

**“Productive Capacities for the New Decade”**  
**Side-Event**  
**First Session of the Preparatory Committee for the Fifth UN Conference on**  
**the LDCs**  
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**26 may 2021**

Let me first thank – the organizers – for the kind invitation and for giving me the opportunity to participate in this event, which taking place during the First Session of the Prep Com for the Fifth UN Conference on the LDCs.

The LDC Conferences provide the opportunity to review progress in the implementation of the programme of action for the previous decade - assess what has been achieved and what remain unfulfilled goals - learn from experiences - and - adjust policies and strategies to ensure that the next programme of action is more focused, forward-looking and incorporates new and emerging issues. Unlike the past Conferences, however, the next one will take place at a critical juncture in the LDC’s 50 years of history and at a time when the international community is struggling to cope with a global pandemic that has shaken the health sectors and economies of all countries to the core. This is also a make-or-break decade for meeting the 2030 Agenda and the ambitious vision of achieving all the goals while ‘leaving no-one-behind’.

These are the realities that will shape the backdrop to the outcome of the next LDC conference - along with the need to ensure that the role of new technologies in LDCs’ development trajectory is placed at the centre of their national development agenda.

For my brief intervention today, I will focus on three-interrelated issues that – in my opinion – deserve serious consideration - both - during the preparatory process - and - at the Conference itself. This is not – of course - an exhaustive list – but, unfortunately, the time I have does not allow me to go beyond the following three-interrelated issues.

The first involves the lessons learned from the recent experiences with graduation. Learning from past experience, including from one’s own failures, is an important component of effective policymaking process. The primary goal and desire of every LDC is to graduate from the LDC category, thus signifying economic and social progress. In this respect, it is encouraging to see a growing number of LDCs meeting the criteria for graduation since Istanbul - after four decades of slow progress. There are now 16 countries that are either in the process of graduating or have met the criteria for graduation for the first time. This is good news.

Along with this encouraging trend, however, a new phenomenon has emerged which is disconcerting and requires urgent attention and decision at the forthcoming LDC Conference. I am talking – of course - about the concerns and anxiety that are increasingly being expressed by graduating countries about losing international support measures and the fear that they will face challenges as they transit into post-graduation development trajectory.

Graduation should be a time for celebration – not apprehension and hesitation about the future and about graduating. When the General Assembly first established the LDC category 50 years ago, the ultimate objective envisaged – at the time - was to see – one day - a world without LDCs. This was a novel objective then, and continues to be today. However, if urgent measures are not taken to assist graduating and graduated countries, including through new and targeted support measures, we are likely to see some of them still struggling to leave the category by the end of this decade – or even worse - undergoing a reversal of the progress achieved. The 4<sup>th</sup> LDC Conference in Istanbul was important in giving impetus to the graduation agenda by providing a target on graduation. The 5<sup>th</sup> Conference should take this pro-active approach forward by proposing concrete support measures to provide graduating and graduated countries – the last push – they need for soft-landing as non-LDC developing countries.

This takes me to my second and related point – which is – the current mechanism for smooth transition. You will recall that the Istanbul Conference requested the UN Secretary General to establish an Ad Hoc Working Group on smooth transition and explore ways in which smooth transition from the LDC category could be operationalized and strengthened. This led to a GA resolution inviting development partners to clarify - in a predictable manner - their position with regard to the extension of support measures after graduation. To date, only EU and the EIF have offered a more predictable proposition for smooth transition.

To cut a long-story-short, despite the GA resolution, the Smooth Transition Mechanism still lacks predictability, transparency and the focus that it requires to give confidence to graduating countries. In my opinion, there is a fundamental flaw in the way the smooth transition mechanism was conceived from the beginning – which was understood - in terms of supporting graduating countries by - simply - extending – for a short grace period – the same LDC-specific ISMs after graduation. The alternative would have been to see smooth transition as a country-focused support process to prepare graduating countries for the challenges ahead and support them in their quest to succeed as middle-income economies and avoid the “middle-income trap”.

We have observed, for example, that more and more LDCs are reaching the graduation-point without utilizing some of the important ISMs provided – for example, the Duty-Free-Quota-Free market access and the special waiver offered by the WTO. This is not because the support measures are unnecessary or irrelevant to LDC’s needs – but, because - not all LDCs have developed the productive capacities necessary to produce goods that could benefit from market access opportunities. In this situation, a smooth transition arrangement that simply extends - for a few years - the same ISMs to countries, which have no capacity to utilize the support measures, does not make sense. Instead, it is more effective and helpful to identify targeted support measures that will help graduating countries to build on the momentum that enabled them to meet the criteria for graduation and continue to develop as they leave the LDC category.

I understand that the UNCTAD secretariat is currently working on this issue with a view to proposing a more realistic, pragmatic, predictable and workable mechanism for smooth transition and the strategy needed to enable graduating countries achieve what UNCTAD calls “graduation with momentum”. This is timely and I hope UNCTAD’s proposal will be given due consideration in the course of the preparations for the next LDC conference. I believe the intention is to link the smooth transition mechanism with the development of productive capacities - both - during the preparatory process for graduation and as countries build their

capabilities after graduation. In fact, my third and last point is related to the development of productive capacities and their continuing importance as drivers and engines of growth and structural transformation, including in the new era when adopting frontier technologies have become a necessity for sustainable development.

Unfortunately, I do not have the time to elaborate on the multi-dimensional role of productive capacities – but, as a member of the CDP – I will be failing my responsibility – if I do not remind participants – to this side-event - the recommendation by the CDP that the LDCs adopt expanding productive capacities for sustainable development as a framework for organizing the programme of action for LDCs for the decade 2021-2030. The CDP believes that this will enable LDCs to design an integrated, coherent and synergetic programme of action – instead of listing many priority areas and policy-actions that are difficult to monitor. I understand some member states have doubts and are concerned that using productive capacities as a framework may exclude other important issues that need to be incorporated into the programme of action. However, looking closely at the definition of productive capacities, it is difficult to imagine any important issue being excluded, including emerging areas such as digital-transformation, climate change, recovery from the Covid-19 shock, and so on.

In conclusion - these are difficult times for LDCs and the rest of the world. No-one foresaw the Covid-19 pandemic and its unprecedented implications and no-country was prepared for it. Such a scenario - often – provides an opportunity for rethinking or ‘thinking out of the box’ in finding lasting solutions. In preparing for the next UN LDC Conference, I hope the LDCs are ‘looking back’ to learn from past experiences, while identifying ‘bold’ and ‘realistic’ policy measures to pave the way forward.

Thank you for your attention.