



Communique on a Framework for organizing the Programme of Action for the least developed countries

The world is currently experiencing a global health crisis unprecedented in living memory. There is a growing consensus that the COVID-19 pandemic will have a devastating impact on the global economy, triggering a global recession and dragging both developed and developing countries into the sphere of negative growth and debt distress. It is highly likely, therefore, that the Fifth UN Conference on LDCs, in Doha, Qatar, in March 2021, will take place at a time when the world economy is addressing the impact of the COVID-19 outbreak and adjusting to the changing dynamics of the global economy. An immediate challenge facing most LDCs is the dire shortage of face masks, hand sanitizers, ventilators, test kits, surgical gowns, surgical gloves, emergency stretchers, etc., that they need to fight the spread of coronavirus. In the absence of domestic productive capacity to manufacture these simple but essential items, LDCs rely on imports. However, importing is becoming increasingly difficult due to lack of foreign exchange and imposition of export bans by countries that produce and export these products. This is a wake-up call for LDCs and a lesson that the price of failing to build one's national productive capacity can be very high when unforeseen shocks create shortages and the ability to import even simple products such as face masks and protective surgical gowns is limited.

The new Programme of Action for the LDCs for the decade 2021-2030 (PoA) will need to reflect the lessons from the unfolding global health and economic crisis and the implications for LDCs' vision of improving the lives of millions of people in the most disadvantaged countries and the implementation of the 2030 Agenda for Sustainable Development. Ultimately, the success of the new PoA will depend on the actions taken by the LDCs and their development partners. However, equally important and an essential precondition for the success of the PoA is the choice of the framework used to organize the new PoA.

The Committee for Development Policy (CDP) recommends that the Fifth United Nations Conference on Least Developed Countries (LDC-V) adopts the theme "Expanding productive capacity for sustainable development" as a framework for organizing the next PoA. The framework has been developed by the Committee over 2015-2017¹, based on analytical studies, which built on the work of UNCTAD and other organizations. This analysis identified the limited development of productive capacities as a root cause of LDCs' persistent challenges, including insufficient progress in resilience building, the failure to create decent and productive jobs, and limited technological upgrading.

¹ See in particular [Committee for Development Policy \(2017\): Expanding productive capacity: Lessons learned from graduating least developed countries](#).

The framework developed by the CDP identifies six policy areas (five of them domestic and one international) that are critical for building productive capacities and for prioritizing and coordinating the policy actions that need to be taken to boost domestic productive capabilities²:

1. **Building development governance capabilities** to design and implement appropriate policies for sustainable dynamic structural transformation.
2. **Developing industrial and sectoral policies that promote technological upgrading and structural transformation.** For many LDCs, this includes a focus on a sustainable intensification of agricultural sector.
3. **Establishing conducive and macroeconomic and financial frameworks** that promote equitable long-term growth, ensure macroeconomic stability, contribute to environmental stability and reduce within-country inequality.
4. **Creating positive synergies between social outcomes and productive capacities.** This includes designing policies that end deprivation, reduce inequality and boost productivity as well policies that mitigate negative feedbacks between productive capacity and social outcomes.
5. **Designing environmental policies** that reduce climate and other environmental risks and that harness opportunities arising from decarbonization and other global policy shifts
6. **Providing adequate international support** to integrate LDCs into the global economy. This includes not only specific measures in trade, concessional financing, technology and technical assistance, but also ensuring an equitable and effective global economic governance.

A main advantage of such a coherent framework is that it facilitates an integrated and synergistic approach to priority setting and ensures that policy actions on priority areas are taken not in isolation but as an integral part of the implementation of the programme as a whole. Alternative approaches such as listing priority areas for action without indicating how they are related to each other and the linkages between policy actions risk missing critical synergies and trade-offs, even if productive capacity is included as a priority. Hence, such alternatives could contribute to sub-optimal outcomes such as increased education levels without job opportunities for the youth, or debt-financed infrastructure geared towards unsustainable production structures.

Through its analytical work, the CDP has presented overwhelming evidence showing the strong linkages that exist between expanding productive capacity and graduation from the LDC category. Thus, the framework proposed by the CDP will ensure that the new PoA is founded on solid analysis and that LDCs will be adapting policies that have already been successfully implemented by graduating countries and those that have already graduated. By relying on evidence gathered from graduating countries, the framework will also provide continuity between the current Istanbul Programme of Action and the new PoA. Bringing the issue of LDC graduation to the political forefront is arguably one of the main achievements of the current programme of action, even though the target of half of the LDCs meeting the criteria for graduation by 2020 has been missed.

² The original framework subsumed environmental policies under sectoral policies but, in light of the increasing importance of climate change and other environmental shocks for the productive sectors, the CDP now recommends separating these policies.

Through its work on pathways to graduation from the LDC category, the CDP has also demonstrated that the proposed framework is not only holistic but also flexible enough to capture the heterogeneity within the LDCs, avoiding the fallacy of one-size-fits-all approach. This flexibility makes it also well suited to reflect policy actions that are particularly relevant for certain LDCs. This includes actions to assist graduating countries in ensuring a smooth transition from the LDC category.³ It also allows for including measures to increase the resilience to economic and environmental vulnerabilities. High vulnerability is a common feature of almost all LDCs, whether they relate to climate change, pandemics such as the current COVID-19 or shocks to global economic and financial markets.

Moreover, the framework will enable LDCs to integrate, in a coherent manner, critical emerging issues into their respective national development goals. It will facilitate, for example, the alignment of the PoA with the 2030 Agenda due largely to the intrinsic linkages between expanding productive capacities and achieving the SDGs. If implemented successfully, the expansion of productive capacity will contribute to the implementation of the 2030 Agenda for sustainable development and the SDGs, thereby ensuring that no country is left behind. Furthermore, by emphasizing the importance of expanding productive capacity, the framework will reflect the evolving needs of LDCs as the geographical composition of the group changes. It is anticipated that as countries that are currently scheduled for graduation exit the category, most of the remaining LDCs will be geographically located in Africa. Hence, the significance of focusing on productive capacity building. Difficulties in expanding productive capacity, which limits the ability of LDCs to benefit from international support measures, such as LDC-specific preferential market access, is the main factor why most LDCs in Africa have made less progress towards graduation than their peers in Asia and the Pacific.

Finally, the framework will facilitate the effective monitoring of progress in the implementation of the PoA, benefiting from existing initiatives for measuring productive capacities developed, among others, by UNCTAD and UNIDO.

³ Kindly note that the CDP is also preparing a separate communique on a graduation support package.