

Comments from UNCTAD on the draft LDC5 Outcome document

(in bold, suggested additions to the existing paragraphs, in blue, some background explanations on the suggested text)

Areas have been identified where there are tendencies to duplicate mandates among the various UN organizations. In the spirit of the new UN reform and to ensure that the maximum amount of financing goes to member States, this duplication should not be pushed and the text should be revised accordingly.

Para 23. We note with concern that the International Support Measures that have been put in place are not sufficient to address the wide range of needs that exist in the LDCs including the new and emerging ones. **In most case, such supports have not been fully implemented due to a range of factors, including stringent conditionalities attached to them and limited productive and absorptive capacities of LDCs.** We urge the international community to fulfil their existing commitments and push beyond 'business as usual' to agree on innovative and effective support measures for the LDCs that are new and additional to meet their huge funding gaps in meeting the SDGs. **Such efforts should include ways and means of relaxing conditionalities and improving productive and absorptive capacities of LDCs.**

New Para 121 LDCs economies feature limited productive capacities, which constrains their ability to produce efficiently and effectively, to diversify their economies and to create sustainable and productive employment. This challenge translates into binding supply constraints and ultimately into weak export and economic potentials and limited productive employment generation and social development prospects. **To build new and enhance existing productive capacities at the country level, each LDC shall prepare National Productive Capacities Gap Assessments. Such assessments are intended to analyze the key binding constraints facing the country in building productive capacities and achieving inclusive, sustainable growth.**

Background on the potential role that National Productive Capacities Gap Assessments can have on LDCs

History has shown that sustained economic growth and development are achieved by those countries that are able to effectively transform their productive activities, achieve structural economic transformation from low to high productivity sectors and activities, and diversify their production and exports.

It is only when countries expand their productive capacities, with targeted efforts across various dimensions that they can diversify their economies; add value and produce a wide range of products and services; create well-paying and decent jobs; reduce their dependence on production and exports of commodities; promote technological learning; improve labour productivity, tackle environment-related challenges; reduce 'vulnerability' to external shocks, and ultimately, kick-start the process of structural transformation.

To operationalize productive capacities at the domestic level, countries need to undertake a National Productive Capacities Gap Assessment (NPCGA). Such assessment will help them to identify gaps and limitations in existing policies and programmes. It will also help countries better articulate policies and strategies to unlock key binding constraints to their development. Specifically, the NPCGA looks into the

existing policy frameworks to assess the missing features and limitations, with an aim to address those policy limitations through the introduction of more targeted interventions in areas with a strong potential to boost productive capacity development. As a tangible outcome of the Conference, it is therefore recommended that countries, with the support of development partners (including UNCTAD), undertake a NPCGA.

To jumpstart the process of structural transformation, LDCs should focus on multi-dimensional aspects of productive capacity development, based on the findings of the NPCGA. This includes efforts at macro, meso and micro-levels to strengthen human capital, boost innovation, enhance research and development, facilitate access to financing and improve other building blocks necessary to diversify into and compete in new activities.

Para 284. We welcome the work of the UN Inter-Agency Task Force on LDC Graduation, led by OHRLLS, to provide strengthened and coordinated UN System-wide support to the countries graduating from the LDC category and invite OHRLLS to advocate for appropriate predictable and additional incentives and support measures for graduating and recently graduated countries (mentioned in para above) and mobilize additional international support for the implementation of the smooth transition strategies. We invite all relevant UN entities to collaborate under the UN Inter-Agency Task Force and develop operational guidelines for their support to least developed countries, including assistance to graduating countries. **We further invite UNCTAD, in collaboration with other UN bodies, to develop strategies for ‘Graduation with Momentum’ focused on the development of productive capacities that are critical for structural transformation and economic diversification.**

Para 293 bis (new para)- We call upon the United Nations development system partners to design and support the implementation of coherent and holistic National Integrated Country Programs aimed at assisting countries to build economic resilience through fostering productive capacities and structural economic transformation for a post-COVID recovery. At a country level, a New National Integrated Country Programme could include the following aspects as part of an inclusive and coherent recovery plan: (i) Formulate and implement alternative policies and options to address trade and development challenges; (ii) Design policies to achieve beneficial integration into the global economy and international and regional trading systems; (iii) Diversify LDCs’ economies to make them less dependent on commodities; (iv) Limit their exposure to volatility in financial systems, including FDI and external debt burden; (v) Attract and benefit from foreign direct investment; (vi) Increase access to digital technologies, including ICTs; (vii) Promote entrepreneurship, technology transfer and innovation; (viii) Support LDCs’ participation in global and regional value chains; (ix) Support LDCs address bottlenecks to trade facilitation; (x) Propose regulations to improve competition and consumers’ protection; and (xi) Assist countries to adapt to and mitigate impacts of climate change.