

**Economic and Social Council
High Level Segment
General Debate**

**Statement of the Committee for Development Policy
to the Economic and Social Council
by
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Chairperson of the Committee for Development Policy (CDP)
New York, 19 July 2016**

Mr. President, Distinguished Delegates, Ladies and Gentlemen,

It is a great honor to present the CDP views on the ECOSOC theme of implementing the post-2015 development agenda: moving from commitment to results. The theme is inclusive and complex. We have decided to focus our contribution on the question of expanding productive capacity of the least developed countries (LDCs) to enable them to achieve the Sustainable Development Goals. As requested by the President of ECOSOC on April this year, a part of the CDP's examination on this issue has been also submitted to the Council as a substantive input to the 2016 inaugural session of the High Level Political Forum.

Mr. President,

The international community has increasingly emphasized expanding productive capacity as a key element in achieving development progress. The success of the 2030 Agenda for Sustainable Development depends on the effective implementation of the commitments made by Member States of the United Nations.

As you are aware, a number of SDGs and targets refer directly to productive capacity. This is particularly so of Goal 9, "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation" as well as of Goal 8, "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

The link with other goals is also clear. Meeting SDGs and targets on education, health and nutrition, institutions and energy may contribute to increasing productive capacity. At the same time, building productive capacity will affect a number of SDGs and targets, for example those on gender equality, employment, income growth, and natural resources.

We argue that expanding productive capacity and achieving the SDGs require an integrated approach to development both at the national and international levels. Whereas international support is required for essentially all developing countries, priority needs to be given to the LDCs, which are starting from farthest behind. LDCs have lower productive capacity as well as fewer resources and limited capabilities for expanding them. Focusing support on LDCs towards expanding productive capacity is a means of

ensuring that no country is left behind. This support also needs to be designed in such a way so as to leverage national-level efforts to ensure that no one is left behind at the national level.

Against this background, I would like to highlight a few policy issues on promoting productive capacity in the LDCs.

Despite their increased economic growth and participation in global trade since the turn of the millennium, LDCs have made only limited and uneven progress in dynamically transforming and diversifying their economies. Those economies are often characterized by subsistence agriculture and mining, very limited industrialization, and large informal sectors. Without structural transformations, it is unlikely that the goals established under the 2030 Agenda for Sustainable Development will be met in those countries.

New policies at the domestic and international levels are required. LDCs need to overcome their resource and capacity constraints, diversify their economies and increase the social accumulation of productive knowledge. Industrial, agricultural, social and economic policies are needed to support dynamic structural transformation while at the same time ensuring that this transformation is to the benefit of all, in particular of the disadvantaged groups.

In most LDCs, improving agricultural productivity in a sustainable way will be a priority. However, increasing productivity in manufacturing, natural resource-based industries and tourism is also important in many LDCs. Since there is no one-size-fit-all solution, the potential trade-offs between increasing productive capacity and other sustainable development objectives need to be addressed by customized domestic and international policies.

I would like to emphasize that industrial policies, especially when combined with competition policies, can play an important role in expanding productivity. In LDCs, policies aimed at increasing the technical skills of the labor force, raising investments in infrastructure, and improving the coordination between the public and private sectors are appropriate.

LDCs can choose from a wider range of policy measures. To support specific firms or industries, vertical industrial policies, or so-called sectoral policies, include tariffs and export promotion policies, tax holidays and sector-specific infrastructure provision. Horizontal industrial policies, so-called “soft” or generic policies, can be also adopted for government, industry and private organizations to collaborate on interventions to increase productivity through research and development, technology transfer, quality standard regulations and business incubators.

While foreign direct investment can be an important vehicle for industrial and technological upgrading in LDCs, it requires parallel development of local capabilities in order to harness production linkages and promote local value creation. LDCs also need to

ensure that their macroeconomic and financial policies are supportive of expanding capacities and ensure a fair distribution of benefits within their societies.

Mr. President,

To implement these policies, governments of LDCs need to build development governance capabilities. This includes strong institutions to guarantee the implementation of sound macroeconomic and financial frameworks, as well as actively ensuring food security through investment in sustainable agriculture and fostering innovation and industrial and technological upgrading in cooperation with the private and academic sectors. Capabilities are also essential to guarantee the development of positive synergies between productive capacities and social outcomes through investment in quality education, health care, social protection, and those aimed at closing all gender gaps and addressing youth unemployment.

We also consider that regional cooperation and integration can play a catalytic role. An adequate international enabling environment including mutually supporting world trade, monetary and financial systems and strengthened global economic governance. International support measures such as preferential market access and aid for trade need to be enhanced and contribute not only to an increase in exports, but also to achieving the broader set of SDGs.

The CDP shares the views of Member States on this issue, as expressed in the outcome document of the Midterm Review of the Istanbul Program of Action. Member States recognized that increasing productive capacity is leading to inclusive economic growth and social development, and is vital to the achievement of sustainable development. Strategic policy interventions are required at the sub-national, national, regional, and international levels as well as at the sectorial level.

In this regard, the Committee makes a few specific recommendations for consideration by the Council:

First, it calls upon the governments of LDCs to design and implement strategies that aim to accelerate economic growth and promote dynamic transformation of their economies. At the same time, the strategies need to ensure that no one is left behind, that the disadvantaged are not made worse off and that the environment is not harmed. Potential trade-offs and the harnessing of synergies between increasing productive capacity and other sustainable development objectives should be incorporated in such strategies.

Second, CDP requests the international community to strengthen support measures in favor of LDCs. Preferential market access for LDCs should be retained and enhanced. Aid-for-trade allocations should target countries most in need. All relevant measures should focus on supporting structural transformation. Such support measures should aim to enable building of innovation capabilities, and to contribute to the broader set of SDGs.

Third, we urge the international community to strengthen international tax cooperation so as to guarantee that foreign investors make an adequate contribution to tax revenues in LDCs, including in oil and mining and other natural resource sectors. Adequate action needs to be taken to avert illicit capital flows associated with tax evasion.

Mr. President,

In the 2016 Report of CDP to ECOSOC, the Committee also examined current debates on the measurement of official support for development. You may recall that on 1 June 2016, Professor Sakiko-Fukuda-Parr, Vice-chairperson of the CDP, presented our recommendations to the Council on this issue. However, I would like to refer to them again today, since they will be subject to significant consultations during the ECOSOC sessions this week.

As you are aware, a new measure of broader development financing sources has been proposed by OECD, provisionally named as Total Official Support for Sustainable Development (TOSSD). With respect to this, the Committee made several recommendations to ECOSOC, which aim in particular at making a clear distinction between this new measure and official development assistance. In particular, CDP recommends: (i) that the Council reiterates the call to donors to meet their official development assistance commitments and for official development assistance to be reported separately from other flows, such as climate financing and market-like instruments; (ii) that development assistance is by its nature a cross-border transaction and therefore should not include expenditure within the borders of donor countries, such as on refugee resettlement or the administrative costs of cooperation, as it is inappropriately done today; (iii) that private financial flows should be counted separately from official development expenditure; and (iv) that Member States, particularly developing countries and new providers, should be involved in all deliberations on any new framework for financing for development under conditions of full transparency and inclusivity.

I am very pleased to see that discussion on this issue will be held this week in various events during the High Level Political Forum and Development Cooperation Forum. The Committee is of the view that ECOSOC should be the organ to facilitate the debate on this issue, particularly through the DCF. This Thursday 21 July, the CDP Secretariat and OECD will organize a high-level panel discussion as a lunch-time side event to the DCF, to advance discussion on this topic. I hope many of you can join us.

Mr. President, Distinguished Delegates

The CDP understands the historical significance of embarking on the sustainable development agenda. The Committee is fully committed to do its utmost to assist the Council in achieving its mandates and we will continue to align our work to the priorities of the Council.

I thank you for your attention.