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Plenary on Item 5:
UNCTAD's contribution to the implementation of the Istanbul Programme of Action for the least developed countries: Second progress report

Speaker: European Union

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Item 5

UNCTAD's contribution to the implementation of the Istanbul Programme of Action for the Least Developed Countries: Second progress report

Mr President,

Secretary General,

Excellencies,

Distinguished Delegates,

I have the honour of speaking on behalf of the European Union and its Member States.

We thank the Secretariat for the background document 'UNCTAD's contribution to the implementation of the Istanbul Programme of Action for the Least Developed Countries: measuring and benchmarking productive capacities in the Least Developed Countries' and recognise the on-going work of UNCTAD in this area.

1. We appreciate the engagement and the efforts of the UNCTAD secretariat for their research work on quantifiable indicators and productive capacities in LDCs. The EU and its Member States are determined to support the LDCs in their agenda to attain the goals established in Istanbul, and help in the implementation of the Istanbul Programme of Action (IPoA).

2. Concerning the graduation of LDCs, we are very keen to see a smooth graduation process and are fully committed to supporting the objective of enabling half of the least developed countries to meet the graduation criteria by 2020. However we are disappointed that the UNGA resolution for the graduation of Equatorial Guinea and Vanuatu has again been delayed. We need the LDC graduation process to move forward to be credible.

3. There are challenges to fostering investments in productive capacities in LDCs. In order to enhance their comparative advantages in productive sectors – different from the low-skill and commodities sectors- the LDCs should aim to create a favourable economic and social environment with investments in infrastructures, education, and institutional capacities.

4. The role of the private sector is essential to enhance the productive capacities of LDCs. Investors and corporates play an important role to identify and seize opportunities, to look for new economic sectors diversifying these economies, to reduce dependence on commodities and to promote a higher value-added economy.

5. Foreign direct investment (FDI) is a major catalyst to development. Developing countries domestic policies matter for attracting FDI and for reaping the full benefits of FDI for development. The host countries need to establish a transparent and enabling policy environment for investment and to build the human and institutional capacities to implement them. In order to attract FDI and have an effect on growth, developing economies may need to have reached a certain level of development in education and infrastructures.

6. Education is a key sector for development. National incomes should be invested in education and in capacity building to overcome developing countries economic and social vulnerability. It is essential to have a comprehensive approach to education at all levels, including vocational training. The right investment in education and vocational training will help to improve the quality of the domestic labour force and to combat unemployment. National policies in education will help indirectly SMEs to invest in technological sectors as companies will find enough supply of skilful labour force.

7. Governments can enhance revenues to mobilize resources to stimulate investments in productive capacities. Favourable national conditions are necessary to mobilising domestic resources and reducing aid dependency. Developing countries will need to strengthen tax systems, address tax evasion and apply the principles of good governance in tax matters.

8. Concerning investment in infrastructure, blending grant and loans mechanisms (interest rate subsidies, technical assistance, etc.) can be very useful to fund large projects. Grant money can help leveraging loans and the involvement of International Financial Institutions in the developing country may have positive spill-overs effects on domestic banking.

9. Regional integration and South-South cooperation may also enhance the productive capacities of LDCs. Regional trade reduces the cost of inputs and increase competitiveness of the local economy. Regional cooperation and integration create large markets and help LDCs to attract new FDI. Trade with regional partners and with emerging economies will ensure an increase in consumers and guarantee large economies of scale. Emerging partners involved in triangular cooperation may help developing countries to build capacity in trade and institutional matters.

Mr President

10. Our engagement with LDC remains intact. The EU and its MS are committed to concentrate our aid where it has the greatest impact. The LDCs will benefit from our policies and from their commitment to building capacity and to diversifying their economies so they can accomplish the objective of graduation established in the IPoA.

Thank you.