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Development-centred globalization: Towards inclusive and sustainable growth and development

Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020: Graduation and structural transformation

UNCTAD XIII special high-level event

Held at the Qatar National Convention Centre, Doha, on 24 April 2012

Summary prepared by the UNCTAD secretariat

1. The special high-level event on the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020, also known as the Istanbul Programme of Action, was jointly organized by UNCTAD and the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS). It was co-chaired by the Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi, and the High Representative of OHRLLS, Mr. Cheik Sidi Diarra. Panellists included Mr. François Kanimba, Minster of Commerce and Industry of Rwanda; Mr. Mohammed Mijarul Quayes, Deputy Minister of Foreign Affairs of Bangladesh; Ms. Dorcas Makgato- Malesu, Minister of Trade and Industry of Botswana; Mr. Jose Luis Rocha, Secretary of State of Foreign Affairs of Cape Verde; Mr. Roy M. Joy, Ambassador to the European Union of Vanuatu; Mr. Paul Magnette, Minister of Development Cooperation of Belgium; and Mr. Selim Kuneralp, incoming Permanent Representative of Turkey to the World Trade Organization (WTO). The panellists and commentators at the event represented countries that were making progress towards graduation thresholds (Rwanda, the Lao People's Democratic Republic and Bangladesh), those that were recommended to graduate by 2014 (Vanuatu), those that had already

graduated from the group (Botswana and Cape Verde) and those that were development partners (Belgium and Turkey).

2. The aims of the special event were as follows: (a) to exchange views on ways and means of achieving the objective of the Programme of Action to enable half of the least developed countries (LDCs) to meet the graduation criteria[1] by 2020;[2] (b) to assess the progress to date of where selected countries with a potential for graduation by 2020 currently stood in meeting the criteria and (c) to provide policy guidance on the conceptualization of an initial graduation strategy with a smooth transition for action at the national, regional and global levels. The deliberations on several issues of critical importance for the development of LDCs provided policy insights into key questions: What were the major obstacles to graduation from LDC category? What should be the key components of a smooth transition strategy for graduating countries? How long was considered reasonable to achieve a smooth transition? What would be the role of development partners, including South–South and triangular cooperation?

3. There were extensive and constructive discussions at the event, highlighting the challenges, opportunities and prospects for LDCs to exit the category. The challenges were that growth in those countries was not complemented by structural change or transformation, value addition or employment creation. Most of them remained dependent on primary commodities for exports and employment. Consequently, they were lagging behind other developing countries, especially in meeting the Millennium Development Goals. The question lay in determining how many LDCs as possible could graduate from that category, given the immense challenges facing them, especially the uneven, fragile and unsustainable nature of their growth performance. In this context, graduation from LDC status should not be viewed as an end in itself, but as a long journey towards sustained, broad-based, and resilient socio-economic development and transformation.

4. Participants called upon UNCTAD to intensify its praiseworthy support to LDCs to enable them to meet the graduation target, including developing a smooth transition strategy for graduating countries. There was a consensus that all LDCs were not alike – some were landlocked, some were small island developing States, yet others were emerging from protracted conflict and a few remained in a situation of armed conflict. All LDCs had different initial conditions, cultures, institutional capacities and resource bases. They should design and implement country-specific and home-grown policies and strategies for their development. This required, among other things, rebalancing the role of the State and the market, with the State playing a critical role in articulating policies and strategies, as well as a long-term vision for development.

5. There was a common understanding that, despite the many challenges facing them, LDCs had in recent years made significant progress in improving their domestic policy environment and economic performance, particularly prior to the recent global economic and financial crises. During the pre-crisis period of 2002–2008, LDCs as a group registered an average growth domestic product growth rate of 7.1 per cent, which was slightly more than the 7 per cent target envisaged in the previously agreed Brussels Programme of Action. Even with a fragile global recovery in 2010, the growth rate in LDCs as a whole

[1] Graduation form the list of LDCs is based on systematic review and assessment of socio-economic progress of least developed countries based on three criteria: per capita income and two composite indices (the human asset index and the economic vulnerability index).

[2] At the Fourth United Nations Conference on the Least Developed Countries, which took place in Istanbul, Turkey, in May 2011, the international community agreed on the target of enabling half of the current 48 countries categorized by the United Nations as LDCs to meet the graduation criteria by 2020.

went up to 5.7 per cent from 4.6 per cent in 2009. Rising at over 5 per cent after the crisis was still a remarkable achievement, although it was far below the 7.1 per cent average annual growth rate attained during the boom period. With regard to international trade, LDCs also registered astronomical growth; the value of their merchandise exports climbed, in nominal terms, from $83.3 billion in 2005 to a peak of $176 billion in 2008, although this went down to $156 billion in 2010. The quality and pattern of their growth performance indicated their vulnerability to external shocks – political, environmental or economic.

6. Participants stressed a four-pillar approach for LDCs to make progress towards graduation thresholds and build resilience to shocks: (a) building productive capacities, including economic diversification, value addition and jobs creation; (b) scaling-up of international support mechanisms; (c) effectively addressing climate change challenges, low agricultural productivity and persistent food insecurity; and (d) improving the quality of domestic policies and their implementation. The four pillars, which implied the need for a radical shift in development partnerships and fundamental changes in the design and implementation of domestic policies, were considered to be key for LDCs to make a significant leap forward and to meet the graduation criteria by 2020. The shift should include an expanded partnership that went beyond aid and market access; the enhancement of LDCs' trading opportunities; stronger support for domestic resource mobilization; the ability of LDCs to attract and make use of private capital inflows, building technological capabilities, innovation and know-how; and the importance of LDCs to design their own graduation plan or strategy.