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Statement

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The Least Developed Countries Report 2020:

Productive Capacities for the New Decade



**Statement by the European Union Delegation to the UN and other
international organisations in Geneva**

Geneva, 3 February 2021

- CHECK AGAINST DELIVERY -

Mr President, Secretary General, Excellencies, distinguished Delegates,

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

We would like to **welcome UNCTAD's 2020 Least Developed Countries Report**. This year's report offers a valuable insight into the significant socio-economic impacts of the pandemic for the LDCs. Moreover, it introduces the interesting Productive Capacities Index, a tool for measuring, advancing and benchmarking productive capacities for structural transformation in LDCs.

Even if initial fears of catastrophic health impacts of COVID for LDCs might have not materialised, the **report elaborates well the very real and dire socio-economic effects that the pandemic had for this group of countries**. As per the report, the pandemic is expected to result in the worst economic outcome in terms of LDCs per capita income in 30 years, increasing the people living in extreme poverty to more than 35%, and with particularly negative impacts on gender equality. These sobering numbers come on top of the recent findings in WTO's annual LDCs market access report, which show the pandemic's severe impact on LDCs' exports. The services sector alone, led by a sharp hit to travel exports, fell by nearly 40% in the first half of 2020.

The pandemic reinforced the **importance of the 2030 Agenda, of the Paris Agreement and of the Istanbul Programme of Action for the LDCs**. As highlighted by the report, with barely 14% of the world's population, LDCs account for more than half of the extreme poor on the planet. Which is why the COVID-19 Omnibus Resolution adopted by the General Assembly last September recognizes the particular challenges faced by the most vulnerable countries, including the LDCs, and calls for special support by the international community.

The **European Union and its Member States stepped up to this call**. So far our strong and coordinated response as Team Europe mobilised €38.5 billion, supporting our partner countries in their response to the pandemic, further strengthening their health systems and mitigating the socio-economic consequences. Significant part of this is targeting LDCs. Together with WHO, we launched the COVAX facility and committed €870 million to this initiative. In 2019, the EU and its Member States' total ODA to LDCs

amounted to €19 billion, or 0,12% of our GNI. As the global leader in development aid, we aim even higher and remain committed to our collective goals.

The EU and its Member States are in the lead when it comes to international solidarity and we stand by our international obligations. This includes ensuring fair and safe access to vaccines around the world. The EU has supported the rapid development and production of several vaccines against COVID-19 with a total of €2.7 billion. The set of targeted and temporary measures to control vaccine exports from the EU is to ensure due transparency in this sensitive market, with no change whatsoever on our humanitarian aid commitments, nor on vaccine delivery to low and middle-income countries covered by the COVAX facility.

Beyond ODA, the **EU is helping partner countries to unlock the full potential of all financial resources:** domestic and external, public and private. This is particularly relevant for the post-COVID recovery process. Integrated National Financing Frameworks are important instruments in this respect, which the EU supports, including through the UN Joint SDG Fund. We are encouraged that 24 LDCs have started to apply these frameworks¹.

A number of EU Member States are also participating in the **ongoing debt relief efforts** through the G20 and Paris Club common framework for debt restructuring and through the DSSI. We are confident that this framework continues to be the most adequate to deliver on avoiding systemic debt crises, whatever adjustments to it might be agreed.

The Integrated National Financing Frameworks fit well with the **new and ambitious Productive Capacities Index (PCI)** presented in the report. We see potential for PCI's use and encourage UNCTAD to test its value in practical terms. In particular in addressing the identified shortcomings in technological capabilities, which, if tackled adequately, can act as key drivers for improving productive capacities in LDCs, as confirmed by the report. As also noted by the report, South-South cooperation can play an important role in this process, especially if delivered in a transparent manner that is conducive to SDG

¹ Bangladesh, Burkina-Faso, Rwanda, Senegal, Timor-Leste, Uganda, Benin, Bhutan, Burundi, Cambodia, Comoros, Congo DR, Djibouti, Haiti, Laos, Lesotho, Malawi, Mali, Mauritania, Nepal, Sierra Leone, South Sudan, Togo, Zambia.

attainment. We look forward to hearing in future Board meetings how PCI was used to identify nationally suitable development policies, help decide on their implementation and monitor their impact.

On the EU side, **we continue to support structural transformation in LDCs and their integration into the global economy.** The Everything But Arms (EBA) scheme grants duty-free and quota-free access to the EU single market for all products originating from the LDCs, except arms and ammunition. This is complemented by our Aid for Trade programme, where the EU and its Member States contributed a combined €3 billion to LDCs in 2018, representing 22% of our total Aid for Trade disbursements. As a result, imports from these countries increased by 16.7% between 2016-19, reaching €42.3 billion in 2019. As of 2018, LDCs represent 2.2% of all EU imports, which is significantly higher than LDCs' share of global exports, which stood at 0.95% in that year². It is reassuring, that past evaluations have demonstrated a positive impact of the EBA scheme on employment creation, including for women and young people, in LDCs.

In conclusion, I would like to reaffirm our commitment to accompany the Least Developed Countries towards recovering better and greener from the impact of the COVID-19 pandemic and towards meeting the Sustainable Development Goals and the goals of the Paris Agreement. In that spirit, we look forward to engaging in the preparation of the UNCTAD XV Conference to confirm the LDCs as a key priority for UNCTAD's work.

Thank you.

² Source: WTO report "Market Access for Products and Services of Export Interest to Least Developed Countries", November 2020.