



**United Nations Office of the High Representative for the Least
Developed Countries, Landlocked Developing Countries and
Small Island Developing States**

(UN-OHRLLS)

Remarks by

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States**

**Session 2: Promotion of structural transformation, diversification
and value-addition in LLDCs**

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Honorable Ministers, Excellencies, distinguished delegates,

Ladies and gentlemen,

It is an honour and pleasure for me to welcome you to this session on Promotion of structural transformation, diversification and value-addition in LLDCs.

In this session, we will focus on the progress that LLDCs have made on structural transformation, diversification and value-addition, looking at the successes, challenges and opportunities. I hope that we can also present some best practices and recommendations on how to foster structural transformation, based on the combined experience and expertise of the organizations present on this panel.

Allow me to introduce our speakers for this session.

- We have Mr. Mukhisa Kituyi, the Secretary General of UNCTAD with us, who will deliver a keynote statement.

Then on our panel, we have

- Mr. Dejene Tezera who is the Director of the Department of Agri-Business at UNIDO;
- Mr. Hong Wei, Deputy Director General of Central and West Asia Department of the Asian Development Bank; and
- Mr. Jean Sebastien Roure who is Senior Officer in the Trade Facilitation and Policy for Business Section of the International Trade Centre.

Before giving the floor to the speakers, allow me to set the scene for our discussion today. Why is structural economic transformation so critical for the LLDCs? Why are we advocating for enhancing diversification of the economies of LLDCs and greater value-addition?

My office has prepared a background note for this session and I would like to highlight some of the key issues from there.

Undergoing structural economic transformation is important for all developing countries for achieving sustained economic growth and poverty eradication.

For LLDCs, it is even more vital. Diversifying towards higher productivity, value-addition and technology content goods and services can help LLDCs to effectively integrate into and benefit from global and regional supply chains, create meaningful decent jobs and become more resilient to negative impacts of landlockedness and external shocks.

Progress towards structural economic transformation has been limited in most LLDCs. The value-added contribution of the manufacturing sector, which is key component of industrialization, stands at just around 10% of economic activity. And it has been on a declining trend since the 1990s, showcasing signs of de-industrialization.

At the same time, the share of primary commodities continues to be high in the economy of most LLDCs and accounts for over 80% of LLDCs exports. There is a staggering difference between LLDCs and the rest of the world. At the global level, the situation is almost reversed, with 74% of global exports being manufactured goods, rather than primary commodities.

The issue is that primary commodities have little value-added. In addition, the exports of LLDCs are concentrated in very limited number of products and their trade structures have not become more diversified over time, in comparison to global average.

This not only makes LLDC vulnerable to external shocks, it also limits their ability for high-value-addition, technology innovation and meaningful productive employment.

So what can be done?

One way to enhance the industrial base is to ensure a conducive business and regulatory environment for the private sector, which can be a real driver of structural change. There are signs that some LLDCs are undertaking broad-based regulatory reforms that make it easier for the private sector to do business.

LLDCs need to shift from low-productivity activities such as basic agriculture and commodity extraction towards modern higher value added and high-productivity sectors. This can include manufacturing, technologically sophisticated production or even using industrial methods for agri-business and agro-processing to add value to their products.

The services sector also presents another opportunity for the LLDCs to diversify their economies.

I hope that the discussions today will provide more concrete lessons learned, more best practices and more recommendations.

Thank you for your attention.