Building productive capacities in LDCs, LLDCs, SIDS and MICs for a more resilient recovery and sustainable development in the post-COVID-19 era

Joint Meeting of the General Assembly Second Committee and the Economic and Social Council

20 October 2021, 10:00 am – 1:00 pm (EDT)

TPs for UNCTAD SG's statement

H.E. Abdulla Shahid of Maldives, President of the 76th General Assembly

H.E. Ambassador Vanessa Frazier of Malta, Chair of the Second Committee

H.E. Ambassador Collen Vixen Kelapile of Botswana, President of the Economic and Social Council

Your excellencies

Ladies and gentlemen

Dear friends:

- High Representative Mr. Courtenay and I share this 10-minute time slot, and I mean to respect it. I will therefore be very brief.
- It is a great honor to be here with all you. I cannot stress enough how important it is for all of us here at the UN to share wisdom, coordinate action, and learn and work with each other.
- As you well know, we are in the middle of a very uneven recovery, with asymmetries between developed and developing countries almost everywhere one looks – from vaccinations to fiscal packages, from spending patterns to long-term investment commitments, from poverty rates to debt vulnerabilities.
- According to our own research, many developing countries will take several years to recover the level of GDP per capita they had in 2019. Indeed, unlike most advanced countries, the median LDC will take roughly three years to climb back to pre-COVID levels.
- I think we all know that if we don't close this gap, the post-pandemic world will be even more fragile and less multilateral than

the pre-pandemic world. In a century where shocks are increasingly common, this is very dangerous.

- Indeed, there *is* consensus that gaps should be closed (we've heard that said at the General Assembly, at UNCTAD15, at the G20, the IMF, the G77). What we don't have is the consensus on how to close them. This is where the theme of building productive capacities comes in.
- Through our research these last two decades, we at UNCTAD have put the issue of productive capacities at the centre of the conversation on development. And this is so for a very simple reason: productive capacities harbour some of largest collections of development gaps between advanced economies and LDCs, LLDCs, SIDs and MICs.
- Through our work with the Productive Capacities Index (PCI), which has data on 46 indicators from 193 countries since the year 2000, we have provided clear evidence of this. Generally speaking, having a low PCI is a strong predictor of least-developed status, low labour productivity, high poverty rates, meagre foreign direct investment,

little technological innovation and low economic diversification, among others.

- Simply speaking, if we want a global recovery that really deserves the name, a recovery that closes gaps instead of opening them, we need to prioritize productive capacity development.

- Before I finish, I want to share with you UNCTAD's though leadership on ways of doing. I would like to highlight three:

  - *First*, it is important we tailor our measurements to each country. There is no one-size-fits-all solution. We at UNCTAD offer two products for this: the Productive Capacity Index, which I mentioned already, and the Productive Capacities Gap Assessment (PCGA), which goes into even more detail on the key binding constraints, and opportunities. Member countries that have used both tools, have been able to create long-term, comprehensive and programmatic strategies.
  - *Second,* is for the wider development community to accompany countries undertaking productive capacity

strategies. Through our work with the PCGA, we have revealed important facts such as:

  - A) that meeting the LDC graduation criteria alone does not guarantee fostering productive capacities and structural economic transformation;
  - And B) that International Support Measures without domestic productive capacities have little or no impact on addressing countries' development challenges.

- *Third and last.* It is important we understand the challenges of countries' private sectors. Despite improved governance and better institutions, private sectors are still weak in many countries, largely due to high import and export costs related to rising fuel, poor trade logistics and geographical challenges. These costs are increasing as speak, and we must really account for them.
- Moreover, many companies in developing countries still struggle to access financial resources, which undermines their competitiveness, productivity and therefore their

contribution diversification, employment and poverty reduction.

Your excellencies, dear friends:

- At our recent ministerial conference, we at UNCTAD advocated for using productive capacities as the framework for the next Programme of Action for LDCs. And we also called for a new generation of ISMs that focus on building, utilizing and maintaining productive capacities.
- It is our hope that together with the ECOSOC, we can really push this agenda through.
- I yield the floor to the High Representative.

Thank you.