



Statement

By

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Landlocked Developing Countries and Small Island Developing States**

**2010 Joint Annual Meeting of the African Union Conference of
Ministers of Economy and Finance and the ECA Conference of
Ministers of Finance, Planning and Economic Development**

**Lilongwe, Malawi
29 March 2010**

Mr. Chairman,

His Excellency President Bingu wa Mutharika, President of the Republic of Malawi and Chairperson of the African Union,

His Excellency Mr. Jean-Ping, Chairperson of the African Union Commission,

His Excellency Mr. Abdoulaye Janneh, United Nations Under Secretary-General and Executive Secretary of the Economic Commission for Africa,

His Excellency Mr. Donald Kaberuka, President of the African Development Bank,

Honourable Ministers;

Ladies and Gentlemen;

Let me first express my profound gratitude to the Government and the People of Malawi for the warm welcome and their generous hospitality. I would also like to commend the organizers for the excellent choice of the theme for this Third Ministerial meeting and for the quality of its organization.

Mr. Chairman,

The theme for this joint AU/ECA Conference of Ministers is both timely and relevant. Meeting the challenge of unemployment is crucial if Africa is to make a significant dent in poverty reduction. Creating and sustaining high quality employment-generating growth should therefore be a central plank of development policy.

The Africa Regional Preparatory meeting for the Fourth United Nations Conference on the Least Developed Countries convened by my Office, the OHRLLS, in collaboration with ECA and UNDP Regional Bureau for Africa in Addis Ababa, Ethiopia two weeks ago concluded that despite improved economic growth in African LDCs during the decade, progress towards poverty reduction has been limited. This is due to the fact that growth has been driven by capital intensive extractive industries with limited benefits on employment creation.

Moreover, the high growth has not been accompanied by diversification and structural transformation. Thus African LDCs like other countries in the region remain acutely vulnerable to trade shocks due to the volatility of commodity prices.

The Regional Preparatory meeting identified the lack of progress towards the development of productive capacities as one of the major factors limiting the impact of growth on employment creation and poverty reduction.

The agriculture sector which is the mainstay of most African LDCs' economies has been characterized by underinvestment and low productivity, and has thus been unable to feed a large number of people, let alone provide decent jobs for the unemployed rural population. Increasingly, a large number of people have been forced to seek employment outside agriculture in services and manufacturing mainly in cities, leading to high urbanization and associated problems.

However, the manufacturing sector has been unable to absorb the large number of workers seeking non-agricultural works as it has been characterized by reduced investment, stagnant growth, low value-added and declining shares in aggregate output and exports.

The regional review shows that, though African Least Developed Countries have also made some progress in some MDG targets such as universal primary education and gender equality, overall progress has been slow, and on current trends LDCs are unlikely to meet most of the goals by the target date of 2015. Furthermore, the recent gains made by LDCs are rapidly being eroded by the convergence of the food, energy and the current global financial and economic crisis. Climate change represents an additional challenge for the least developed countries, compounding the impacts of the multiple crises on these vulnerable countries.

Mr. Chairperson,

In light of these multiples challenges facing the Least Developed Countries, the future programme of action for the Least Developed Countries to be crafted at Istanbul, in the first half of 2011 must result in a strengthened and enhanced global partnership for LDC development in the next development decade.

Despite the implementation of three programmes of Action from Paris I and II to the Brussels Programme of Action, the situation of the LDCs remains the same and the goal of development and poverty reduction a distant dream.

Istanbul cannot be business as usual but should mark a significant turning point in the lives of poor people in the poorest countries in the world. This requires new and innovative strategies to advance LDC development in an increasingly globalizing world.

Mr. Chairman,

Let me highlight some elements we believe are essential for LDC development in the next development decade, which were endorsed by the Africa Regional Preparatory meeting in Addis Ababa on 9 March 2010.

Elements of the Addis Ababa Outcome

First, there is a need to strengthen African LDCs' resilience through productive capacities development. This is crucial for reducing LDCs' vulnerabilities to external shocks. An important feature of any strategy geared at productive capacity development is diversification and technological upgrading. Progress on this front requires development of infrastructure to overcome the supply-side bottlenecks limiting LDCs' capacity to integrate beneficially into the world economy.

Second, capital formation is crucial for building productive capacities and achieving structural transformation. In this regard, the Addis Ababa outcome calls for increased domestic resource mobilization through broadening the tax base, deepening financial sector development, and increasing the poor's access to financial services through promoting micro-finance institutions.

Given the huge financing gap that African LDCs face, external resources will continue to play an important role in financing for development. There is a need for increased and predictable ODA to the least developed countries. To enhance its developmental impact on LDCs, there is also a need for proper targeting of aid to sectors with greater impact on employment and poverty reduction.

Third, increased efforts are also required in attracting FDI and other private flows and channeling them to productive sectors as well as other priority areas. The focus should be on attracting high quality and technology diffusing FDI flows. In attracting FDI, African LDCs

need to introduce targeted and sector specific investment incentives to facilitate FDI into priority sectors.

Fourth, the importance of prioritizing agricultural development cannot be further emphasized. This is important given that agriculture is a pivotal sector in African LDCs, as it underpins food security, foreign exchange earnings, rural development and employment generation. Increased funding is required to the agriculture sector to enable African LDCs to expand agriculture and food production. The L'Aquila initiative adopted by the G-8 Summit in Italy in 2009 which aimed to mobilize U\$20 billion for agricultural development and food security in the poorest countries is welcome and should be fully implemented.

Fifth, with respect to trade, enhanced and predictable market access for the products of special export interest to LDCs will be required, including the full implementation of duty-free and quota-free market access by developed countries and developing countries in a position to do so, in line with the decision of WTO Hong-Kong Ministerial Conference. This must be complemented by measures to simplify the rules of origin to make them more transparent.

Diversification and production of high value added goods and services are a 'must' if African LDCs are to benefit fully from globalization.

Finally, the Addis Ababa outcome calls for enhanced support to African LDCs to enable them adapt to the adverse effects of climate change. Developed countries should support the least developed countries to adapt to climate change through providing adequate, predictable, sustainable financial resources aimed at reducing vulnerability and to enable them to strengthen their resilience to climate change as called for in the Copenhagen Accord.

Mr. Chairman,

We believe that these priorities identified by the Africa Regional Preparatory meeting, if incorporated into the Istanbul outcome and fully implemented could go a long way in ensuring that LDC IV marks a real turning point in LDC development.

Mr. Chairman,

Now that the national and regional preparatory processes have been completed, my Office in collaboration with other UN agencies and international organizations will organize a series of thematic pre-conference events to dig deep into the issues and priorities identified by both the Africa and Asia Regional Preparatory processes.

With these inputs, we shall convene the first of two Preparatory Committee Meetings at the United Nations in New York in January 2011. The committee will translate these ideas into a draft outcome

document for negotiation and adoption in Istanbul. I appeal to you to remain fully engaged in the LDC-IV process to advocate for and defend the priorities you have identified.

Let me assure you of my Office continued commitment to the successful organization of the Fourth UN Conference on LDCs and the full implementation of its outcome.

I thank you