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Ministerial round table: A world without least developed countries – towards a better framework to assist structural transformation for least developed country graduation

Summary prepared by the UNCTAD secretariat

1. The panellists, in addition to a former Under-Secretary-General of the United Nations as chair and moderator, included a senior official from a former least developed country (LDC), four representatives of intergovernmental organizations, a university professor and a senior-level civil society executive. The discussion, which was opened by the Secretary-General of UNCTAD, focused on concrete approaches to supporting structural economic transformation towards graduation from LDC status.
2. The chair and moderator noted that the quest for a better framework to support structural transformation was an encouragement to find complementarities and synergies, not a mandate to establish a new institutional mechanism. The discussion centred on six main areas of convergence.

Supporting structural progress in a highly heterogeneous group of countries: A challenge for all development partners

3. Among the most frequently highlighted facts was the contrast between the proclaimed importance of structural economic transformation and the scarcity of structural change in the current graduation landscape; 10 of the 14 confirmed or potentially graduating LDCs (insular (or landlocked) or oil-exporting LDCs) demonstrated no recognizable structural transformation, essentially due to a lack of productive capacities. The Secretary-General noted that the other four LDCs had experienced transformational progress, and all four were in Asia (Bangladesh, the Lao People's Democratic Republic, Myanmar and Nepal). All panellists recognized the great diversity of situations of progress or non-progress among LDCs, and pointed to the need for a better and more pragmatic international framework to help these countries face such a broad range of challenges.

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Most future cases of graduation, largely in Asia (all with exit dates after 2020) came nearer to the UNCTAD vision of graduation after structural transformation.

Primacy of structural transformation

4. There was clear consensus among the panellists on the underpinnings of structural transformation as the normal trajectory of graduation. Enriching the structure of the economy towards higher levels of value addition was considered by most panellists as the common development goal that all development partners of LDCs should be prepared to support. Among key areas for policy-related action were investment, trade, technology and innovation capacities, as well as developmental governance. Specializing smartly was cited by one panellist as a well-founded vision that most LDCs could adhere to, defined as the crux of any LDC development agenda.

Multi-agency commitment to support the quest for structural progress

5. Some panellists emphasized the readiness of United Nations agencies to better coordinate actions in support of the transformational efforts of LDCs. The specialized work of the Common Fund for Commodities, Enhanced Integrated Framework and United Nations Capital Development Fund was a major focus of the discussion, and the panellists generally agreed that the better framework contemplated during the discussion already existed informally.

Highlights of three graduation cases

6. The example of Botswana was emphasized, as it stood out as an export-propelled graduation case in which the process of structural change had begun after graduation from the LDC category, whereas the opposite causality (namely, graduation resulting from structural transformation) was normally implied. The importance of good developmental governance in Botswana's graduation and continued progress was recognized.

7. There was a further focus on two future graduation cases, Cambodia and Nepal, with highlights of three key transformational factors, namely, conducive investment climates, a trade facilitation nexus and blended finance. The latter was the public-private financing approach of the United Nations Capital Development Fund to fostering structural change at local levels less commonly targeted by dominant investment channels, notably foreign direct investors.

The question of systemic changes

8. Three panellists considered the question of reforming the graduation criteria, particularly the economic vulnerability criterion. The idea of incorporating financial vulnerability among components of the United Nations economic vulnerability index was underlined, though its practical feasibility was not addressed. One panellist emphasized the greater need for coherence among development partners with a productive capacity-building support agenda, and for a new global architecture of international cooperation.

Role of UNCTAD in supporting structural change and graduation

9. Overall, there was common interest in seeing a new momentum of international action to support the growing aspiration of LDCs to graduate through patient, transformative work. The role of UNCTAD as the agency most qualified to foster transformative synergies with other relevant partners was broadly recognized, and was stressed by a senior-level delegate of a State with a proclaimed strategy of structural progress.

10. The moderator highlighted the pledge of the Secretary-General of a special commitment by UNCTAD to assisting LDCs that already met the graduation criteria and sought to secure a smooth transition to post-LDC status. The special consideration by UNCTAD to newly graduated LDCs was also recalled, as well as LDCs that were less advanced with regard to graduation and in need of wide-ranging transformative support. In this regard, three panellists cited a number of examples of such LDCs.

11. In his concluding remarks, the chair and moderator urged UNCTAD to develop an inventory, in an action-oriented manner, of its complementarities with relevant agencies in supporting the quest for structural progress, noting especially the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States in its role as system-wide coordinator of efforts in that direction.
