Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)

MINISTERIAL MEETING ON NEW PARTNERSHIPS FOR PRODUCTIVE CAPACITY BUILDING IN THE LEAST DEVELOPED COUNTRIES

28–31 July 2014
Cotonou, Republic of Benin

FRATERNITE JUSTICE TRAVAIL

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ACKNOWLEDGEMENTS

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MONDAY, 28 JULY, 2014

09:00 – 10:15	High-Level Inaugural Ceremony
10:30 – 11:00	Opening Session
11:00 – 12:00	SESSION 1: Interactive dialogue with Heads of United Nations agencies on productive capacity building
12:00 – 13:30	SESSION 2: Policy framework and institutions for productive capacity building
15:00 – 17:00	SESSION 3: Development of value chains in agriculture, industry and services
17:00 – 18:00	SESSION 4: Energy

TUESDAY, 29 JULY, 2014

10:00 – 11:30	SESSION 5: Physical infrastructure
11:30 – 13:00	SESSION 6: Public-Private Partnerships and South-South Cooperation in support of technological acquisition
15:00 – 16:30	SESSION 7: The contribution of skill development, innovation and technological acquisition to the promotion of green and blue economy
16:30 – 18:00	SESSION 8: Building productive capacity through sustainable land management and combating land degradation, and desertification

WEDNESDAY, 30 JULY, 2014

13:00 – 18:00	Field visits

THURSDAY, 31 JULY, 2014

10:00 – 11:30	SESSION 9: Means of Implementation (ODA and Debt)
11:30 – 13:00	SESSION 10: Means of Implementation (Other traditional and new and innovative sources of development finance)
15:00 – 16:30	SESSION 11: Means of Implementation (Trade and Commodities)
16:30 – 17:30	Break
17:30 – 18:00	Closing Session and Adoption of the Outcome Document of the Conference

BACKGROUND

The Istanbul Programme of Action (IPoA), adopted at the Fourth United Nations Conference on Least Developed Countries in Istanbul, Turkey, in May 2011, constitutes the most ambitious attempt by the international community to address structural challenges faced by the LDCs. The overarching goal of the IPoA is to enable half of the least developed countries to meet the criteria for graduation by 2020. The IPoA identifies productive capacity building as the defining challenge and opportunity of rapid, inclusive and sustainable development in the decade to come.

Productive capacity building requires not only investments in health, education and other MDG-related interventions, but also sustained expansion of production and export supply capacities—including physical infrastructure development, improved access to energy, greater access to finance, improved trade facilitation and other private-sector development enablers.

Progress on productive capacity building is essential to transforming LDC economies and moving towards the production of higher added-value goods and services. Enhanced productive capacity in agriculture, manufacturing and services, through private sector development, is therefore essential to benefit from greater integration in the global economy, adapt and build resilience to climate change and other exogenous shocks, foster inclusive and equitable growth, create decent employment and accelerate poverty eradication.

Given the huge financial resource and technical cooperation requirements for the productive capacity agenda, there is a realisation that neither LDCs alone nor the business-as-usual approaches could deliver on this agenda, hence the need to move towards renewed and strengthened partnerships—another novelty of the IPoA. In this regard, international assistance, trade, investment, technology transfer, innovative financing, remittances, North-South and South-South cooperation—both working in synergy—with private sector development and domestic resource mobilisation will be critical.

OBJECTIVE

Cognizant of this, the Ministerial Conference on New Partnerships for Productive Capacity Building in LDCs will identify new and innovative partnerships to support efforts of LDCs to strengthen their productive capacity, based on an analysis of the different factors that affect productive capacity in LDCs. It will also focus on appropriate means of implementation. Some issues, like gender and women's empowerment, employment and sustainable development, will be cross-cutting.

The meeting will make policy recommendations on leveraging development partnerships, including through enhanced contributions of ODA, South-South cooperation, remittance earnings, FDI and other traditional forms of external finance, innovative sources of finance, domestic resource mobilization and private-public partnerships and through harnessing domestic endowments and other potentials. These recommendations are also expected to feed into the discussions on the Sustainable Development Goals (SDGs) and the post-2015 development agenda. Furthermore, the meeting will provide an opportunity to launch concrete and innovative mechanisms to mobilize financial resources for LDCs as well as partnerships for productive capacity.

ORGANIZERS AND FORMAT

The organization of this meeting is led by Benin as chair of the LDC group in close collaboration with the Office of the High Representative for LDCs, LLDCs and SIDS (OHRLLS), which coordinates the contributions of the UN system, and the United Nations Development Programme (UNDP). The substantive sessions of the meeting will be chaired by participating ministers, heads of agencies and internationally reputed persons. Experts, mainly from the UN system, will provide short introductions on the respective topics and the issues to be discussed. Key-note speakers will be drawn among well-known authorities on development and panelists will be drawn among participants. Interactive discussions will focus on concrete examples and best practices will be included in the sessions.

SESSION 1

INTERACTIVE DIALOGUE WITH HEADS OF UNITED NATIONS AGENCIES ON PRODUCTIVE CAPACITY BUILDING

Monday, 28 July, 2014 (11:00 – 12:00)

In this session Heads of United Nations agencies, which were fully involved in the preparations for this Ministerial Meeting will present their vision for productive capacity building in LDCs. Their interventions will reflect the work of the different organisations in this respect and highlight key initiatives in support of LDCs.

SESSION 2

POLICY FRAMEWORK AND INSTITUTIONS FOR PRODUCTIVE CAPACITY BUILDING

Monday, 28 July, 2014 (12:00 – 13:30)

BACKGROUND

The Istanbul Programme of Action (IPoA) identifies productive capacity building as the defining challenge of rapid, inclusive and sustainable development in the decade to come. Progress in productive capacity building is essential for the transformation of LDC economies and moving towards the production of higher added-value goods and services. Enhanced productive capacity in agriculture, manufacturing and services through private sector development is therefore vital to benefit from greater integration in the global economy, adapt and build resilience to climate change and other exogenous shocks, foster inclusive and equitable growth, create decent employment and accelerate poverty eradication.

As progress towards enhancing productive capacity in LDCs has been slow there is a need for a comprehensive strategy in this respect. A policy framework for productive capacity-building in the LDCs should have four main pillars: growth and employment-oriented macroeconomic policies; productive capacity-focused sectoral policies; enabling cross-cutting policies, such as gender equality and women empowerment; and supportive global partnerships. In this respect instiutions play a critical role.

In this session particular importance should be attached to the Developmental State. Making state institutions capable of and effective in formulating and implementing development policies that place the development and expansion of productive capacities at the center of such policies is critically important. Furthermore, it is absolutely essential for the relevant domestic public institutions in the areas of trade support and investment facilitation institutions to work in coordination and cooperation in order to build domestic productive capacities and accelerate economy-wide diversification and value addition.

The initial step in promoting the development of the private sector in LDCs requires, among other things, ensuring complementarity between public and private investment to enhance not only the processes of building productive capacities and spurring structural economic transformation but also in enhancing competitiveness and creating new market opportunities. In addition, financial systems, policies and institutions dealing with finance are key for the process of enterprise development and the development of productive capacities in LDCs.

Knowledge and innovation systems are also key in building technological capabilities as a springboard for developing productive capacities and accelerating structural economic transformation in LDCs. Finally, regional institutions, including regional development banks and other intuitions, such as EXIM Banks, are equally important in creating regional infrastructure and policy frameworks that are supportive of building productive capacities, diversification and structural transformation in LDCs.

In sum, government and the private sector as well as domestic financial, knowledge and innovation systems and institutions should work closely with the objective of building productive capacities and accelerate structural transformation in LDCs. It is particularly important that domestic financial and knowledge systems are viewed as complementary institutions supporting the process of investment and innovation for productive capacity building and structural transformation, including economic diversification and economy-wide value addition.

OBJECTIVE

This session will set the stage for the substantive work of the conference. It will review the shortcomings of current and past development strategies and outline elements of a new framework for productive capacity building.

ISSUES FOR DISCUSSION

- What should be the objectives of the policy framework for productive capacity building?
- How can macroeconomic and sectoral policies be more supportive of productive capacity building?
- What types of institutions and institutional framework are necessary and how can the roles and responsibilities of different institutions be harmonized and coordinated to enhance the development of productive capacities in LDCs?
- What is the role of development partners in enhancing the role of institutions?
- How can regional cooperation, including in the context of South-South cooperation contribute to building productive capacities in LDCs?

DEVELOPMENT OF VALUE CHAINS IN AGRICULTURE, INDUSTRY AND SERVICES

Monday, 28 July, 2014 (15:00 – 17:00)

BACKGROUND

One of the most important challenges facing LDCs is the issue of how to trigger structural transformation for sustainable development whilst diversifying production. Further challenges relate to the need to create more value-addition in exports and generate higher employment. A large share of exports of LDCs, especially in Africa, comprises basic commodities with very little value-addition. One of the ways of triggering structural transformation is to increase competitiveness of the countries in producing and exporting commodities-based manufactured products and develop competitiveness in services using the large reserves of natural resources and capacities available within the region. Regional integration and pooling of resources and capabilities by forming regional value chains (RVCs) can be an important step in this direction. Linking into global value chains (GVCs) can offer further opportunities for diversification. However, linking into GVCs per se may not bring automatic gains in terms of higher value-addition in exports, increased industrialization and employment generation. In fact, linking at lower end in GVCs by exporting raw materials can be counter-productive for LDCs. Countries may find themselves trapped at the bottom of the chain, "locked-in" and unable to add value to their exports or "locked-out" of GVCs. In the process they may continue to export low-value added commodities, with lower gains in terms of domestic value-addition and diversification.

OBJECTIVE

The session will explore the challenges and constraints facing LDCs in gainfully linking into global as well as regional value chains in agriculture, industry and services. Constraints related to production, market access and policies will be discussed. The role of different players in linking into value chains will be explored. The sessions will identify the capacities and institutions which need to be developed; policies and regulations which need to be in place; and role of South-South and trilateral partnership which is needed for successfully linking LDCs into global value chains and initiating regional value chains. Sector-specific success stories will be discussed.

ISSUES FOR DISCUSSION

- What are the constraints to LDCs in gainfully linking into global as well as regional value chains?
- What are the capacities that countries need to build for successful linkages in agriculture, industry and service?
- What are the strategic interventions in terms of policies which can help?
- What are the regional initiatives that can help in promoting regional value chains? What role can regional investment agreements play?
- What role can South-South integration play in promoting gainful linkages of LDCs in regional and global value chains?

ENERGY

Monday, 28 July, 2014 (17:00 – 18:00)

BACKGROUND

Sustainable energy for all holds the key to solving two major challenges of our time, namely poverty eradication and curbing of climate change. At the United Nations Conference on Sustainable Development (Rio+20) in 2012, world leaders expressed their determination "to act to make sustainable energy for all a reality and, through this, help to eradicate poverty and lead to sustainable development and global prosperity". Many success-stories and best-practices of how this can be done are already readily available, many of which were made visible during the High-level event on Sustainable Energy for the Least Developed Countries in New York on 23 September 2013.

The Least Developed Countries constitute the poorest and most vulnerable group of countries in the world. Out of the 1.3 billion people who do not have access to electricity, more than half live in LDCs. Currently, 79% of people in LDCs lack access to electricity and 91% of people lack access to modern fuels. In LDCs, only 27% of urban dwellers have access to modern fuels, while a mere 3% of rural dwellers have access. These rates demonstrate the large "energy gap" faced by LDCs. The Istanbul Programme of Action for the Least Developed Countries for the decade 2011-2020 (IPoA) recognizes that access to affordable, reliable and renewable energy and related technologies, as well as the efficient use and distribution of energy will be critically important for accelerating growth, improving livelihoods and advancing sustainable development.

The UN Secretary-General's Sustainable Energy for All (SE4All) initiative has the potential to substantially contribute to IPoAs objectives in the area of energy. It sets the ambitious objective of ensuring sustainable energy for all by 2030, including with targets on ensuring universal access to modern energy services, doubling the global rate of improvement in energy efficiency, and doubling the share of renewable energy in the global energy mix. The initiative was launched in response to the UN General Assembly's declaration of 2012 as the International Year of Sustainable Energy for All. The General Assembly has later established the years 2014-2024 as the United Nations Decade of Sustainable Energy for All.

OBJECTIVE AND ISSUES TO BE DISCUSSED

The issues and objectives of this session include the following:

- To introduce and welcome the Communique of the High-level event on Sustainable Energy for the Least Developed Countries, held in New York on Monday 23 September 2013.
- To launch the United Nations Decade of Sustainable Energy for All 2014-2024 for the Least Developed Countries (LDCs), as part of the special focus to be given to this category.
- To discuss productive capacities, finance and public-private partnerships as solutions for unlocking the enormous potential held by many LDCs to achieve sustainable energy for all as a development enabler.
- To show examples of how some Least Developed Countries are already working and planning to work with and under the Sustainable Energy for All (SE4All) framework in the time ahead.

SESSION 5 PHYSICAL INFRASTRUCTURE

Tuesday, 29 July, 2014 (10:00 – 11:30)

BACKGROUND

Physical infrastructure, including transport, water and sanitation as well as information and communication technology (ICT), is recognized as a major challenge for LDCs in the Istanbul Programme of Action. Reliable and affordable infrastructure is a growth and development enabler: it is essential for private sector development, expansion of trade and enhancing productive capacities. Also, the design, construction and functioning of infrastructure generates demand for goods and services from various economic sectors, therefore raising investment and growth and engendering direct and indirect jobs.

In most LDCs investments in infrastructure have been very limited. However, recently FDI in infrastructure has increased significantly, mainly in the energy sector but also in ICT and transport. For example, efforts to improve railway connections within the LDCs and between neighbouring countries have resulted in many projects upgrading existing infrastructure and expanding networks. FDI in infrastructure is not only expected to enhance available funding for infrastructure but also increase efficiency and has positive spillovers with respect to technology, skills and know-how to the host country. However, in some infrastructure sectors, especially water and sanitation, private sector involvement is very limited and public funding is also insufficient to ensure access to the various services for all. In addition, to making infrastructure resilient to climate change costs are increasing. Furthermore, in many LDCs utility tariffs are not sufficient for cost recovery, which contributed to the deterioriation of assets.

OBJECTIVE

The session will explore how the infrastructure gaps in LDCs can be bridged and sustainable infrastructure development achieved, including through public-private partnerships, innovative financing, regional integration and appropriate institutions and regulation. In this respect it is important to focus on how to prioritise investments in infrastructure projects with the greatest positive impact on economic growth and poverty reduction as well as the environment. Furthermore it is important to achieve the right balance between building new infrastructure and maintenance or upgrading of existing facilities. The session will highlight best practice examples of successful infrastructure projects that might provide lessons learned.

ISSUES FOR DISCUSSION

- What can be learned from successful infrastructure projects?
- What new financing options for infrastructure could be tapped into?
- How can universal access to infrastructure services as well as cost recovery be ensured?
- How can new challenges to infrastructure development, especially vulnerability to the effects of climate change, be addressed?

SESSION 6 PUBLIC-PRIVATE PARTNERSHIPS AND SOUTH-SOUTH COOPERATION IN SUPPORT OF TECHNOLOGICAL ACQUISITION

Tuesday, 29 July, 2014 (11:30 – 13:00)

BACKGROUND

Acquiring new technologies and building domestic capacity and a knowledge base are essential for LDCs to leverage productive capacity building and structural transformation in their economies. The IPoA's aim of enabling half of LDCs to meet the criteria for graduation by 2020 suggests an even steeper learning curve, if Science, Technology and Innovation (STI) were to fulfil its potential of equipping LDCs to better compete in the global economy. The IPoA emphasized the critical role of STI as key drivers for transformation. It agreed to undertake a joint gap and capacity analysis with the aim of establishing a technology bank and STI- supporting mechanism dedicated to the LDCs. Accordingly, the Secretary-General submitted his report to the General Assembly at its 68th Session on Technology Bank and STI Capacity Building in LDCs.

There are many provisions governing the transfer of technology in international agreements, conventions and protocols. However, the existing arrangements and mechanisms for the transfer of technology, which are fragmented and often ad hoc in terms of objective, content and country coverage, are not all-encompassing for scientific and technological capacity building in LDCs. Thus, the General Assembly Resolution 68/224 requests the Secretary-General to constitute a high-level panel of experts in order to examine the scope, functions, institutional linkage with the United Nations and organizational aspects of a technology bank and science, technology and innovation supporting mechanism dedicated to LDCs.

With global economic and political dynamics vastly changing over the last several years, South-South and triangular cooperation has emerged as an important complement to the traditional north-south cooperation. Therefore, the time has come to introduce new and innovative mechanisms such as the South-South Technology Transfer Facility for LDCs to be hosted by the Government of Benin.

OBJECTIVE

The main objective of this session is to discuss how to transform the science, technology and innovation (STI) base in LDCs, including through public private partnerships. This event will also provide an opportunity to exchange views among various stakeholders, including policy makers, on the ways and means to fully operationalize the technology bank and STI supporting mechanism for LDCs and to undertake other game changing initiatives, such as UNOSSC's South-South Global Assets and Technology Exchange (SS-GATE), through North-South, South-South and triangular cooperation. At this session the South-South Technology Transfer Facility for LDCs will be presented, which will utilize the SS-GATE platform to transfer viable, sector-specific technologies and private sector investments aimed at developing and strengthening capacities and production in LDCs.

ISSUES FOR DISCUSSION

How to build a robust endogenous STI capacity in LDCs?

- How to build a Research Depository Facility (RDF) that pools together available scientific knowledge, information and innovation?
- How to facilitate transfer and adaption of technologies to LDCs, while protecting the legitimate rights of the IP holders?
- How PPP, South-South and triangular cooperation can facilitate technology transfer to LDCs?

THE CONTRIBUTION OF SKILL DEVELOPMENT, INNOVATION AND TECHNOLOGICAL ACQUISITION TO THE PROMOTION OF GREEN AND BLUE ECONOMY

Tuesday, 29 July, 2014 (15:00 – 16:30)

BACKGROUND

A green economy is one that generates jobs and growth, through activities that use natural resources sustainably and in ways that add value, without compromising the essential services that our natural environment provides. A blue economy is similar, except that the economic activities and natural resources involved are marine-based.

Many LDCs have great potential for adopting green or blue economy pathways, given their considerable natural capital endowments and low-carbon profiles. Assets such as arable land, forests, biodiversity, renewable energy resources, reserves of fresh water and marine and coastal resources have real potential, but are not yet optimally managed for economic development and poverty reduction. LDCs also have a considerable share of the world's mineral and hydrocarbon resources, but these are either underutilized or generating only unsustainable, jobless growth. Yet managed in inclusive and sustainable ways, these natural resources can yield high returns on investments for LDCs.

Since most LDC economies are at early stages of industrialization, they have only a few 'brown' industries. This, together with the challenges posed by climate change and energy security and the opportunities offered by climate finance to address them in innovative ways, have led several LDCs to embark recently on economic development strategies with a strong 'green' orientation. Their initiatives could well demonstrate that the challenge of expanding productive capacity in LDCs—the overall theme of this LDC ministerial conference—can be turned into an opportunity for leapfrogging directly to sustainable and resilient infrastructure, technologies and means of production without the opportunity costs of transition that more industrialized countries face.

Through the Istanbul Programme of Action (IPoA), LDCs have adopted an economic development roadmap based on structural transformation and productive capacity-building. However, the IPoA does not provide much guidance on how to harness LDCs' comparative advantage for green industrialization, or how to assure that growth, while rapid and robust, is also environmentally sustainable.

OBJECTIVE

There are a number of reasons why (with some exceptions) LDCs have yet to embrace green and blue industrialization strategies. In part, it is because of their limited capacity to attract, generate, absorb and utilize new and innovative forms of technology and finance. In part it is also due to governance not yet being suited to making the transition effectively from primary (subsistence and commodity export) economic activities to value-adding agribusiness, diverse rural economies and clean industrialization. But, in addition, LDCs and other developing countries have raised legitimate and important concerns about the green (or blue) economy concept and how it is implemented. These concerns need to be addressed before LDCs are likely to invest whole-heartedly in such approaches, and to help them to tailor relevant initiatives.

ISSUES FOR DISCUSSION

- Examine the concerns raised by LDCs about the green economy concept and explore ways to overcome them.
- Explore existing examples, and further opportunities, for achieving rapid and sustained growth through: green value addition, scaling up existing green and blue sectors, and creating new products and services based on sustainable use of LDCs' vast natural resource wealth.
- Identify the skills, technologies and other enabling conditions required for LDCs to build a green and blue dimension to the growth strategy laid out in the IPoA.
- Identify key directions for joint LDC action on increasing the contribution of sustainable natural resource-based industries to economic development and poverty reduction.

BUILDING PRODUCTIVE CAPACITY THROUGH SUSTAINABLE LAND MANAGEMENT AND COMBATING LAND DEGRADATION, AND DESERTIFICATION

Tuesday, 29 July, 2014 (16:30 – 18:00)

BACKGROUND

Land degradation and desertification corrodes the productive capacity of LDCs in multiple ways. The geography of land degradation and desertification coincides with that of LDCs. It is estimated that more than a billion hectares, globally are affected by desertification and land degradation, most of it in LDCs. In economic terms, on site productivity, loss due to land degradation and desertification, at the global level is around 3-5% of agricultural GDP (approximately US$490 billion per year). But in LDCs agricultural GDP losses due to land degradation and desertification, are much higher than the global average. To cite an example agricultural GDP losses due to land degradation and desertification are estimated to be as high as 30% in Mali and 20% in Burkina Faso.

Land degradation and desertification therefore are among the major impediments to sustainable development of LDCs, whose economies are primarily agrarian in nature and dependent on the agricultural sector for revenues, livelihoods and food security. Indeed studies suggest continued climate induced water stress and land degradation could lead to a loss of up to 2/3rds of all arable land in Africa alone by 2025, plunging the 650 million people who depend on rain fed agriculture, most of whom reside in the LDCs, into abject poverty. Land degradation and desertification, particularly in LDCs also carries a high human cost, corroding human productive capacities, as it uproots millions from their desertified lands and fuels political instability, social breakdown and conflicts over scarce water and land resources.

Climate change is further aggravating the situation and many regions in LDCs are becoming drier or experiencing more frequent and prolonged droughts or at the other extreme facing floods. As a result more land is lost to desertification or soil erosion, further undermining productive capacities particularly in the agricultural sector and increasing vulnerability to climatic shocks.

OBJECTIVE

The key to any meaningful effort to build productive capacity, particularly climate resilient in LDCs, lies in the land on which they are so crucially dependent. This session will discuss how to build the productive capacity of land in LDCs, through sustainable land management policies, striving for land degradation neutrality by reclaiming and rehabilitating land and adopting a land based approach to adaptation. It will highlight the multiple benefits that will be generated as a result, including enhancing agricultural productivity, ensuring food security, generating employment and livelihoods and contributing to lifting populations from poverty and putting LDCs on a trajectory of sustainable climate resilient growth.

ISSUES FOR DISCUSSION

- How can we meet the growing demand for food and the need to increase food production by 70% by 2050 when the productive capacity of land is declining due to desertification and land degradation?
- What can be done to stop land degradation? How can Sustainable Land Management contribute to reversing land degradation and enhancing the productive capacity of land?
- Is land degradation neutrality achievable? What can be learned from best practices?
- How can a land based approach to adaptation enhance productive capacity of land and place LDCs on a trajectory of climate resilient growth and sustainable development?

MEANS OF IMPLEMENTATION (ODA AND DEBT)

Thursday, 31 July, 2014 (10:00 – 11:30)

BACKGROUND

Building productive capacity in LDCs requires resources well beyond domestic resources available in LDCs. As the majority of LDCs lacks or, at best, has limited access to international financial markets, much of the financing gap will be bridged, in the short term, by ODA and debt relief. Recent trends point to worrisome developments, however.

ODA to LDCs started to decline in 2011, after experiencing a decade-long steady rise. The drop in aid flows to LDCs further accelerated in 2012, with aid from DAC members retreating by 9.4%. As a result of this recent decrease in ODA flows, the share of LDCs in total aid from DAC countries eroded from 0.34% in 2010 to 0.31% in 2012. Looking forward, the outlook is daunting, with country programmable aid —a good measure of aid effectively received by recipient countries—expected to decrease by 5% in 2014. Progress in improving the quality of aid continues to be mixed. While important strides have been made in reducing the share of tied aid, using recipients' public financial management systems and shifting aid allocation towards productive sectors, aid fragmentation and predictability persist.

On debt relief front, the enhanced Heavily Indebted Poor Countries (HIPC) debt initiatives, the Multilateral Debt Relief Initiative (MDRI), coupled with robust economic growth, have helped lessen the debt burden of many LDCs. The relative sizes of external debt stock and debt service have reached sustainable levels in these countries. Yet pronounced economic vulnerability of LDCs to shocks implies that they will continue to face a high risk of debt distress.

OBJECTIVE

The session will discuss how to improve the quantity and quality of aid channelled to LDCs but also how to use ODA to leverage other new sources of finance. It will also serve as a venue to explore practical ways of bringing debt burden of all LDCs to sustainable levels.

ISSUES FOR DISCUSSION

- How could the volume of aid to LDCs be increased so as to bridge the financing gap associated with productive capacity building? Could setting a target share of ODA to LDCs be an important step towards that direction?
- What are the changes in the current aid architecture that will contribute to scaling up the leveraging impact of aid on other sources of finance?
- What are some good practices in terms of ownership, alignment, harmonisation, managing for results and mutual accountability in the context of the partnerships between LDCs and their development partners?
- How could the debt service burden of LDCs align with their repayment capacity?

MEANS OF IMPLEMENTATION (OTHER TRADITIONAL AND NEW AND INNOVATIVE SOURCES OF DEVELOPMENT FINANCE)

Thursday, 31 July, 2014 (11:30 – 13:00)

BACKGROUND

Acquiring the means to finance their development agenda remains a big challenge for most countries, more so for Least Developed Countries (LDCs). LDCs have remained large beneficiaries of Overseas Development Assistance (ODA) to finance their development needs. This financing model underpinned MDG implementation through the Monterrey (2002) and other commitments which focused on domestic resource mobilisation and traditional ODA. Increased aid flows and cancellation of multilateral debt constituted a large share of development financing complementing domestic resource mobilisation efforts, which also have been increasing in LDCs in the past years. Other forms of finance (private finance, sovereign wealth funds, remittances, Diaspora funds/bonds) were either non-existent or much less than ODA in LDCs.

The current development finance landscape is very different from the early 2000s as most emerging economies and LDCs are among the fastest growing economies in the world therefore creating scope for significant increases in domestic resource mobilisation coupled with stagnant or reduced traditional ODA. Moreover, there are a lot of actors in development broadening the sources of development financing. There are now plenty of 'innovative' sources and mechanisms of development finance, many of which seek to combine public and private resources in non-traditional ways to meet development needs. These facts have created a lot of optimism on the future of economic growth in most LDCs.

EMERGING FACTS

- Developing countries have been driving global growth and expanding domestic tax revenues at a rapid rate, giving much more scope for development to be funded domestically. The average tax-to-gross domestic product (GDP) ratio rose from 23% in 2000 to nearly 29% in 2011.
- All the main sources of development finance such as tax revenue, private flows, sovereign wealth funds, FDI, remittances, philanthropic and non-governmental organizations financing have been expanding over the past decade, but the relative importance of ODA vis-à-vis other forms of finance has declined.
- Workers' remittances have increased since the year 2000, and the amounts have been twice as high as aid flows since 2005.
- These trends are very uneven across countries, with private cross-border flows heavily concentrated in MICs. The majority of LDCs have remained dependent on ODA.
- While ODA is now under pressure, there has been rapid growth in new 'aid-like' forms of development finance, which are not classified as ODA but nevertheless have a public interest purpose. This includes South-South Cooperation (SSC), climate finance, philanthropy and other private development assistance. All these flows have been growing over the past decade and are likely to do so in future.

ISSUES FOR DISCUSSION

This session therefore explores a variety of non-traditional development financing mechanisms, associated drivers and challenges, and a framework for harnessing them for enhanced productive capacity in LDCs. Harnessing these resources calls for the removal of some binding constraints from implementation of policies that would encourage inclusive growth, broadening of tax bases and improvements in tax administration, and the creation of conducive environments for private investments. It also includes policies to increase the availability of long-term financing and access to finance for small and medium enterprises (SMEs). The role of new forms of development financing (including South-South and triangular cooperation), its sustainability and ways of redefining the role of traditional ODA as well as sharing of emerging knowledge and experiences will be critical to strengthening productive capacities in LDCs.

SESSION 11

MEANS OF IMPLEMENTATION (TRADE AND COMMODITIES)

Thursday, 31 July, 2014 (15:00–6:30)

BACKGROUND

It is widely recognized that trade serves as engine of growth and poverty reduction. The growth performance of LDCs during 2000s is remarkable, with an average GDP growth rate of 7.5%, although this rate has gone down to 5% since the aftermath of the 2008–2009 global financial and economic crises, which is less than the 7% target rate agreed in the Istanbul Programme of Action. The LDCs growth performance has been driven largely by the performance of the exports sector thanks to buoyant commodity prices particularly during the boom period of 2002–2007. For instance, overall merchandise exports have increased rapidly even in the aftermath of the financial crisis, from US $50 billion in 2002 to about US$220 billion in 2012. The share of LDCs' overall merchandise exports going to developing countries, especially China, has been rapidly increasing and, in 2012, accounted for over 50% of total merchandise exports. Consequently, on a measure of trade/GDP ratio which is higher than 50% (on average), the trade orientation of LDCs is among the highest as compared to other groups of countries. It is equally important to note that the economic performance of LDCs as a group relies heavily on commodities. UNCTAD classifies 27 of the current 48 LDCs as commodity exporters: 11 agricultural exporters, 10 mineral exporters and six oil exporters. Moreover, the three largest exports in 19 of these 27 countries were commodity products that accounted for more than 50% of merchandise exports in 2012. After all, commodities accounted for four-fifths of LDCs' goods exports during 2007–2012, with the share of commodities exceeding 50% in 38 countries.

However, an impressive growth performance observed in LDCs has not translated into accelerated poverty reduction and improved human well-being in these countries. UNCTAD has been arguing that the key to reducing poverty in the world´s poorest countries is to build their productive capacities and promote structural transformation, including diversification and value-addition.

OBJECTIVE

It is crucial that LDCs' development policies and international aid programmes focus increasingly on enabling such countries to develop the ability to produce efficiently, goods and services that can be sold both at home and abroad. That is, goods and services that gradually increase in variety and sophistication –so that a "virtuous circle" of increasing employment and stable growth takes hold. Similarly, the heavy dependence on exports of primary commodities is the cause and consequence of weak productive capacities in LDCs which also made them excessively vulnerable to commodity price volatility.

ISSUES FOR DISCUSSION

- What policies and strategies are required to enhance the role of trade in building productive capacities?
- How can natural resources wealth contribute to sustained growth, poverty reduction and development? How can LDCs integrate in regional and global commodities value chains?
- What policies and strategies are needed to capture commodities gain in LDCs' development?
- How can LDCs maximize benefits from market access opportunities and S&D provisions contained in WTO agreements?
- What will be the role of development partnership in diversification and value addition?

TO VIEW MEETING DOCUMENTS, SCAN QR CODE.

#2014LDCS

THE 48
LEAST DEVELOPED COUNTRIES

AFRICA [34]
Angola
Benin
Burkina Faso
Burundi
Central African Republic
Chad
Comoros
Democratic Republic of the Congo
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gambia
Guinea
Guinea-Bissau
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Rwanda
São Tomé and Príncipe
Senegal
Sierra Leone
Somalia
South Sudan
Sudan
Togo
Uganda
United Republic of Tanzania
Zambia

ASIA [13]
Afghanistan
Bangladesh
Bhutan
Cambodia
Kiribati
Lao People's Democratic Republic
Myanmar
Nepal
Solomon Islands
Timor-Leste
Tuvalu
Vanuatu
Yemen

LATIN AMERICA AND THE CARIBBEAN [1]
Haiti

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