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Ministerial round table: Supporting productive transformation for greater resilience in a post-pandemic world

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Summary prepared by the UNCTAD secretariat

1. This round table addressed the significant negative effects of the pandemic on debt levels in the most vulnerable economies, including the least developed countries and small island developing States. The panellists identified measures to promote support for productive transformation for greater resilience in a post-pandemic world and provided national examples and policy recommendations.
2. The panel was composed of the following: Senior Minister and Special Adviser to the Prime Minister, Ethiopia; Minister of Foreign Affairs and Foreign Trade, Jamaica; Secretary, Ministry of Industry, Commerce and Supplies, Nepal; Deputy Secretary-General, Organisation for Economic Co-operation and Development; Deputy Secretary-General, UNCTAD; and Minister for Pacific and the Environment at the Foreign, Commonwealth and Development Office and the Department for Environment, Food and Rural Affairs, United Kingdom of Great Britain and Northern Ireland.
3. During the discussion, all panellists stated that the pandemic represented a significant shock to the least developed countries, small island developing States and other vulnerable economies, reducing growth and exacerbating inequality; in these countries, poor health systems, constrained fiscal space and low productive capacities limited capacity to respond to and recover from the crisis. Efforts to mitigate the impacts of the crisis had led to an increase in debt from already elevated levels prior to the pandemic. High debt-service costs posed severe constraints on the ability of the least developed countries and small island developing States to pursue the Sustainable Development Goals and engage in critically needed climate change mitigation and adaptation efforts. Without such efforts, climate change threatened to impose significant costs, ranging from economic shocks due to changing weather patterns to endangering the existence of some small island developing States.
4. Against this background, panellists discussed the economic policies and measures needed to enable the least developed countries and small island developing States to manage increasing debts and build resilience against shocks, including the impacts of climate change. Many panellists noted that the debt burden of lower-middle-income



countries had already been unsustainable prior to the pandemic and that the growing debt-service burden following the pandemic-related shock reduced the resources available to support productive transformation.

5. Some panellists noted that the Group of 20 debt service suspension initiative provided useful relief for many lower-middle-income countries but needed to be expanded after 2021 and include private sector creditors. One panellist stated that the initiative would only postpone debt distress in many economies. In addition, some panellists highlighted the need for debt rescheduling and forgiveness. The recent special drawing rights allocation of \$650 billion by the International Monetary Fund was welcome, yet a few panellists noted that only a small proportion of these rights was available to lower-middle-income countries. With regard to the suggested global minimum tax on corporations as a potential source of revenue, one panellist stressed that a broader scope was needed, to ensure greater tax revenue for lower-middle-income countries.

6. The panellists highlighted other financial instruments for supporting resilience-building and climate change adaptation, including risk insurance, such as under the Caribbean Catastrophe Risk Insurance Facility, the issuance of green and blue bonds, debt-for-environment swaps and lower tariffs on green goods, as well as facilitating access by the least developed countries to the Green Climate Fund. Some panellists noted the need to scale up international support for a green recovery.

7. In addition, all panellists emphasized that building resilience to economic shocks and climate change also required supporting the productive transformation of vulnerable economies by strengthening productive capacities, highlighting the role of the following in achieving this challenge: industrial policies; science, technology and innovation; investment in research and development; education; and concessional financing for small and medium-sized enterprises. Some panellists stressed the need to bridge the digital divide and foster greater collaboration between the private and public sectors to attract foreign direct investment in digital infrastructure. A few panellists stated that the UNCTAD productive capacities index was a useful tool in identifying gaps and priorities in building productive capacities.

8. In closing, some panellists stressed that advanced economies should provide technical and financial assistance to support the above-mentioned goals, including through the Aid for Trade initiative, and some other panellists emphasized the importance of global solidarity in overcoming the pandemic and in addressing climate change at the twenty-sixth Conference of the Parties to the United Nations Framework Convention on Climate Change.
