

Opening remarks

Mr. Paul Akiwumi

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Excellencies, ladies and gentlemen,

Good morning.

- Some 50 years ago, UNCTAD initiated the discussions that led to the establishment of the LDC category. Since then, the socio-economic development of the LDCs has been part of our core mandate and work programme. We have been publishing *The Least Developed Countries Report* since 1984. It has remained, to this day, the only long-standing series dedicated exclusively to the development challenges of the LDCs and the policy alternatives open to them and to their development partners.
- *The 2020 Least Developed Countries Report* titled “Productive Capacities for the new decade” is timely as countries, both developed and developing, are not sparing any efforts to bring their economies back on their feet following the negative effects brought about by the Covid-19 pandemic. The report clearly highlights that efforts to rebuild the economies of the world’s poorest nations post-pandemic will fall significantly short, unless their productive capacities are drastically improved.
- As the number of COVID-19 cases continues its rise in Africa and Southern Asia, and the global economy enters a synchronized recession of a magnitude unseen since the Second World War, the world poorest countries brace for yet another shock that threatens to deepen global inequalities and exacerbate an already challenging situation. Public health and socio-economic concerns are deeply intertwined all over the world. They are even more so in the LDC context.
- Indeed, even though two-thirds of people in LDCs live in rural areas, a large number of them reside in over-crowded urban settlements that lack basic

services and where strict social distancing measures can hardly be respected. In addition, broader economic shocks stemming from pandemic-related restrictions and supply-chain disruptions directly affect household income and livelihoods in the LDCs.

- Even prior to the emergence of the COVID-19 pandemic, respectable GDP growth rates in the now 46 LDCs (following Vanuatu's graduation in December 2020) were only weakly translating into inclusive social outcomes. The decline in poverty headcount ratios had markedly slowed down in the aftermath of the 2009 global financial crisis. Over the last decade progress has been so sluggish that the actual number of people living in extreme poverty in the LDCs has increased from 340 million people in 2010 to an estimated 349 million in 2018.
- The interplay between the COVID-19 outbreak, the contraction in demand – globally and even more so in some of LDCs' major trading markets – and the free-fall of international commodity prices will likely reverse the limited progress that has been made in poverty reduction. Troublingly, it will likely steer us even further away from the objective of achieving SDG 1 by the 2030 target.
- The events and processes which have unfolded in the LDCs since the spread of this pandemic have clearly highlighted that productive capacities need to be at the centre of any recovery plan. Moreover, our Report shows the crucial role of productive capacities, not only in the short-run response to the COVID-19 crisis, but also – and critically – in the medium to long run. My colleague Rolf Traeger will dwell on the findings of the Report and on the policy recommendations derived from our research and analysis.
- This year's Report also contains the results of systematic research carried out using UNCTAD's Productive Capacity Index (PCI). Further to the resolution of ECOSOC (E/RES/2017/29), encouraging UNCTAD "to pursue its methodological work to measure progress in and identify obstacles to the development of productive capacities in developing countries", and in accordance with the Nairobi Maafikiano, the Division for Africa, LDCs and Special Programmes has developed a comprehensive multidimensional and

composite Productive Capacities Index, which will very soon be available for download on UNCTADStat.

- The index covers 193 countries and is composed of 46 indicators across eight categories of productive capacities. On top of the use for research, the PCI can be used in many other ways, including the benchmarking of countries' performance in the development of their productive capacities. Given its important contribution to the monitoring and evaluation of development processes, I have asked Mr. Mussie Delelegn to make a presentation on the PCI and its multiple use.
- UNCTAD's engagement with LDCs is not restricted to our research work. We are also accompanying graduating countries in the evaluation of their vulnerabilities and in the preparation of their smooth transition strategies aimed at graduation with momentum. Last year we launched a new generation of vulnerability profiles, which are organized around four pillars, namely: (i) a situation analysis; (ii) identification of key areas of vulnerability; (iii) evaluation of the consequences of identified vulnerabilities; and (iv) identification of structures and features of the economy that are critical for a sustainable graduation and for reducing existing vulnerabilities. The new generation of Vulnerability Profiles is forward-looking, as the key vulnerabilities identified in our studies will serve as the foundation for the formulation of tailored national strategies to support graduation with momentum.
- The Vulnerability Profiles are submitted to the Committee for Development Policy of UN DESA, which makes recommendations to the ECOSOC on the cases of graduation from the LDC category.
- Since the UN LDC IV Conference back in 2011, only 4 LDCs have graduated (Maldives, Samoa, Equatorial Guinea, and recently Vanuatu). 11 LDCs are in the graduation pipeline. Within the next decade, all but 3 Asian-Pacific LDCs would have graduated out of the LDC category. This would mean that the LDC category would shortly be composed mostly of African countries. The new Plan of Action for LDCs should therefore be crafted to support the specific needs of these countries. Thanks to our long-standing experience in supporting the socio-economic development of the LDCs and Africa, ALDC,

and UNCTAD as a whole, are best placed to continue to support the development efforts of these countries.

- While the Istanbul Programme of Action for the decade 2011-2021 proposed wide-ranging assistance, the reality for many LDCs has, unfortunately, fallen far short of the ambitious targets. In this light, the Committee for Development Policy has recently recommended to ECOSOC (E/2020/33) that the Programme of Action for the next decade adopts the theme ‘Expanding productive capacity for sustainable development’ as its organizing framework. UNCTAD fully supports this recommendation and stands ready to support the preparatory process for the next Programme of Action.
- It is worth recalling that the importance of productive capacities has been already recognized by the LDCs and their development partners in the current Programme of Action. The consensus language agreed in the Istanbul Programme of Action also suggests that LDCs themselves acknowledge the cross-sectoral, integrated and cross-cutting nature of productive capacities and the positive impact that they can have across the national economy, including on poverty reduction, job creation, graduation from the LDC category and structural transformation.
- Specifically, the current Istanbul Programme of Action lists productive capacity as only one of eight seemingly separate “priority areas of action”, as if all the other seven priority areas such as agriculture, trade, commodities (natural resources), infrastructure, human and social development, mobilizing financial resources, good governance, etc., were unrelated to developing productive capacities. The reality is—that they are all related and an integral part of building productive capacities. In fact, there is a two-way relationship between developing productive capacities and achieving the other priority areas identified in the IPoA. Achieving the former is essential for progress in the other seven priority areas. At the same time, improvements in the latter are necessary for strengthening productive capacities.
- The simple way forward is, thus, to make the development of productive capacities the central objective of a new programme of action. This will not only give the programme of action a focus, but it will also present a coherent

and integrated approach to achieving other priority areas that the LDCs wish to address in the current decade.

- UNCTAD suggests that the new programme of action, originating from the LDC5 Conference, should be structured as an integrated, productive capacities-centered framework for the LDCs and be based around nine inter-related pillars. These pillars involve a paradigm shift in economic development governance and institutions; macroeconomic and financial policies; sectoral policies; social policies and regulations; cross-cutting policies, infrastructure development; private sector development; enhanced regional cooperation; and enhanced effectiveness of International Support Measures.
- Regarding International Support Measures, I am also happy to report that we will be shortly launching a new database on the utilization rates of the trade preferences under the Generalized System of Trade Preferences (GSP). This database will provide a useful monitoring system to measure the effectiveness such arrangements for Policy makers, businesses, as well as research institutions and academia. At present, the database contains the preferences granted by the European Union, Canada, Japan and the United States. It would be beneficial for the LDCs if it could be extended to other preference-giving countries. We stand ready to do so, but lack of adequate funding is seriously hampering our efforts.
- I would like to conclude by appealing to all member States in a position to do so, to contribute to the activities implemented through UNCTAD's LDC Trust Fund. Thanks to the LDC Trust Fund, specific trainings to the benefit of LDC nationals as well as targeted technical cooperation activities in LDCs have been successfully carried out over the past several years. We thank the Government of Portugal for the recent contribution and we hope that other member States will follow suit to enable UNCTAD to continue the delivery of targeted assistance to the LDCs, and where possible scale up our efforts.
- Thank you.