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EU Statement on the LDC Report

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- CHECK AGAINST DELIVERY -

UNCTAD

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EU Statement on the LDC Report

Mr President,

I have the honour of speaking on behalf of the European Union and its Member States. We welcome UNCTAD's Report on the Least Developed Countries 2016 entitled "The path to graduation and beyond: Making the most of the process" and thank UNCTAD for its valuable research and analysis on Least Developed Countries.

The EU remains entirely convinced that the concerns and advancement of Least Developed Countries must be at the **core of UNCTAD's work**. This is a position the EU has continuously highlighted, most recently during the negotiations for the Nairobi Maafikiano, which clearly establishes this priority in its Para. 10 (a): "strengthen its special focus on the trade and development needs of the LDCs...". Such a focus also reflects the EU's own prioritisation of the needs of the most vulnerable countries which is at the heart of our trade and development policy.

We therefore note with concern that economic growth in Least Developed Countries has declined since 2012, reaching 3.6% in 2015, below the target rate of at least 7% recommended by the Istanbul Program of Action. However, GDP growth of Least Developed Countries is expected to recover slightly to 4.5% in 2016 and 5.7% in 2017.

The EU is a major trading partner for the LDCs: in 2015 the EU was the number 1 export destination of LDC products collectively reaching 40bn EUR for the first time ever, and the number 2 region of origin of LDC imports at 32bn EUR. Significantly, from the perspective of a diversified export base, let me underline that most of LDC exports

into the EU are manufactured goods (58%, according to Eurostat), not commodities or raw materials.¹

We take note of the main message of the LDC Report that the focus should not be on graduation as an end in itself, but rather on "**graduation with momentum**", which will lay the foundations for long-term development and allow potential pitfalls to be avoided far beyond the country's exit from the LDC category. Following graduation, the IPoA already stipulates a "smooth transition" period from the effective date of graduation, during which Least Developed Countries' specific support is phased out gradually. We concur that this is vital to ensure that these countries are eased onto a sustainable development path without any disruption to their development plans, programmes and projects.

Let me underline in this regard that the EU is clearly committed to this process and extended the benefits of the Everything but Arms scheme under the EU's Generalised System of Preferences for an additional three years after graduation to support a smooth consolidation of transition.

There are numerous international support measures for Least Developed Countries to enable them to escape the poverty, commodity, and high import traps that prevent Least Developed Countries to derive developmental benefits from the global economy. Among the 139 special and differential treatment provisions benefiting developing countries in the agreements of the WTO, 14 are specific to Least Developed Countries. The EU and its MS are determined to continue supporting LDCs' efforts to reach their ambitious target of graduation by 2020. We are keen to facilitate a smooth graduation process and are looking forward to the progress of those LDCs earmarked for graduation.

The report identifies several **recommendations for Least Developed Countries**. Among others, it cites structural transformation of the economy and development of productive

¹ See data at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111529.pdf

capacities, including shifting production and exports to higher-value-added products and sectors, upgrading technology, diversifying the economy and raising productivity.

The report also groups the **policy recommendations** into six areas of actions (rural transformation, industrial policy, STI policy, finance, macroeconomic policies, and employment generation) while highlighting *gender as a cross-cutting issue*, which we concur with. Structural transformation and development of productive capacities cannot be fully effective unless they empower women to develop their potential economic contribution to a much greater extent, addressing particular disadvantages faced by women.

Mr. President,

The historical success of four Least Developed Countries in graduating (i.e. Botswana, Cabo Verde, Maldives and Samoa) and the projected future graduation show that neither under-development traps nor detrimental geographical features are insurmountable obstacles to graduation. We believe that successful development depends primarily upon sound national policies and strategies that address the root causes of the traps Least Developed Countries' experience, and kick-start the process of sustainable development. These need to be complemented by support from the international community.

We also believe that climate change adaptation and mitigation need to play a central role in Least Developed Countries' graduation strategies. The EU strongly supports partner countries on this front by providing dedicated climate change assistance as well as by integrating climate change considerations into the broader development cooperation portfolio. We do this through a variety of financial instruments and aid delivery channels, including facilities and mechanisms designed to leverage additional funds to complement official development aid. A notable example is the Global Climate Change Alliance Plus, which provides technical and financial support to the countries most vulnerable to climate change, many of which are LDCs.

Concerning the issue of **technology**, we underline the importance of promoting synergies and avoiding duplication when operationalising the Technology Bank and the

Technology Facilitation Mechanism, following the official establishment of the Technology Bank by the UNGA on 23 December 2016. However, we also underscore the essential role the private sector can play to help LDCs benefit from innovation and technological developments.

In the field of financing for development also, we will continue to pay specific attention in our policies and aid to the countries most in need. The EU and its MS are the primary donors to LDCs, and the only donors which have committed to allocating 0.15% of GNI as Official Development Assistance (ODA) to LDCs by 2020. However important the role of ODA, the report clearly lays out that at present FDI and remittances play an even bigger role for LDCs.² We also believe that domestic resource mobilisation should be further strengthened and that in the future it should play an essential role to help partner countries meet their development objectives. Furthermore, blended finance, i.e. combining ODA, philanthropic funds and other public/private development finance flows, may offer a versatile means of mobilising and leveraging private resources.

Mr President,

The international community has a central role to play in facilitating the path of Least Developed Countries to graduation with momentum. The EU will therefore continue to focus on the Least Developed Countries and assist them in their economic transformations to enhance their productive capacities, attract foreign direct investment and improve their domestic potential for sustainable development.

I thank you.

² LDC Report, p. 10ff.: ODA = 26bn USD, FDI = 35bn USD; remittances = 41bn USD.