

## **Sixty-fifth session of the Trade and Development Board**

### **Item 10 - Contribution of UNCTAD to the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011–2020**

*(Statement by Mr. Paul Akiwumi, Director, Division for Africa, LDCs and Special Programmes)*

**Mr. Chairman, Distinguished Delegates, Ladies and Gentlemen,**

It is a pleasure for me to open your deliberations under item 10 of the agenda: Contribution of UNCTAD to the implementation of the Istanbul Programme of Action for the Least Developed Countries (IPoA).

The Trade and Development conducted its annual assessment of progress in September last year. As you would note from the report, UNCTAD has continued its efforts to assist LDCs in areas within its competence and mandate.

My colleague, Mr. Mussie Deleegn, will provide you with a summary of our activities in a minute. Allow me to provide you with a brief overview of the economic situation of the LDCs before then.

**Mr. Chairman, Ladies and Gentlemen,**

We are at a historic juncture with regard to recent socioeconomic performance of LDCs. The global economic environment for LDCs has been deteriorating and become increasingly challenging. According to our most recent data, FDI flows to LDCs plummeted to a seven-year low- by about 13 % in 2016. Nearly 40 % of such flows are concentrated in one country, and 5 LDCs account for more than 66 % of total flows to the group. Data from OECD also shows that Net ODA flows to LDCs continue to decline in real terms. As with FDI flows, ODA flows are also concentrated in a handful of countries. Furthermore, international commodity prices remain low and volatile, making about 40 LDCs that are commodity dependent vulnerable to such shocks.

The combination of an unsupportive global economic environment and weak domestic productive capacities has contributed to sluggish growth performance in LDCs. In 2016, the group of LDCs experienced its lowest growth rate since the beginning of the century (3.8 per cent). This rate is by far lower than the 7 % growth rate agreed in the IPoA. While the global environment has since begun to improve slightly, it is unlikely that LDCs will achieve the targeted rate of growth any time soon.

Encouragingly, despite the slowdown in growth, several LDCs continued to make progress towards graduation. In 2017, Equatorial Guinea graduated from the group, bringing the number of graduated countries to five. Two more countries (Vanuatu in 2020 and Angola in 2021) are expected to graduate if they maintain their current level of socioeconomic performance. During the 2018 triennial review, the Committee for Development Policy decided to recommend Bhutan, Kiribati, Sao Tome and Principe, and Solomon Islands for graduation. Bangladesh, the Lao People's Democratic Republic and Myanmar also met the graduation criteria for the first time. However, they would need to meet the criteria a second time at the next triennial review

in 2021 to be considered for graduation. Therefore, while the ambitious IPoA graduation goal will not be met, more and more LDCs are approaching the graduation thresholds than ever before.

Certainly, given high vulnerability of LDC economies, sustaining progress towards graduation remains questionable. In that regard, the recent performance of LDCs will have, at least, three important implications to policy making and global partnership:

- **First**, the growth performance of LDCs can only be reversed through determined domestic efforts and a supportive global economic environment. This is key for sustaining progress made towards graduation and gradually to the SDGs. It is critically important that LDCs put the right policies in place. It is equally important that they receive full and effective support during and beyond the graduation process.
- **Second**, graduation is an important milestone in LDCs' development. However, it is not an end in itself. For LDCs that have graduated or in the graduation process, the challenge is to avoid the "middle income trap". This calls for fostering productive capacities and structural economic transformation.
- **Third**, there is an urgent need to ensure coherence and consistency as well as strengthening coordination among the different policies at country level and internationally. That is, the economic, social and environmental pillar of development should be realigned. Each of these also needs to be effectively implemented if LDCs are to achieve the goal of accelerated and sustained poverty reduction.

**Mr. Chairman, Ladies and Gentlemen,**

The economic performance of LDCs can be significantly improved by building their economic resilience to external shocks - be it changes in global demand conditions and commodity-price shocks or instabilities in international support measures. Building economic resilience include reorienting domestic policies and rebalancing international support measures. These should focus on enhancing productive capacities, diversification and inclusive structural transformation.

Our continued preoccupation is that, with business as usual, LDCs are at a serious risk of failing to achieve most of the targets of the IPoA. This also means that, most of them may be left behind on the road to the SDGs. Rectifying this situation will require additional efforts by both the LDCs and their development partners. LDCs will need to strengthen their efforts to improve infrastructure (both soft and hard), and facilitating private sector development. Development partners, on the other hand, should provide increased market access, targeted financial and technical support, and facilitate greater investment flows to LDCs. They could also consider greater technology-transfer, for example through the newly established technology bank. The Technology Bank which was agreed upon at the 4<sup>th</sup> UN-Conference on LDCs in Istanbul in 2011 was officially inaugurated in Gebze in Turkey, on Monday, 4 June 2018. It is expected to address challenges facing LDCs through science, technology and innovation.

UNCTAD continues to stand ready to assist the LDCs. UNCTAD's work is carried out across its three pillars: research and analysis, technical assistance and intergovernmental consensus-building. These are key to improve policy formulation and implementation capacities in LDCs, to escape the poverty trap and achieve the SDGs.

While still speaking of our work on LDCs, let me share with you some progress with regard to the EU-UNCTAD Programme of Support for Angola. As you know, the programme of support is the single largest project UNCTAD has ever concluded in recent year for an LDC. Thus we greatly value the EU financial support and to have designated UNCTAD the Executing Agency for this project. After the high-level launch of the project in April this year, the programme has entered a new phase. Six broad areas have been identified through triangular consultation (EU, UNCTAD and Angolan stakeholders). These are: Commercial Diplomacy and Trade Policy; Export Diversification Strategy outside of the oils sector with a focus on Green Exports; Trade Facilitation including implementation of WTO TFA; Trade Logistics Review; Investment Policy Review (IPR) and Enterprise Development with the focus on SMEs through EMPERTEC. Project components have been developed in all these areas and a consolidated Action Plan validated. We have begun the implementation of the project in a carefully sequenced and integrated manner.

The EU-UNCTAD programme of support for Angola can serve us a model in dealing some of the key challenges of other LDCs. Such a shift from “project-based” financing to more integrated and broad “programme-based” support will have direct and long term benefits in supporting LDCs. Drawing from our experience with Angola, we are developing a model project for selected LDCs. We will keep you updated further progress in this area and in implementation of the project components in Angola..

With your permission, I would now like to invite my colleague Mussie Delelegn to provide you with an overview of our activities in support of the LDCs in the past year.

Thank you very much for your kind attention.