Distinguished Chair, Excellencies, Ladies and Gentlemen:

It is an honor to participate on behalf of the International Monetary Fund in this review of the Istanbul Plan of Action (IPoA) for Least Developed Countries (LDCs). It is a good opportunity to have this comprehensive review following the adoption of the 2030 Agenda for Sustainable Development, which embraced the principle of “Leaving No One Behind”. Delivering on strong inclusive growth in the LDCs is an imperative if we are indeed to leave no one behind over the next fifteen years.

In my remarks, I will cover three issues: a) the development experience of the LDCs since 2010; b) the key challenges to be tackled during the period ahead; and c) the actions the IMF is taking to support to its poorest members as they pursue their development goals.

1. LOOKING BACK

Most LDCs have experienced solid economic growth since 2010—an encouraging development in light of the relatively lackluster performance of the world economy during this period. The median annual growth rate for LDCs during this period was 5 percent, compared with 4 percent for developing countries as a whole (all emerging market and developing economies) and marginally faster than the 4.8 percent annual growth recorded during 2000-2010.

That said, with relatively high population growth rates, per capita output growth was significantly slower than the headline growth rate, averaging 2.7 percent across all LDCs. With growth continuing at this pace, it would take 25 years to achieve a doubling of living standards, which is likely insufficient to meet the expectations of LDC populations—indicating that efforts to improve economic performance will need to be intensified.
Cross-country averages can be deceptive, in that they hide wide variation in experience across countries. Many countries have been recording impressive growth rates—to pick some examples, annual growth during 2010-15 exceeded 7 percent in Ethiopia, Myanmar, and Rwanda, laying the basis for significant improvements in living standards over time. By contrast, annual growth during these years was below 4 percent in countries such as Burundi, Madagascar, and Mali, with GDP actually falling in conflict-stricken countries such as Central African Republic and Yemen.

What can be learned from this varied experience? Among the lessons, I would cite the following:

- **Domestic conflict and weak state capacity play a key role in explaining poor economic performance in LDCs.** A 2014 IMF study as to why 11 poor countries had recorded no growth in living standards since 2000 concluded that conflict and weak institutional capacity played a central role in blocking growth in nearly all cases.

- **As discussed earlier this week in Istanbul, fragility and sluggish economic development are closely intertwined,** in what can often become a vicious cycle. We know that there is rarely a quick fix for fragile situations; active support from development partners is essential to break out of the fragility trap, but this support needs to be maintained over many years, particularly in post-conflict situations.

- **By contrast, development-oriented governments can achieve impressive results in LDCs on a sustained basis,** as illustrated by the examples of Ethiopia and Rwanda I cited above. Effectively tapping into external resources is a key element of a successful strategy.

*We have seen what can go wrong—and need to learn from it. But we also have seen what can go right, indicating that accelerated growth in LDCs can be attained.*

### 2. LOOKING FORWARD

The international economic environment within which LDCs are pursuing their development objectives is not particularly encouraging in the near term.

- Global growth has consistently disappointed expectations, reflecting both sluggish recovery from the global economic crisis in many advanced economies and a growth slowdown in many emerging market economies.

- The marked drop in commodity prices since 2014 has hit many LDCs quite hard, most notably oil exporters. The expectation is that prices will remain well down on 2014 levels for the foreseeable future.
• Budgetary pressures in the wealthier economies are such that significant increases in aid budgets are unlikely, although the promised shift in the destination of aid to poorer and fragile/conflict-affected states would help LDCs.

That said, the “catch-up” potential for LDCs to narrow the huge productivity gaps with more developed economies is large, as shown by many success stories. This is not the place to explore the key ingredients for achieving developmental success, but allow me flag a few essential elements:

• Maintaining macroeconomic stability, including ensuring a sustainable public debt position over time, is necessary, but not sufficient, for growth.

• Building capacity in key public institutions, such as an efficient national tax system, can be a lengthy process—but again it is essential for success over the longer term, and for supporting resilience in the face of adverse shocks.

• Tackling key infrastructure gaps, notably in transport and energy provision, is an imperative in most countries, but needs to achieved in a cost-efficient manner given the high costs involved—underscoring the importance of building public investment management capacity.

Development partners need to provide effectively-targeted support for these efforts.

3. WHAT THE IMF IS DOING TO HELP

The IMF used the opportunity created by the Addis “Financing for Development” Conference to look at its various operations through the lens of enhancing its support for developing countries. This reassessment—Revisiting the Monterrey Consensus—was endorsed by the IMF’s Board last July—including a set of new “deliverables” that the IMF committed to provide. Of particular relevance for our discourse here in Antalya are the following:

• Expand substantially the technical support given to countries seeking to boost domestic revenue mobilization by strengthening national tax systems, while deepening the IMF’s work on international tax issues important for developing countries—the latter in close coordination with the World Bank.

• Support countries boosting public investment through a range of tools, including public investment management assessments (PIMAs), improved debt sustainability assessments, fiscal risk assessments of Public-Private Partnerships (PPPs), and technical help in developing medium-term debt management strategies (MTDS).
• Increase the focus and attention given to **fragile and conflict-affected states**, with particular emphasis on sustained support for building public institutions that deliver key economic services, such as the Finance Ministry, Central Bank, and Tax Agency.

• Work with countries prone to natural disasters and increasingly threatened by climate change to develop **macroeconomic policy frameworks that increase economic resilience** and that can provide an appropriate framework within which countries can tap into climate finance for adaptation purposes.

• Provide low income countries with an expanded financial safety by **increasing their access to IMF interest-free loans by 50 percent**—a measure that went into effect last July. Over half of the $6 billion in interest-free loans disbursed in 2011-15 went to LDCs.

We believe that these new deliverables—alongside our established activities in the areas of providing **bilateral policy analysis and advice**, putting in place **lending programs for countries seeking balance of payments support**, and **providing technical assistance in areas where we have specialist expertise** (such as taxation and central banking)—will provide important support to LDCs as they seek to implement the Istanbul Plan of Action.

The IMF is committed to working closely with LDCs in the remaining five years covered by the IPoA and beyond, as LDCs seek to achieve the SDGs.

Thank you for your attention.