Mission Permanente
de la République du Bénin
Auprès des Nations Unies

Permanent Mission of
the Republic of Benin
to the United Nations

UNIDO LDCs MINISTERIAL MEETING

STATEMENT
BY HE MR. JEAN-FRANCIS R.ZINSOU
AMBASSADOR PERMANENT REPRESENTATIVE OF BENIN
TO THE UNITED NATIONS IN NEW YORK
CO-FACILITATOR OF THE MID –TERM REVIEW
OF THE ISTANBUL PROGRAMME OF ACTION

VIENNA, 26 NOVEMBER 2015

125 East 38th Street, New York NY 10016 - Tel: 212 684 1339 - Fax: 646 790 3556
Email: beninewyork@gmail.com

Honorable Ministers,
Ladies and Gentlemen,

I would like to thank the General Director of UNIDO for having invited me to attend this Ministerial Conference as Panellist.

Indeed, the President of the General Assembly of the United Nations made me the honor to appoint me as Co-Facilitator for the Mid Term Review of the Istanbul Programme of Action together with the Ambassador of Belgium to the United Nations in New York who is one of the Co-Chairs of the Group of Friends of LDCs.

Any debate about the situation of LDCs should be conducted on the basis of their performances in relation with the implementation of the Istanbul Programme of Action. That why during the negotiations on the determination of the SDGs, I saw my challenge in integrating in the SDGs and in their targets the major commitments and lines of action defined in the Istanbul Programme of Action.

The Istanbul Programme of Action put Productive Capacity Building on top of the eight areas of priority defined for achieving its overarching goal, which is the graduation of half of the LDCs by 2020. Productive capacity is seen as a transversal challenge to be met by LDCs and also as major growth accelerator for achieving accelerated development of LDCs.

This identification of productive capacity building as a major tool brings it in direct connection with Industrialization. Industrialisation is the missing link in the process of development of our countries. That was the main observation that we made when we were assessing the implementation of the Brussels Programme of Action. There we noticed that we had market access facilitation measures taken by our development partners but we could not expand our market access because we lack productive capacity. So, the major game changer is industrialization, technology transfer. This will contribute to the expansion of tax base.

The economic and social transformation called for in the Istanbul Programme of action requires the establishment of local value chains integrating national value chains and connecting to regional and global value chains. In this sense, productive capacity building means not only horizontal expansion of productive activities leading larger revenue but also and foremost vertical shifts in term of productivity gains, increasing value added and access to higher technologic processes in the production lines.

The vertical capacity building is even more important since the mechanism of demand and supply has made the expansion of production of commodities an unrewarding endeavour leading in the vicious circle where higher production of commodities lead instead to price falls

and income volatility. The major game changer here is transformation and export of manufactured goods. That is why there is also a target in the Istanbul Programme of Action which is to double share of LDCs export in the global export by 2020. This has been achieved globally but the performances of individual countries leave gaps to be met.

The need to achieve accelerated vertical productive capacity building gives a prominent role to ISID as a game changer for the accelerated inclusive growth in the LDCs and raises the importance of the adoption and implementation of sound industrialization policies by LDCs governments. Hence, the Inclusive Sustainable Industrial development which is the core element of SDG 9 features as the most important factor for the thorough implementation of the Istanbul Programme of Action. That is why the LDCs strongly supported the move to make Inclusive Sustainable Industrial Development as a stand-alone goal among the SDGs. It was one of the major gains for LDCs, if it is recognized and pursued as such.

The major differences between the MDGs and the SDGs is the fact that the SDG are addressing global development policy and not just the social problems of developing countries. The universal approach with the purpose of taking into account the interlinkages of various aspects and processes involved in the global economic, social, and environmental dimensions of development generated not only a new awareness of interdependence but also a new sense of solidarity to ensure common welfare and survival of Humanity as a whole. This is the major justification of the moto: Leave no-one behind.

The fulfilment of this promise requires significant changes in the development processes that has carried the global economy until recently. The new vision and pattern of development crystalized in the SDG see as a threat to Humanity, the persistent poverty that was tolerated and maintained by unbalanced relationships between centre of wealth concentration and high consumption of the production generated by human activity. With the SDGs, the international community made a clear choice for a more balance paradigm in which each human being can claim a fair access to modernity. That is what we called shared prosperity.

ISID concept worked out by UNIDO and happily incorporated in Goal 9 is fully consistent with this new mind-set since it has the potential of becoming the engine driving accelerated economic growth and social transformation in least developed countries by providing a strong impetus for their graduation from this status.

We expect ISID will help lift into the middle class millions of people living in poverty if we implement it in the field where we can maximize its impact such as agriculture where we have a high potential of job creation and new product development and also the need to for us to stop exporting commodities and raw materials both agricultural and minerals.

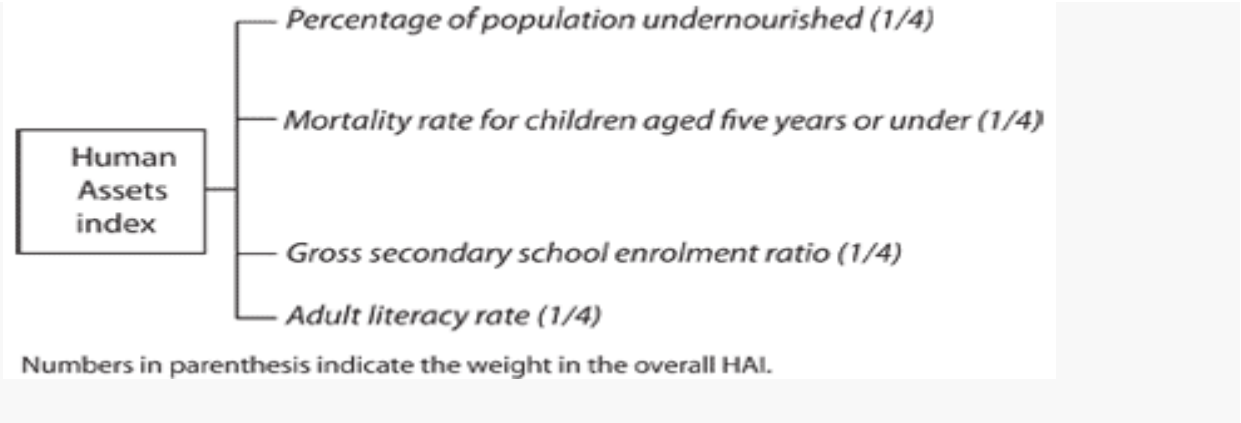
CRITERIA FOR LDCS

The Committee for Development Policy (CDP), a subsidiary body of the United Nations Economic and Social Council, is – inter alia – mandated to review the category of LDCs every three years and monitor their progress after graduation from the category.

The identification of LDCs is currently based on three criteria: per capita gross national income (GNI), human assets and economic vulnerability to external shocks. The latter two are measured by two indices of structural impediments, namely the human assets index and the economic vulnerability index :

Income criterion, based on a three-year average estimate of GNI per capita for the period 2011-2013, based on the World Bank Atlas method (under $1,035 for inclusion, above $ 1,242 for graduation as applied in the 2015 triennial review .The threshold for graduation is set at 20 per cent above the inclusion threshold). The income criterion is measured by the gross national income (GNI) per capita. It is calculated from national accounts data and provides information on the income status of a country. The income-only graduation threshold (which enables a country to be eligible for graduation even if none of the other two criteria is met) is twice the normal graduation threshold. It will be $2,484 in the 2015 review.

Human Assets Index (HAI) based on indicators of: (a) nutrition: percentage of population undernourished; (b) health: mortality rate for children aged five years or under; (c) education: the gross secondary school enrolment ratio; and (d) adult literacy rate. The human asset index (HAI) is a measure of the level of human capital. It consists of four indicators, two on health and nutrition and two on education:



At the 2012 triennial review, the inclusion threshold was set at 60. This value corresponded to the third quartile in the distribution of HAI values of a reference group, which consisted of all LDCs and other low-income countries. The graduation threshold was set at 66 (10 per cent higher). In 2014, the CDP decided to permanently fix the thresholds at their 2012 levels, with adjustments being made for changes in data sources and indicators.

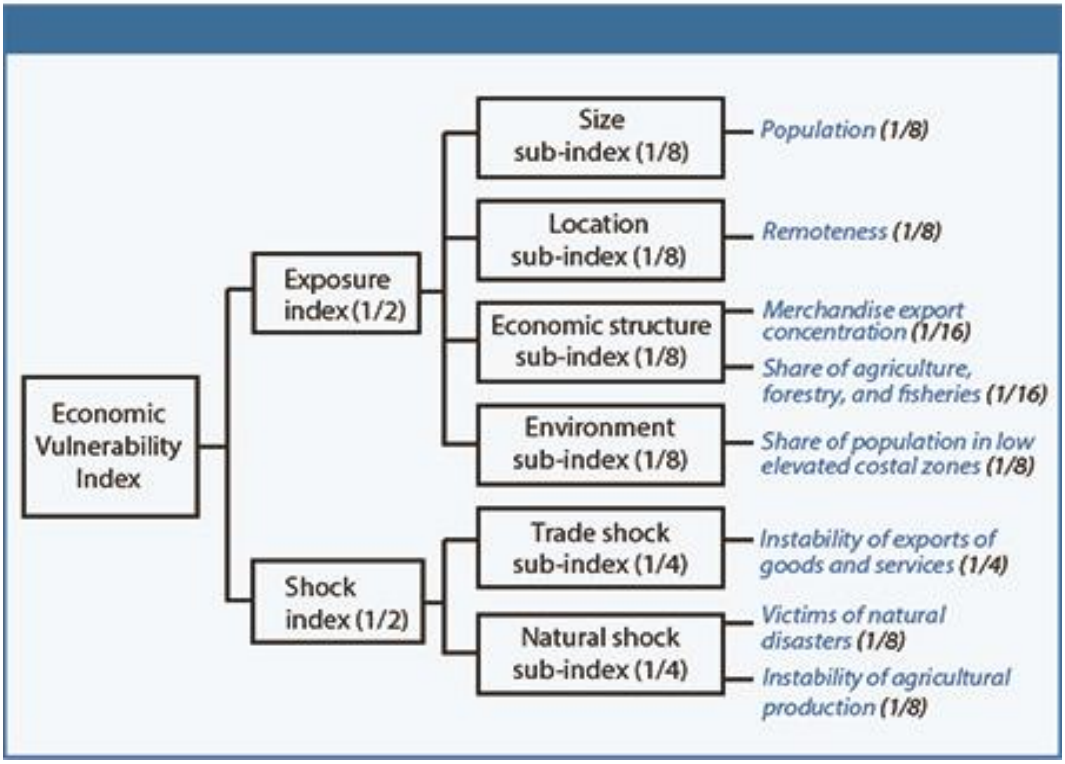
Economic Vulnerability Index (EVI) measures the structural vulnerability of countries to exogenous economic and environmental shocks. It is based on indicators of:

- (a) population size;
- (b) remoteness;
- (c) merchandise export concentration;
- (d) share of agriculture, forestry and fisheries;
- (e) share of population in low elevated coastal zones;
- (f) instability of exports of goods and services;
- (g) victims of natural disasters; and
- (h) instability of agricultural production.

This eight indicators are grouped into various sub-indices as indicated in the table below with the numbers in parenthesis show the weight of each component in the overall EVI:

Composition of the Economic Vulnerability Index (EVI)

Numbers in parenthesis indicate the weight in the overall EVI.



In the review process, the Committee determines threshold levels on each of the three criteria to identify the countries to be added to or graduated from the category. The thresholds for graduation are higher than for inclusion. In the identification process, the HAI and EVI thresholds are fixed by the Committee.

To be included in the list of LDCs, a country must satisfy all three criteria. In addition, since the fundamental meaning of the LDC category, i.e. the recognition of structural handicaps, excludes large economies, the population must not exceed 75 million.

To become eligible for graduation, a country must reach threshold levels for graduation for at least two of the aforementioned three criteria, or its GNI per capita must exceed at least twice the threshold level ($2,484 in the 2015 triennial review), and the likelihood that the level of GNI per capita is sustainable must be deemed high.

LDCs graduation criteria have been established since the 70s. We are now in 2015. We consider that the time may have come to revisit the criteria.

D. Industrial policy and economic diversification

Economic transformation requires not merely increasing the resources available for investment, but also ensuring enough of the “right” kinds of investment, using the “right” technologies in the “right” sectors to achieve the following:

• Diversification, by developing new industries and activities, and increasing value addition in existing industries and activities;

• Deepening, by creating forward and backward linkages with existing industries; and

• Upgrading of products and processes.

Innovation has a very important role to play here. We cannot stress enough the importance of R&D capacity. That is where the LDCs are the weakest. The LDCs technology Bank has a very important role to play. Specially, the STI component of the Bank should serve as basis for building the Science and Technology. The LDCs also lag significantly behind other countries in terms of the scientific impact of the research undertaken by them.

This developmental model, of course, assumes the existence of institutional capacity and funding commensurate to the achievement of such an ambitious goal. The chronic underdevelopment of S&T/R&D systems in the least developed countries makes the adaptation and absorption of existing technologies necessary, especially in the early stages of industrial upgrading.

Substantial investments of time, effort and money are required to build the capacity of indigenous science, technology and innovation and integrate that capacity into productive activities in order to drive greater and more rapid economic growth.

Experiences of Graduated LDCs

Despite the loss of least developed country-specific market access opportunities and ineligibility for grants, soft loans and other concessionary sources of funding, a number of positive developments stemming from graduation had emerged. These included gaining policy space to independently determine and pursue national development priorities, the enhanced ability to access international capital markets and to attract foreign direct investment flows, and the opportunity for creativity and innovation in the management of the country's development path.

PATH TO GRADUATION

As regards the path to graduation, access to finance is a crucial factor for the implementation of ISID and for graduation. Financial issues were addressed in the framework of the Addis Abeba Conference on Financing for Development.

The focus of our Partners was to push us to increase our efforts for domestic resources mobilization. We are ready to mobilize more domestic resources and we can do it by activating our national resources endowment to expand tax base and generate more wealth in the national economy.

ODA has to facilitate and create better framework for domestic resources mobilization. We need to identify our national endowment and activate them in the framework of productive capacity building (that was one of the prescriptions of the IPOA) and also make sure that we have in place tax and revenue collection that allows us to retain part of the value which is generated in our countries. We have addressed this issue in the Addis Abeba Action Agenda., because our practice in the past and until now, has been the race to the bottom in relations to foreign direct investment.

This race to the bottom has to stop in sense of having partnerships that allow us to generate wealth and have it reinvested locally to improve the lives of our people. That is one of the elements that our Partners also are working on. Since I have been asked to address also the question on what our partners can do.

One of the major developments which took place in the process of negotiation of the post 2015 development agenda is the establishment of the CONNEX Facility. The CONNEX

is a new code of conduct that has been established by the G-7 to make sure that least developed countries negotiate and conclude fair and balanced long term investment projects with their private sector partners.

CONNEX is meant to provide expertise to the Least Developed Countries in order to make sure that they have a fair share in the exploitation of their natural resources. One element which is also very important on which we should continue working with our partners is putting in place risk coverage and risk mitigation facilities . The regional banks and the International Financial Institutions (IFIs) have a role to play because these risk perception is one thing that is hampering our access to resources. One aspect on which we expect some more flexibility now with the IFIs is that when an LDC go to seek to access the international financial market to fund productive projects development, they should be allowed to do so. The LDCs should have more support to elaborate such productive bankable projects that can yield more revenue for their development.

Taking the above mentioned considerations, it is understandable that the LDCs deemed it necessary to devote a special Ministerial Conference to it in order to establish new partnerships to ensure that all LDCs take the necessary steps to mainstream productive capacity building in their national development strategies.

The Ministerial Conference on the "New Partnerships for Productive Capacity Building in the LDCs"

The Conference took place in Benin July 2014 and adopted the Cotonou Agenda for Productive Capacity Building in the LDCs.

On this occasion, the Ministers acknowledged that productive capacity building requires substantially upgrading human and institutional capacity building, enhanced investment in physical infrastructure development, improved access to energy, which should be accompanied by improved trade, investment and development finance at all levels, including local level, enhanced capacity in the areas of entrepreneurship, technology and innovation and financial services the development of access to financial service plays a critical role in enhancing the competitiveness in particular small and medium-sized enterprises.

This should be complemented by strengthening the institutions of the State at all levels including local communities, especially in relation to policy, regulatory and monitoring frameworks, with a view to building major and critical infrastructure and adequately supporting economic transformation including the development of private sector.

They stated that Commodity diversification and value addition as well as effective participation of LDCs in regional and global value chains (GVCs) are a critical aspect of the

efforts of these countries in reversing their marginalization, building productive capacities, accelerating structural transformation and generating decent jobs with quick impact on poverty eradication.

Equally important is to gainfully link into GVCs by upgrading and increasing the domestic value-added content of LDCs' exports so that the commensurate production-linked gains are not lost. These require strategic policy interventions at the national, regional as well as at the sectoral level. In this regard, regional cooperation and integration can play a catalytic role;

The development of physical infrastructure is an important prerequisite for sustained economic growth and sustainable development. Significant amount of investment and technology is essential, including through public-private partnerships, innovative financing, regional integration and appropriate institutions and regulation, to bridge the gap. It is equally important to strengthen the underlying investment climate, with enhanced technical support of the development partners and international financial institutions (IFIs), including by improving predictability, governance and transparency, as well as in procurement practices and policies.

REGIONAL PRIORITIES

Taking into account the regional specificities on the path to graduation, it was deemed necessary to organize to regional conference to address regional the special contingencies faced by the LDCs.

- ASIA PACIFIC LDCS

The Asia Pacific region is in a very favourable condition now. And that is why Asia – Pacific LDCs are lining up to graduate by 2020. They are located in a region which has a very significant concentration of technology. The diffusion of technology on the basis of product life cycle is favouring them. They can accelerate their industrialisation through delocalization of labor intensive production lines that are becoming inefficient in the advanced developed of emerging countries, and really accelerate their development.

In this spirit, the Asia Pacific LDCs had a Ministerial meeting in Kathmandu in December 2014. The Kathmandu Declaration was focused on Investment promotion, regional integration and specific and dedicated initiatives targeted at priority areas to be undertaken with a view to rapidly closing the existing resources and capacity gaps of LDCs in critical areas.

In this regard the Ministers call upon our development partners to ensure timely and effective operationalization of two seminal and concrete initiatives of the UN Member States, namely the Technology Bank for LDCs and the Investment Promotion Regime for LDCs;

The Ministers acknowledge that productive capacity-building is essential to foster structural transformation for accelerated and inclusive growth, employment generation and poverty eradication, and thus should be at the centre of national policies and international support measures for graduation and smooth transition.

They called for strong national leadership, effective action and enhanced and coherent international support to substantially upgrade human and institutional capacity-building, enhance investment in physical infrastructure development, improve access to energy, which should be accompanied by improved trade, investment and development finance at all levels, including at the local level, enhanced capacity in the areas of private sector development, technology and innovation, investment and financial services. Adequate and sustained support should also be provided to the LDCs moving towards a low carbon economy.

The Ministers also underlined the growing importance of regional cooperation and integration in the context of Asia-Pacific LDCs especially in the areas of economic cooperation and trade integration; investment promotion, infrastructure, connectivity, energy, water, climate change and disaster risk reduction and other relevant areas. They called for effective sharing of best practices, knowledge, technology and financing arrangements in all relevant areas of development between the Asia - Pacific LDCs and their development partners.

The unique geographical position of most of the Asia-Pacific LDCs, especially their close proximity to major actors in regional and global value chains, bodes well for their prospects of beneficial integration into regional and global economy and trade.

Further, emerging economies in the region are moving up the value chain, leaving behind growing space for Asia Pacific LDCs to develop vibrant and competitive manufacturing and services activities, achieve fundamental structural transformation, and build resilient economies.

In this context, they put emphasis on:

- ensuring immediate implementations of the WTO services waiver decision and accord special priority and preference in services sectors and modes of supply of export interest to the least developed countries, and undertaking measures to extend specific preferences to least developed countries services and service suppliers, so that least developed countries will be able to enhance their participation in services trade;

- further extending the transition period under article 66.1 of the TRIPS Agreement of the WTO so that LDCs can make full use of flexibilities provided by the Agreement as long as they remain in the LDCs category, and fully operationalize commitments under Article 66.2 by implementing meaningful technology transfer to LDCs.

AFRICAN LDCS : FOCUS ON AGRICULTURE AND INFRASTRUCTURE AND INNOVATION

For African LDCs, graduation requires focus on achieve structural change, poverty eradication and economic diversification in the framework of the achievement of the 2030 Agenda in an accelerated and effective manner;

The modernization of agriculture is seen as essential for food security and nutrition in Africa to unleash a virtuous circle of growth for sustainable eradication of hunger and also induce structural transformation if coupled with higher access to energy and technology, enabling African countries to make great strides towards meeting the graduation criteria.

At the Ministerial Conference on the Graduation of African LDCs held in Milan, (Italy) on the margin of the Milan Expo 2015, the African Ministers put emphasis on:

- Promoting food security and agricultural development are crucial for African LDCs, as the majority of the population lives in rural areas and agricultural productivity is lower than in other regions. Thus concrete initiatives to eradicate hunger through enhanced agricultural productivity and rural development are needed.

- **Enhancing capacity building, education, skills development – especially vocational and managerial training, infrastructure development, access to reliable, modern energy, and an enabling environment for the private sector, with the aim to enhance agricultural productivity, inclusive and sustainable industrialization and moving towards higher value added services**. **Together with the integration of African producers into global value chains, for example in agro-processing;**

- Achieving access to modern energy in African LDCs through a special focus throughout the United Nations Decade of Sustainable Energy for All (2014-2024) is needed, **with a view to ensuring the realization of the objective of universal access to energy for all by 2030;**

- Enhancing investment in infrastructure is also required for structural transformation. This issue was rightly addressed in the Dakar Agenda for Action (DAA) for Moving Forward Financing for Africa's Infrastructure, which stated that its development presents significant opportunities to foster poverty alleviation, food security, job creation and wealth creation. Yet the LDCs are bypassed by investment flows and hampered in their efforts to attract FDI by an overstated risk perception.

  The African LDCs called for **support by the establishment of an infrastructure facility, especially dedicated to them** and managed by the Regional Development Banks, to leverage larger resources for meeting the needs in this field.

  But, this should not be equated to a reluctance of African LDC to host relocated labor intensive industrial activities which can absorb the youth bulge and put to work the dormant capacities of the women population.

UNIDO should help in this field which has a high potential of creating decent and sustainable jobs and induce social transformation and foster accelerated economic growth toward the graduation of LDCs.

The focus on primary sector le growth in Africa does not preclude them from receiving delocalization of other labor intensive production lines. They should continue to expand their human capacity building to be able to host such production lines. But in the negotiations what was most important for Africa were still the focus on agro business, infrastructure and technology acquisition. In the negotiation, African LDCs has put emphasis on having a dedicated facility for LDCs of infrastructure. We could not get that but a global forum for infrastructure facilitation has been created and the LDCs stand to benefit from it.

The Technology bank for LDCs.

One last crucial element for the industrialization of LDCs is the operationalization of the Technology Bank for LDCs. Its creation was prescribed by the IPOA. The Technology Bank is expected to be established during the 70eth Session of the General Assembly of the United Nations, or latest 2017. It has a very important role to play, in terms of development of LDCs national technologic capacity, research and development capacity, in terms of translating scientific results into concrete inputs and innovative products. There are many scientific findings in our universities which are not being translated into concrete implementation projects into entrepreneurship for creation of companies to bring new products on the market. I think that this is a field in which UNIDO can be very helpful in the future.

I thank you for your kind attention