with the Cancun Adaptation Framework. Development partners should support LDCs to shape their **economic growth along a low-carbon path**. A balanced share of EU **fast-start funding** could be used to support LDCs in their efforts to adapt to climate change, in line with the Copenhagen Accord. In 2010, for fast-start financing, the EU confirmed €2.35 billion as part of the EU's overall commitment to provide **€7.2 billion for 2010-2012.** The EU is committed to transparency and will continue to update information on how and where fast-start funding is spent. The donor community is working towards mobilising predictable and adequate funding, in accordance with the goal of $100bn per year by 2020. The EU already supports several regional initiatives from which the LDCs can benefit (e.g. the **Global Climate Change Alliance**, the **Partnership on climate change and the environment** under the joint Africa-EU Action Plan, and the **joint Pacific-EU Initiative on Climate Change)**. The **Green Climate Fund**, established in Cancun, has the potential for being an important delivery mechanism for climate mitigation and adaptation financing. Adaptation to climate change will undoubtedly be one of the key priority areas and is fully relevant to the case of the LDCs. However, beneficiary countries will need to prioritise climate change in their domestic policies and actions and take steps that will permit funding to be absorbed efficiently.

Combating tropical deforestation, fighting illegal logging, enhancing forest conservation and sustainable forest management are intrinsically intertwined. The EU should therefore work towards exploiting further synergies between the **FLEGT Partnerships Agreements** and the activities to Reduce Emissions from Deforestation and forest Degradation (**REDD+**) in the LDCs. These offer win-win solutions for both adaptation and mitigation in these countries. LDCs should be able to benefit from the future funds for REDD+ activities and if countries are willing to do so be involved in the FLEGT process. Special attention should also be given to increasing the participation of LDCs in the carbon market through the **Clean Development Mechanism** and future market mechanisms.

4.4. Economic diversification

LDCs' vulnerability to external shocks is exacerbated by their current development model, which is mainly based on commodity exports and low-skill sectors. Opportunities to **diversify their economies**, reduce dependence on commodities and promote a higher value-added economy should be identified and seized. To do this, dialogue with the private sector is essential, as is a comprehensive approach to education at all levels, including vocational training.

4.5. Human and institutional capacity development

It is vital to build human and institutional capacity in order to overcome LDCs' economic, political and social vulnerability. Capacity development is an endogenous long-term process, entailing **investment in human resources and knowledge and building reliable and effective state institutions**. The process should be owned and led by developing countries themselves. However, developing countries, particularly the LDCs, often lack the necessary capacity to do so. International support for capacity development is therefore needed and should act as a catalyst for change, reform and innovation. As reliable statistics are essential for informing and formulating national development strategies and better measuring, monitoring and managing the results of development assistance, support to strengthen and develop the LDCs' national statistical capacities also needs to be systematically considered. The EU is active in the field of human capacity building through several programmes, notably those related to research and education (Marie Curie fellowships, Erasmus Mundus).

5. OBJECTIVE 2: A FAVOURABLE ENVIRONMENT FOR SUSTAINABLE DEVELOPMENT

To optimise LDCs' efforts to reduce their vulnerability and fragility, an environment conducive to sustainable development is needed, which means **good governance and strengthened partnerships for development at all levels**.

5.1. Good governance, democracy and human rights

LDCs have **primary responsibility** for their own development. **Good governance** at all levels, democratic principles and values, the active involvement of parliaments, the participation of civil society, the private sector and local communities, and the fight against corruption are instrumental to the sustainable development of the LDCs. Yet their Country Policy and Institutional Assessment (CPIA) rating for transparency, accountability, and corruption in the public sector is only 2.74/6. Respect for and the promotion and protection of **human rights** are an integral part of these efforts, as are **gender equality** and women's empowerment, in countries where the CPIA rating for gender equality can be as low as 2/6. There needs to be greater emphasis on women's participation in education, decision making, asset ownership, employment, economic activities and peace processes. A strong partnership with all stakeholders is needed to improve all aspects of the global partnership for development and consolidate efforts to strengthen good governance, the rule of law, human rights, **democracy** and gender equality, but current LDC proposals fail to address these issues.

5.2. Development financing and aid effectiveness

Favourable national conditions are key to mobilising domestic resources and leveraging international resources for development, **reducing aid dependency**, ensuring sustainable growth and enhancing state building. To address developing countries' usually low tax-to-GDP ratios (16.3 % in the LDCs in 2007), the Council Conclusions on Tax and Development[10] proposed **increasing support to developing countries' tax systems**. They will also receive support to address tax evasion and avoidance, and the EU will promote a transparent and cooperative international environment and the principles of good governance in tax matters.

The promotion of **Foreign Direct Investment** is an important component of development finance. LDCs need to promote investment in their respective countries, by focusing on further opening their markets and improving their investment climate.

[10] Adopted at the 3023rd Foreign Affairs Council meeting, in Luxembourg, on June 14, 2010.

In order to channel the voluntary financial capital of **migrants and diaspora communities** in a more productive way, **the EU** has committed to lower transfer costs and maximise the development benefits of remittances, e.g. by promoting innovative migrant remittances through a Financing Facility for Remittances, setting up the African Remittances Institute and through the EC-UN Joint Initiative for Migration and Development. The EU has indicated that it will continue to support measures in this area, and it has encouraged **other partners** to do the same.

ODA constitutes an important addition to national resources, and international ODA commitments must be respected. **All donors should commit to or reaffirm their pledge to allocate 0.15 to 0.20 % of their GNI to ODA for LDCs**. As the world economy recovers, reaching this target will automatically translate into substantially stepped up ODA flows to the LDCs. **The EU has already set ambitious targets** for itself, and is working towards reaching them, encouraging other donors to do the same. Furthermore, in line with the principle of **ownership**, it remains up to each recipient country to decide, based on its specific circumstances, which area it wishes to spend its resources on. Finally, **aid is only one of several financial flows to LDCs.** LDCs which have received substantial amounts of ODA have not necessarily fared better than others.

Innovative sources and mechanisms of financing for development can be valuable in boosting other financial resources. Consideration should be given to **innovative financing mechanisms** with significant revenue generation potential, to ensure predictable financing for sustainable development.

The **effectiveness** of financing for development needs to be enhanced. Efforts to prepare for the November 2011 High-Level Forum on Aid Effectiveness in Busan, Korea need to be built upon. **All donors'**, including emerging ones', development policy should be aligned with the principles enshrined in the Paris Declaration and the Accra Agenda for Action, as **the EU has done**. The EU has also improved aid coordination and adopted an Operational Framework for Aid Effectiveness and a Code of Conduct on Complementarity and the Division of Labour in Development Policy.

Emerging economies are rapidly becoming major sources of FDI and other financial flows to LDCs as well as important trade partners, and should therefore provide an increasing share of assistance to LDCs. Cooperation and partnerships between emerging economies and traditional donors also need to be advanced and strengthened, in order to harness synergies between **South-South** and North-South cooperation and improve approaches for triangular cooperation to support the sustainable development and eventual graduation of LDCs. In this context, the G20, to which some LDCs may be invited as guests, could serve as a useful forum to reinforce dialogue and address their specific vulnerabilities.

5.3. Policy coherence for development (PCD)

LDCs’ recent proposals in the LDC-IV context only refer to policy coherence in relation to international governance. But **both developed and developing countries** have a responsibility to ensure the coherence of public policies, including development assistance, in order to promote development objectives and ensure an environment conducive to sustainable development. **The EU already takes development objectives into account in non-development policies** likely to affect LDCs and is committed to supporting them in achieving economic development through its wider political agenda. It has declared its intention to continue to enhance PCD and to encourage all other partners to take a similar approach.

Making sure that the LDCs are **properly represented in global governance** can ensure global policies are more development-friendly. This is why **the EU fully supports** recent reforms at the IFIs to give more voice to developing countries, including the LDCs. The EU has **contributed constructively** to finding an agreement on IMF governance reform, consented to 2 fewer seats, and **consistently supported the protection of Low Income Countries' voting shares** in the quota discussions.

6. OBJECTIVE 3: INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH

The ultimate objective for the LDCs should be to achieve sustainable development. An important aspect is **more broad-based sustainable economic growth which generates employment and which benefits all of the population**. This requires good governance, a strong market focus and dialogue between the private sector and the state, together with policies to protect the most vulnerable and the environment.

6.1. Developing market-oriented productive capacities

The quality of trade, transport-related and port infrastructure is below average in the LDCs. Improving **infrastructure** is necessary to enhance open trade and ensure the provision of human services. To be effective and sustainable, infrastructure development needs a strong **market focus**, **stable prices** for infrastructure-related services, and proper **rules and regulations** to make sure that lower service production costs translate into lower prices for the end user. Ensuring efficient and reliable **energy supply and infrastructure** is also key to developing productive capacities.

GDP growth generated by agriculture is up to **four times** more effective at reducing poverty than growth generated by other sectors.[11] The focus should be on assisting **small-scale farmers**, who represent the majority of agricultural workers. Sustainable agricultural, forestry and fisheries sectors generating more income and employment will boost the LDCs' economies, raise living standards in rural areas and thus slow the urbanisation process. This requires **secure and equitable access to the factors of production** and to **affordable credit**. It is also a matter of global responsibility to ensure that policies pursued by major economic powers do not jeopardise developing countries' chances to build up sustainable agricultural and fisheries production. Ensuring **responsible agriculture investment** and securing **land tenure and property rights** are crucial to protect the most vulnerable, and in particular small farm holders, and to achieve sustainable and inclusive development. Concerning forestry, the EU has initialled a **FLEGT** Voluntary Partnership Agreement with the Central African Republic, and negotiations are ongoing with Liberia and DRC.

Strengthening the **scientific and technological** capacities of LDCs, inter alia through **technology transfer**, is crucial if they are to develop productive capacities and engage autonomously and effectively in the path of inclusive and sustainable growth. The EU is **actively engaged** in this field in a spirit of mutual respect and benefit. Through the EU's Framework Programme for research, technological development and demonstration, third country partners participate in projects and researchers from developing countries can be trained in Europe. For the period 2007-2010, the EU funded research projects involving 215 participations from LDCs. The relevant LDC-based entities received a total amount of about

[11] http://www.ifad.org/hfs/.

€33 million from the EU. The EU also provides an equivalent amount of funds for capacity building and ownership of research capability in developing countries through instruments such as the European Development Fund (EDF), the European Neighbourhood and Partnership Instrument (ENPI) and the Development Cooperation Instrument (DCI).

6.2. Global and regional economic integration

6.2.1. Market access

The EU's **Everything but Arms (EBA) scheme, integrated into the EU GSP regulation since 2001, has given full Duty Free Quota Free access (DFQF) for all products from all LDCs in October 2009**, but a number of developed countries have resisted granting 97% tariff line access outside of a Doha Round agreement. Some emerging economies have started to give more access to LDC imports and could do even more to facilitate LDC exports. The G20 has a key role to play to further open up market access for the LDCs and secure simpler and more development-friendly rules of origin. **The EU offers unmatched market access to LDC goods**: it offers LDCs better coverage in terms of countries and products than any other DFQF provider, and it has no quotas. The EU also imports far more non-petroleum goods from the LDCs than other DFQF providers, and the reform of the EU rules of origin addresses the only area where the EU was not as LDC friendly as some other countries. **New simpler and more development-friendly rules of origin** for the EU's Generalised System of Preferences (GSP) have applied since 1 January 2011. They grant better access to preferential treatment offered by the EU, expand possibilities of cumulation, and offer **specific treatment to LDCs** for the first time. This spring, the EU will present a review of its GSP scheme, which will leave DFQF access for LDCs untouched. In this framework, the EU is also considering ways to provide more opportunities for LDCs to take advantage of their EBA access to the EU market. In addition, improved management and control procedures for origin will apply from 1 January 2017. The EU **strongly supports** the successful conclusion of an ambitious, comprehensive and balanced WTO **Doha Development Agenda** and believes that it would bring substantial development benefits to the LDCs. All work should focus on reaching a global DDA package in 2011. WTO rounds are multilateral negotiation processes where many topics and players are involved, and there is **no 'early harvest' mandate for the Doha Round**.

6.2.2. Regional trade and integration

Regional trade and integration are important factors for growth and development. They lower the costs of inputs and manufactured goods, increase the **competitiveness** of the local economy and allow locally based firms to integrate into international value chains. They also **reduce dependence** on developed countries' export markets and, by enhancing transparency, increasing competition and creating a stable and predictable framework for business, they can help LDCs **attract new investment** and boost firms' access to affordable quality services. The **Economic Partnership Agreements** are designed to trigger this kind of growth-friendly reforms, and bringing them to a conclusion could be a real catalyst for growth.

6.2.3. Aid for trade

The EU and other donors provide aid for trade (AfT) to LDCs, but **LDCs allocate a lower proportion of ODA to AfT** than non-LDCs. The reasons for this should be further explored, and support extended to countries wishing to do more in this area. Furthermore, coordinated efforts ought to be made to fully unlock the potential of the **Enhanced Integrated**

Framework for Trade Related Assistance to LDCs as a tool to build capacity and institutions. **Aid for trade cannot be additional to ODA** as it is already ODA. In line with the principle of **national ownership of development strategies**, it is up to the LDCs themselves to decide on which sectors they want to spend their ODA.

6.3. Environmental sustainability and the green economy

Environmental sustainability and the sustainable management of natural resources are missing from recent LDC inputs. Yet **environmental sustainability is necessary to LDCs' long-term inclusive growth**, and, as a very large share of their GDP is natural resource based, **good management and improved governance of natural resources** are crucial. Another important EU objective is to fight illegal fishing and introduce **sustainable fishery management**. This is of paramount importance to island and coastal states for food security, social and economic growth, and LDCs should be encouraged to cooperate fully and actively for their conservation in the relevant Regional Fisheries Management Organisations. A **green growth strategy** would also allow LDCs to make sustainable use of their natural resources, improve their energy efficiency, utilise their renewable energy resources in an efficient way, electrify rural areas that can not economically be reached by the national network, reduce their dependency on imported energy and exposure to energy price volatility, and reduce the long-term social and economic costs of climate change. As eradicating poverty requires providing access to energy for all, forward-looking energy policies should also emphasise **renewable energy and energy efficiency** in order to reduce dependency on fossil energy and provide a sustainable source of employment and income. The Conference should include a reference to the 2012 UN Conference on Sustainable Development and the 2010 Nagoya Conference.

6.4. Inclusive growth

Growth must benefit all swathes of the population. To that end, policy, institutions and investment must **focus on the most vulnerable and marginalised segments of LDCs' populations,** in order to enhance their skills, resilience and incomes. **Education, health and food security** are crucial components of human development and people's empowerment: a comprehensive approach to education is needed, acknowledging the interrelation between levels and sectors and addressing access, capacity and quality, progress on global health challenges must be accelerated through access to health services and strengthened health systems, and progress is needed on ensuring food security and adequate nutrition. **Skills development** should be at the centre of education and employment policies, and **decent work** should be the core aim to ensure that job creation leads to improved standards of living for all. **Social protection** must also be put in place to protect the most vulnerable, and in particular to ensure food security in times of economic hardship. Access to **reliable, stable priced energy**, and in particular electricity for productive and social uses, is also crucial to eradicate poverty and achieve development targets in the areas of health and education.

6.5. Contributions from the private sector and the state

The **private sector** is crucial in ensuring investment, competition and innovation, but inclusive long-term growth cannot be achieved without **good governance**. The state is responsible for ensuring that a predictable, transparent, rule-based and non-discriminatory legal and regulatory framework is in place, can promote private companies' investments in development-friendly projects and help provide access to financial services. The state is also responsible for providing **public goods and services** to all parts of the population, including in the areas of education, health, and access to energy. Proper dialogue between the private sector and the state and stronger public-private partnerships (PPPs) would help ensure that policies address key constraints to the private sector's contribution to sustainable and inclusive growth, promote CSR and make use of potential synergies. The **Extractive Industries Transparency Initiative** (EITI), supported by 10 Member States and the European Commission, can also have a major impact in oil producing and mining LDCs. 2 LDCs are compliant countries, 15 are candidates, and 3 have expressed their interest in the initiative. **All** LDCs involved in the extractive industries should be encouraged to reach the status of compliant country as quickly as possible.

7. CONCLUSION

The inspiring examples of Botswana, Cape Verde and Maldives show that **countries *can* successfully graduate from LDC status**. Two further LDC countries are currently in the process of graduating, while 10 others have demonstrated significant progress towards the LDC graduation thresholds.

Past experience shows that sustained **progress is possible**, provided the LDCs adopt a prudent and strategic mix of macroeconomic, trade and investment measures to boost growth-creating productive sectors, create jobs and achieve food and energy security in a sustainable manner. A proper balance between market reforms and policy interventions should generate positive spillover effects so that growth benefits **the whole population**. A well-governed state providing security and stability is key to designing and implementing such policies, and to strengthen human and institutional capacities, notably in the areas of education, science and technology.

A **successful outcome** of LDC-IV would be welcome. For many years, the EU has provided unwavering financial and technical support to the LDCs in order for them to reach graduation, going beyond the measures foreseen in the Brussels Programme of Action. Careful consideration could be given to a dialogue on measures which could ease the transition period for graduating LDCs by putting in place a mechanism which enhances incentives to graduate.