United Nations Nations Unies

THE PRESIDENT OF THE GENERAL ASSEMBLY

LE PRESIDENT DE L'ASSEMBLEE GENERALE

11 March 2011

Thematic Debate on Investment in and Financing of Productive Capacities in LDCs

Background

Prior to the global economic and financial crisis the Least Developed Countries (LDCs) as a group experienced high growth, surpassing the 7 per cent target growth rate of the Brussels Programme of Action (BPOA). This growth rate however has been uneven between and within countries, reflecting the heterogeneous nature of LDCs.

Growth in LDCs has mainly been driven by the extractive and commodities sectors which have very few linkages with the rest of the economy and which only have a limited employment creation effect. Growth has also provided limited improvements in productive capacities, savings and capital formation, and investment.

The objective in the coming decade for the LDCs will be to better diversify their economy and increase investment that will allow for a more sustained, inclusive, and equitable economic growth. Only then will they be able to have substantially higher and more sustained growth and to catch up with middle income countries and to effectively reduce poverty.

To achieve a higher rate of economic growth in an open global economy, it is also important for LDCs to increase their competitive advantage in their own market as well as in the global market.

In achieving these objectives, the LDCs need to adopt economic growth strategies that contribute to the development of national productive capacities. The development of productive capacities will allow the increase of productive resources, creation of productive jobs, acquisition of technological capabilities and creation of production linkages which permit LDCs to produce a diverse array of goods and services and enable a beneficial integration into the global economy on the basis of an internal momentum of growth development.

In this context, creating an enabling national and international environment for the mobilization of resources for investment in national productive capacities is central for the next decade of LDCs development. At the international level, better access to international markets, enhanced predictability in the flow of ODA and flexibility in the use of ODA, better technology transfer, and strengthened regional and South-South cooperation are important factors that contribute to the mobilization of investments and financing in productive capacities in LDCs.

At national level, attracting investment whether that is domestic or foreign investment requires infrastructural pre-conditions such as adequate development of physical, institutional, financial, and telecommunication infrastructure. Apart from pursuingappropriate policy and regulatory frameworks, and strengthening good public and corporate governance, creating an enabling environment therefore also require the development of a national development strategy that focuses on public investment policy aimed at enhancing these preset conditions. In short there is a need for LDCs to be "investing in investment".

As a contribution to the preparation to the fourth conference on LDCs to be held on 9-13 May 2011, the General Assembly will have a thematic debate on Investment in and financing of Productive Capacities in LDCs.

Objective and Expected Outcomes

- Identify national and international challenges facing LDCs in enhancing investment in productive capacities.
- Identify opportunities and strategies that would help address the needs of LDCs to enhancing their productive capacities.
- Provide inputs to Member States for the negotiation process of the Outcome of the Fourth LDCs Conference, and in developing policy recommendations and "deliverables".

Programme

The thematic debate will take place on Friday, 11 March 2011, Conference Room 2 (NLB) at UN Headquarters in New York. The debate, which will consist of two moderated panel discussions with high-level experts, will focus on national development strategies to enhance productive capacities and reorienting international support mechanism towards enhancing LDCs competitive advantage. The floor will be opened to delegates and other participants for questions to the panelists as well as to share their experience and other perspectives.

Panel I
"National Development Strategies to Enhance Productive Capacities"

The objective of this session will be to examine the challenges and identify effective national development strategies for fostering domestic and foreign investment to enhance value addition and labour productivity within LDCs. The creation of a conducive business climate is central to attracting domestic as well as foreign investment, and strengthens national capital formation. But also important is to identify the role of governments through the mobilization of public investment, consistent with medium and long term fiscal sustainability, so as to have a proactive role and encourage a virtuous cycle of investment.

Member states and other participants may wish to address the following questions:

- What are the main challenges to fostering investments in productive capacities in LDCs and how could they be overcome?
- What is the role of domestic resource mobilization and how could domestic resources be effectively mobilized in LDCs?
- How could government enhance revenues to enable the mobilization of resource towards meeting the preconditions needed to stimulate investments in productive capacities?
- How can the private sector be encouraged to engage in enhancing the productive capacities of LDCs?

Panel II
"Reorienting International Support Mechanism towards enhancing LDCs competitive advantage"

A successful national development strategy in LDCs will be shaped by the nature and quality of the supporting international environment. As Official Development Assistance (ODA) still represent the largest sources of international source of finance in many LDCs, removing uncertainty concerning ODA flows and enhancing national flexibility in the use of ODA for stimulating investment in productive capacities is therefore important. But there are also a number of other complementary international measures that can influence the effectiveness of national policies to encourage greater investment which should be explored. The main objective of this session is to review the main aspects of the international support system in light of the objective of stimulating enhanced investment in productive capacities in LDCs.

Member states and other participants may wish to address the following questions:

- What role does ODA and new sources of development and innovative sources of financing have in filling the investment gap to develop productive capacities in LDCs?
- How can the international community reduce uncertainty and enhance national ownership of international support measures in particular on ODA?
- What new measures can be developed to enhance technology access, development and diffusion, including to renewable energy technology?
- What is the role of regional cooperation as well as South-South and Triangular cooperation in enhancing the productive capacities of LDCs?
- Is there a role for a multilateral investment agreement in stimulating investment to LDCs?

10.00	**Opening** - *Opening remarks by:* **H.E. Mr. Joseph Deiss,** President of the General Assembly **H.E. Mr. Ban Ki-moon**, United Nations Secretary-General - *Keynote speaker:* **H.E. Mr. Hailemariam Desalegn** Deputy Prime Minister and Minister of Foreign Affairs of Ethiopia - *Remarks by:* **H.E. Mr. Gyan Chandra Acharya,** Permanent Representative of Nepal (Chair of the LDCs Group) **H.E. Mr. Ertuğrul Apakan**, Permanent Representative of Turkey **H.E. Mr. Jarmo Viinanen,** Permanent representative of Finland
10.50-1.00 p.m.	**Panel I** *"National Development Strategies to Enhance Productive Capacities"* Moderator: **H.E. Mr. Joseph Deiss**, President of the General Assembly Speakers: • **H.E. Dr. Bounthavy Sisouphanthong**, Vice Minister of Planning and Investment, Lao People's Democratic Republic • **H.E. Mr. Gyan Chandra Acharya,** Permanent Representative of Nepal (Chair of the LDCs Group) • **Mr. Jyrki Koskelo,** Vice President, International Finance Corporation (IFC), Washington D.C. • **Prof. Erik S. Reinert,** Chairman, The Other Canon Foundation, Norway
1.00 – 3.00 p.m.	**Lunch**
3.00 – 4.45 p.m.	**Panel II** *"Reorienting International Support Mechanisms towards enhancing LDCs' competitive advantage"* Moderator: **Mr. Hugo Beteta**, Director of the Economic Commission for Latin America and the Caribbean's Sub-regional Headquarters, Mexico City

	Speakers: • **Mr. James Zhan**, Director, Investment and Enterprise Division, UNCTAD, Geneva • **Prof. Calestous Juma**, John F. Kennedy School of Government, Harvard University, Boston • **Mr. Axel van Trotsenburg,** Vice-President, World Bank, Washington D.C. • **Prof. Mehmet Arda**, Galatasaray University, Istanbul, and Turkey's substantive coordinator for LDC IV
4.45 – 5.00 p.m.	**Closing** *Closing remarks by:* - **Mr. Cheick Sidi Diarra,**Under Secretary-General, High Representative for the Least Developed Countries - **H.E. Mr. Joseph Deiss,** President of the General Assembly

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THE PRESIDENT OF THE GENERAL ASSEMBLY

LE PRESIDENT DE L'ASSEMBLEE GENERALE

11 March 2011

Statement of H.E. Mr. Joseph Deiss,
President of the 65th Session of the General Assembly,
at the Informal Thematic Debate on "Investment in and Financing of Productive Capacities in Least Developed Countries

Mr. Secretary-General,
Mr. Deputy Prime Minister,
Excellencies,
Ladies and gentlemen,

Allow me to welcome you to this informal thematic debate of the sixty-fifth session of the General Assembly, focusing on investment in and financing of productive capacities in least developed countries. I am especially grateful to those of you who have spent many hours on a plane to be with us today.

Development and poverty reduction are a key theme of the sixty-fifth session of the General Assembly. This session opened last September with the High-level Plenary Meeting on the Millennium Development Goals. On that occasion the international community reaffirmed its commitment to eradicating extreme poverty and achieving all the MDGs by 2015, and to redoubling its efforts to that end.

The specific constraints faced by the least developed countries in their efforts to reach the Millennium Development Goals were recalled at the side event on the least developed countries and the MDGs. I said then, and I repeat now, that our ability to achieve the MDGs in the least developed countries will be the real measure of our success.

To speed up progress towards the achievement of the MDGs and to ensure that this progress is lasting, it is essential that the least developed countries have framework conditions that are conducive to investment and job creation. It is from the springboard of economic growth that the least developed countries will take flight.

The least developed countries are often described as the poorest and most vulnerable members of the international community. They face structural challenges; they have been severely impacted by the three crises – the economic, food and energy crises – that the world has just gone through. These countries are at risk of being further harmed by the current spike in oil prices. They also suffer disproportionately from the effects of climate change.

Despite these constraints, some least developed countries have enjoyed strong growth rates. Before the crisis, this group as a whole had even surpassed the 7-per-cent growth target established in the Brussels

Programme of Action. Over the past decade a number of African countries have been among the world's most booming economies and have succeeded in reducing poverty by creating jobs.

But all too often, such successes remain fragile. Growth is confined to extractive activities and commodities, which are sectors that create few jobs, are isolated from the rest of the domestic economy and are exposed to the vagaries of the global economic landscape. Productive capacity-building and economic diversification are vital for ensuring sustained growth that benefits society as a whole.

How can this be achieved? What national strategies can increase productive capacities? The quality of the institutions and policies put in place at the national level is of decisive importance. Reforms to strengthen the rule of law, respect for human rights and democratic institutions must be intensified; measures to combat corruption must be stepped up. Guarantees of fundamental rights, in particular property rights, but also the establishment of sound market structures are the necessary conditions for stimulating investment, mobilizing domestic resources, boosting productive capacities and generating employment.

These are the issues I invite you to explore in our first panel discussion this morning.

But today it is less possible than ever, in our globalized world, for all these national initiatives to rely on the assumption of "ceteris paribus", all other things being equal, that is so dear to economists. The nature and quality of the international environment must be such as to support the least developed countries' efforts. Official development assistance, which for many least developed countries remains a major source of financing, should support their national strategies for developing the private sector, investments and trade. Productive infrastructure, agriculture, industry and services such as tourism should be accorded particular attention.

In the interest of policy coherence for development, the international framework for trade, investment and technology transfer must be conducive to the development and economic diversification of the least developed countries. In particulier, the conclusion of the Doha round, the extension of preferences for unrestricted, quota-free access for all products from least developed countries and the adoption of investment agreements are essential.

Accordingly, our second panel discussion will focus on international mechanisms for enhancing the least developed countries' comparative advantages.

Ladies and gentlemen,

"The strength of the community is measured by the well-being of the weakest of its members": as many of you know, this phrase is close to my heart; it is taken from the Constitution of my country, Switzerland. Reducing the poverty and vulnerability of the least developed countries is a duty we owe to their needy populations, but it is also an important contribution to a more prosperous, secure, dynamic, democratic and united world.

I hope that today we will have a high-quality dialogue that will contribute to the preparations for the Fourth United Nations Conference on the Least Developed Countries, to be held in Istanbul from 9 to 13 May 2011. I hope we can provide, in particular, useful input for the negotiations under way on a plan of action for a development partnership with the least developed countries in the coming decade. I will formulate a number of conclusions drawn from today's discussions; they will be posted on the website of the General Assembly President and will serve as a background paper.

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PERMANENT MISSION OF THE FEDERAL
DEMOCRATIC REPUBLIC OF ETHIOPIA
TO THE UNITED NATIONS

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Statement

By

H.E. Mr. Hailemariam Dessalegn

Deputy Prime Minister and Foreign Minister of the Federal Democratic Republic of Ethiopia

At

The Thematic Debate of the General Assembly on Investment in and Financing of Productive Capacities in the Least Developed Countries (LDCS)

March 11, 2011

New York

Mr. President,

Your Excellency, Secretary-General Ban Ki-moon,

Your Excellency Ambassador Apakan
Permanent Representative of Turkey,
Excellencies and Ladies and Gentlemen,

Before I deliver my statement, I want to join others in expressing our solidarity with the people of Japan. Our sympathy goes to the Government and people of Japan over the tragedy that has taken place and we pray that Japan will come out of this natural disaster quickly.

I am indeed very pleased for this opportunity to participate in this debate on "Investment in and Financing of Productive Capacities in LDCs." I wish to express my satisfaction over this important initiative by the President of the General Assembly. I am also grateful to him for the invitation and for the opportunity to present Ethiopia's perspective on this very vital issue for the LDCs. I trust that the result of today's debate will contribute towards enriching the major task we have in Istanbul a few months from now. Let me say how much we appreciate the good work that Secretary-General Ban Ki-moon has been doing. In particular, I want to thank him for the enhanced cooperation between the UN and the AU that we have begun to see.

Mr. President,
Dear Secretary-General,
Excellencies,

There is no doubt that a reasonably high level of investment and financing, not for the short-term, but on a sustained basis, is central to effective utilization of productive capacities, thusfor accelerating growth and development. This is amply demonstrated by the economic development history of developed and newly industrializing countries. It appears, the Ethiopian experience is a further confirmation of this. It is to the consideration of our experience that I would quickly move.

Mr. President,
Excellencies,

There is no gainsaying the fact that until the beginning of the 1990s, there had been no possibility for Ethiopia to embark on sustainable economic development of any kind. The political conditions were not there as the country was firmly under military dictatorship which had brought the country to the brink of both political disaster and economic meltdown. Following the demise of the military government, the country was put on a promising trajectory both in the political and economic area. Politically, the onset of democratization based on a federal and decentralized governance arrangement, opened possibilities for the different nations and nationalities of the country to exercise self –rule and to thus be empowered. Since then Ethiopia has increasingly become a stable and peaceful nation, shown strong progress in building and strengthening democratic governance, built a decentralized governance system that strengthened public participation, accountability, and effective public service delivery. These radical political reforms were internally generated priorities rather than donor driven, and have been pursued with strong political conviction and commitment. We believe that such an internally driven and credible democratic political reform is a critical element of a conducivenational environment that encourages citizens to venture into productive investment initiatives.

Mr. President,
Excellency the Secretary-General,

On the economic front as well, Ethiopia had to undertake a radical shift from the command economic management system pursued for nearly two decades,to one which is market-oriented. The legacy we inherited was a situation whereby the private sector was stifled. It was imperative, therefore, to take steps with respect to the creation of the requisite policy and regulatory environment to lay the basis for a market-oriented system conducive for private sector development. Since then, significant policy and administrative measures have been taken to promote the development of broad based and competitivedomestic private sector. Tax and other non-tax incentives were provided to promote its development. Coupled with this, Ethiopia has been aggressively investing in the construction of roads, power, telecom and other infrastructure for the last nearly two decades in order to improve profitability of investment in the country. The government has also been cognizant of the problem of human resource constraints and their negative impact on investment. This has necessitated significant investment in education and training.

Indeed, we have from the outset recognized the link between the growth process and the development of human capital. Growth is key for poverty reduction and human development is in turn crucial for achieving rapid and sustainable growth. Development of human capital involves improved access to primary education and skill development via expansion of Technical and Vocational Education & Training (TVET), higher education as well as expansion of health services with special emphasis on primary health care.

Ensuring macroeconomic stability is yet another measure that we have taken over the last two decades to encourage effective private investment decisions. Although the challenges are already addressed now through effective policy and short term administrative measures, we of course have faced inflationary pressures and foreign exchange constraints over the last two years following the recent world financial and economic crisis. But, in general, our commitment to maintain macro-economic stability has created impetus for the development of the private sector. The end result of all thishas been that the private sector has begun to be important in the Ethiopian economy. Though still small, the domestic private sector has now started to play an important role in trade, real estate, banking and insurance, tourism, and the construction industry.

Yet given widespread market failures and imperfections in the economy, we recognize also the indispensable role of the government in the economy. We believe that the government plays a crucial role in delivering social and economic infrastructure, in supporting small-holder farmers and small urban enterprises and businesses, as well as in the development of a vibrant domestic financial sector. We recognize the bad experiences associated with interventionist policies, and hence we promote only transparent, selective and well designed government intervention, in the economy. This role should not in any way displaceprivate investment or distort a well functioning market system. More importantly, government interventions should be pursued with utmost care lest unproductive rent-seeking behaviors are nurtured. Thus while we have been pursuing a market-oriented economic system where the private sector is encouraged to play a leading role in the economy, we have also adopted policy instruments designed to maximize the benefits of an effective government intervention.

As a result of the implementation of its home grown development policies and strategies, after decades of economic decline, the Ethiopian economy started to pick up in the 1990s following the far reaching political and economic reforms. These modest improvements achieved in the first half of the 1990s were maintained throughout the turn of the new millennium. With the intensification of the economic reforms and consolidation of experiences in economic management, the performance of the economy also improved significantly such that Ethiopia has been registering one of the fastest economic growth rates in the world for the last seven years. The economy grew on average by more than 11 per cent per annum between 2004 and 2010. The Ethiopian economy is also set to grow by over 11 percent in 2011. This economic growth has been broad based, and not driven by primary commodity booms. The major source of growth has been agricultural production and productivity increment, particularly that of the small-holder farmer. Economic and social infrastructure, industry and services have all expanded and have significantly contributed to the faster economic growth realized over the last seven years in Ethiopia. This growth registered in Ethiopia has also largely been pro-poor growth.

Mr. President,
Dear Secretary-General,

It is in this spirit and with the commitment that goes with it that we launched recently a five years Growth and Transformation plan running from 2011 to 2015. The plan envisages a minimum of an average rate of growth of 11 percent. The plan also envisages that agriculture would remain the major source of growth. The plan also however aims to further transform the economy by diversifying the structure of the economy. In particular, the development of the industrial sector and mainly small & medium domestic enterprise development isgiven due emphasis.

From its development and governance experiences so far, Ethiopia recognizes the importance of enhancing its productive capacities and thereby also increasingly relying on its own domestic resources. Consequently, we have been increasingly financing our development programs from our own sources. For instance, last year domestic revenue accounted for over 81 percent of our total revenue, including grants. This is in no way to undermine the significance of development grants in our endeavors to ensure sustainable development, but rather to indicate how we are using the development assistance we are receiving in enhancing our productive capacities such that we are able to generate an increasing share of domestic revenue overtime.

Ethiopia also recognizes that domestic revenues cannot finance all its developmental needs. Thus, we have been setting and strictly pursuing priorities in public investment allocations. The priority areas for public investment have been agriculture, education, health, water supply, and infrastructure like roads, railways, and power generation and distribution including rural electrification programs. These sectors are critical not only for improving the livelihoods of the poor, but also for generating broad based economic growth that would eventually enhance financing of the development of national productive capacities. For the last five years for instance, Ethiopia has been spending more than two-thirds of itsbudget on such pro-poor sectors. In addition, the government has on average been spending nearly 55 percent of its budget on capital investment expenditures that further enhance our productive capacities rather than on recurrent expenditure. Such productive and pro-poor investments have paved the way for the broad-based economic growth achieved over the last seven years, while also creating additional physical and human productive capacities that further sustain the economic growth.

The fast and broad based economic growth of Ethiopia has further enabled us to enhance our capacity to finance investments in productive capacities. Growth generated more resources for financing investments in productive capacities. I am happy to tell you for instance that only last year we commissioned three large hydropower generation plants that more than doubled our power generation capacity. Two of these hydropower plants were entirely financed by the government from its domestic resources. The government has increasingly been able to generate an increasing amount of resources from the economy to finance investments in productive capacities.

The government has been mobilizing these resources without undermining the long term sustainability of its fiscal systems. Ethiopia has, in this regard, shown an impeccable record of maintaining a responsible fiscal system that ensures stability of the macro economy. Last year, the government deficit was kept at **1.3** percent of gross domestic product. Needless to say, such a responsible fiscal balance is crucial for ensuring a stable macro economy thereby also encouraging private investment.

Mr. President,
Excellency Secretary-General,
Dear Ambassador Apakan,
Mr. CheickSidiDiarra,

Yet given the developmental challenges that Ethiopia currently faces, the government revenue and domestic saving mobilized are still small. We believe that due emphasis on domestic resource mobilization is necessary not only to finance increasing needs of citizens, but also for providing countries a space to make responsible public policies. We need to improve here because the share of tax revenue in gross domestic product is only about 11 percent in Ethiopia, which is considered low even compared with those of most developing countries. The domestic saving rate is also low by many developing countries standards. The economy is also constrained by foreign exchange shortages. We are working to address the root causes of these two challenges of low government revenue and low savings in order to mobilize adequate resources for investment in and financing of productive capacities in our country. The overarching strategy is promoting faster, sustained and broad based growth so as to generate a broad based and adequate income for taxation and savings. Another important strategy that we have been implementing over the last several years is public education with regard to tax obligations of citizens and the importance of savings. To ensure fair, transparent, accountable and effective taxadministration system, we are working on developing an efficient tax information system and building our human capacity. We have planned therefore to further improve our tax administration system so as to achieve the target of collecting tax revenue that accounts for 15%of gross domestic product by the year 2015.

We have undertaken policy measures that encourage domestic savings too. Thus, we are aggressively expanding and modernizing our financial and banking services so as to create better conditions for domestic savings. Export development of both traditional and non-traditional commodities is also promoted in order to generate adequate foreign exchange earnings required to finance investments in productive capacities and other critical sectors. Our export earnings showed impressive performance over the last years, growing on average by about 20 percent per annum. Export is also starting to diversify with some new items like floriculture starting to play an increasing role in the sector. But this achievement remains low compared to the foreign exchange demanded by the fast-growing economy. Hence, diversifying and expanding the export sector remains critical in order to adequately invest in the development of our national productive capacities.

Foreign direct investment could also benefit Ethiopia to further enhance its ability to finance investments in productive capacity that would in turn help us sustain our growth and diversify our economy. Since the last seven years,significant progress has taken place in ensuring conducive policy and regulatory environment and the inflow of foreign direct investment is showing rapid growth. Let me seize this opportunity to indicate that the friendly country that Ambassador Apakan represents, Turkey, is one of the lead countries in investing in Ethiopia.

Needless to say, Ethiopia has been absolutely committed to utilizing whatever official development assistance it receives in a transparent and accountable manner, and in a way that strengthens further our productive capacities. Although we are grateful to our development partners for their generous assistance so far, it must be emphasized that official development assistance to Ethiopia is still low in per capita terms compared to those of many other developing countries. Official development assistance to Ethiopia has also been unpredictable, sometimes undermining the country's bold developmental initiatives. Things have to change in this regard, and this is amply justified by our track record and our performance.

Mr. President,
Mr. Secretary-General,
Ambassador Apakan,
Mr. CheickSidiDiarra
Excellencies,

I wish to conclude by saying a few words on matters related to climate change. It is obvious that Ethiopia contributes nothing to the deteriorating climate change in the world. However, it has been one of the countries that is hard hit by the consequences of climate change. To address this challenge, Ethiopia has been pursuing a green development strategy. It is aggressively undertaking natural resource and soil conservation measures that have succeeded in improving soil and water conservation and forest coverage of the country. Ethiopia is developing clean sources of energy from hydropower, wind and geothermal sources for its own growth and even for the needs of its neighbors. We believe this strategy is an effective way of strengthening our productive capacities required to ensure sustainable development. Thus the international community need to acknowledge these bold initiatives and commitments that Ethiopia is undertaking and support us in this noble endeavor.

Let me finish by reiterating my appreciation for this invitation and by thanking you all for listening to me.

I thank you.

STATEMENT BY
H.E. ERTUĞRUL APAKAN
PERMANENT REPRSENTATIVE OF TURKEY
INFORMAL THEMATIC DEBATE OF THE 65TH SESSION OF
THE UNITED NATIONS GENERAL ASSEMBLY
ON INVESTMENT IN AND FINANCING OF
PRODUCTIVE CAPACITIES IN LDCS
11 MARCH 2011
NEW YORK

Mr. President,
Mr. Secretary-General,
Mr. Deputy Prime Minister,
Excellencies,
Distinguished Guests,

It is my honor to address you on the occasion of this informal thematic debate of the UN General Assembly. I would like to thank President of the General Assembly, His Excellency Joseph Deiss for organizing this informal thematic debate, which enables us to listen to different views, experiences and interests of experts, private sector representatives and member states on this most critical issue to LDCs.

I would also like to extend our sincere appreciation for Mr. Secretary General, H.E. Ban Ki-moon for his personal engagement and guidance on this issue.

I would also like to extend a warm welcome to H.E. Hailemariam Desalegn, Deputy Prime Minister and Minister of Foreign Affairs of Ethiopia.

Turkey has the privilege to host the Fourth UN Conference on the LDCs which will be held on 9-13 May 2011 in Istanbul. As the host of LDC IV, Turkey attaches utmost importance to the preparation process. Therefore, I encourage all participants present here today to actively engage in the discussions and share their views with us. I am confident that our deliberations will provide an important input for the Istanbul Conference.

Mr. President,

In the last decade, LDCs have enjoyed an uneven economic development which was mainly driven by extractive and commodity sectors. Their export concentration, dependence on commodities and external resources, and lack of productive capacities decreased the resilience of their economies vis-à-vis external shocks.

Therefore today's discussion revolves around a key concept to achieving sustained development and poverty reduction in the LDCs. The transformation of the productive capacity is at the core of economic development. By strengthening their productive resources, entrepreneurial capabilities and production linkages, LDCs can rely on domestic resource mobilization to finance their economic growth. This would reduce their dependence on aid and will attract private capital inflows.

At the national level, there is a need for a more pro-active approach to developing productive capacities. We believe that the state could play a critical role in guiding, coordinating and stimulating the private sector towards the achievement of national development objectives. This entails a strategic collaboration with the private sector and promoting public-private partnerships.

The catalytic role of the private sector cannot be emphasized enough on the path to sustainable growth and development. Private sector can act as the engine of growth and development. It generates employment and investment, develops new technologies and enables sustained and inclusive economic growth. National support measures should be put in place to flourish entrepreneurship with a view to laying the ground for a dynamic private sector. LDCs, in close collaboration with their development partners, should promote public-private partnership, which is indeed crucial for a more enabling and transparent business climate.

Secondly, a sector specific approach is needed to achieve a structural transformation leading to more diversified economies. In this framework, different sectors such as agriculture, infrastructure, manufacturing and services should be targeted.

However, in the case of LDCs national policies alone are not sufficient to address the complex challenges facing them. Therefore, their development partners should help facilitate strategic integration of the LDCs into the global economy in line with their development needs.

ODA remains a vital source of development finance for LDCs. In this respect, predictability in the flow and flexibility in the use of ODA are crucially important for LDCs. An equitable and effective distribution of aid is necessary to support measures in order to overcome specific vulnerabilities and bottlenecks of different clusters of LDCs.

Regional integration schemes and South-South Cooperation provide opportunities for increasing productive capacities in the LDCs. Market access, technology transfer and technical collaboration could be elaborated in this framework.

Mr. President,

We believe that Istanbul Conference presents a unique opportunity to revisit the deficiencies of development patterns adopted so far and to produce an agenda for action towards a better international development architecture. We are convinced that the Conference would provide the necessary political momentum in order to mobilize the support of the international community in support of LDCs.

Thank you.

PGA Thematic Debate "Investment in and financing of Productive capacities in LDCs"
11^{th} March 2011

Opening statement by Ambassador Jarmo Viinanen, Permanent Representative of Finland to the UN, Chairman of the Preparatory Committee

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Mr. President,
Mr. Secretary General,
Excellencies,
Ladies and Gentlemen,

First of all, I would like to extend my sincere thanks to the President of the General Assembly for hosting this very important thematic debate. It is a great honor to address this distinguished audience as Chair of the Preparatory Committee for the Fourth UN Conference on LDC's.

The topic at hand is one of the key topics on the way to Istanbul, and I particularly look forward to hearing practical experiences from LDC's and other stakeholders and ideas for the way forward.

The world has changed in the 10 years since the adoption of the Brussels Programme of Action in 2001.

There is strong evidence that our common development efforts have brought results. But progress has been far from sufficient. Still more than half of the population in the LDC's live below the poverty line.

At the same time, our world has been confronted with unforeseen challenges like climate change, the financial and economic crises as well as the food and energy crises.

The Fourth UN Conference on LDC's will be a historic opportunity to renew our partnership for development of the LDC's and to improve the quality of lives of the people in these countries. We must make effective use of this opportunity.

LDC’s have set as their number one objective for the Programme of Action to enable half of the LDC’s to graduate during the next decade. This is an ambitious objective.

Reaching this objective requires dedicated national policies and action. It also requires significant international support.

This partnership between the LDC’s and the rest of the international community is the foundation and core of the Programme of Action that we are currently negotiating.

Our work on the draft Programme of Action is off to a good start. We are going through the first reading. It is clear that there are issues that will require a lot of work. It will also be important to focus and to prioritize.

The LDC’s have identified the development of productive capacity as the number one priority area for action. There is broad agreement that this time, promoting and sustaining economic growth in LDC’s and should be at the top of the list. This should translate to improvements in the lives of the people in LDC’s.

Accelerated progress calls for an integrated and coherent approach. All partners, the whole international community, should take the LDC’s into account. Their voice has to be heard.

Many things have been said about the new Programme of Action. It should be ambitious, forward looking, comprehensive, result-oriented, it should be focused and realistic.

The key to me is that the new Programme of Action will help free our fellow women, men and children in LDC’s from extreme poverty.

We aim at concluding negotiations on the Programme of Action at the end of the second Preparatory Committee in April. This means we have a challenging task ahead of us in the weeks to come.
We have to try to find things that unite us and not things that divide us. This is not the time for petty politics but for constructive engagement. This is the time to define and commit ourselves to policies and support measures that will help the LDC’s overcome the multiple development challenges they face.

Thank you Mr. President.

STATEMENT OF G77 AND CHINA ON LEAST DEVELOPED COUNTRIES THEMATIC DEBATE

Mr. President,

1. I have the honour to speak on behalf of the G77 and China. The G77 and China would like to thank you Mr. President for convening this Thematic Debate on least developed countries.

2. The Group welcomes this opportunity to examine the national development strategies to enhance productive capacities and the reorientation of international support mechanism towards enhancing LDCs competitive advantage. We believe that these are issues of great relevance for the LDCs.

3. The Group is deeply concerned that the situation in the LDCs is still deteriorating in the wake of the multiple and mutually exacerbating global crises. As a consequence, the modest development gains that the LDCs made over the years have now been reversed, pushing a large number of their people to extreme poverty. Moreover, the LDCs are lagging behind in meeting most of the internationally agreed development goals, including those contained in the Millennium Development Goals.

4. We also reiterate our call for the full, timely and effective implementation of the goals and targets of the Brussels Programme of Action to address the special needs of LDCs.

5. In that regard, it had to be stressed that the review of the Brussels Program of Action shows that the international support measures are not fully effective and adequate, in specificity, scale, scope and quality. The G77 and China also emphasizes the importance of the fulfillment of the international commitments related to financial resources, especially ODA, including development financing and technological cooperation. Besides, we recognize the importance of South-South Cooperation as a complement, not a substitute, of North-South Cooperation.

Mr. President,

6. In the context of the preparatory process for the Fourth LDC Conference, the international community has accepted that LDCs should be in the driver's seat and that their priorities should constitute the fundamental basis for negotiations, in line with the principle of LDCs national ownership and leadership in their development process.

7. In that regard, the Group emphasizes that the Brussels Program of Action -and proposals that fall within the scope of agreed and accepted concepts in the United Nations- should be considered as a basis for current discussions and for the structure of a new Program of Action.

8. In order to enable at least half of LDCs to graduate by the end of the implementation of the Istambul Programme of Action will be essential for LDCs to increase and sustain

high-level of economic growth, to promote sustainable development, and to address the impacts of multiple crises and emerging challenges through structural transformation.

9. That goal will be achieved by improving their long-term productive capacities in agriculture, industry and service sectors and through the provision of enhanced infrastructure, science and technology.

10. The Group reiterates its strong support to LDCs and hopes that the Istanbul Programme of Action represents a strengthened global partnership aimed at overcoming multiple development challenges being faced by LDCs, to support them in eradicating poverty and integrating beneficially into the global economy.

I thank you.

Please check against delivery

Statement

by

H.E. Mr. Cheick Sidi Diarra

Under-Secretary-General
Special Adviser on Africa and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

PGA's Thematic Debate on: Investing in Financing and productive Capacities in LDCs

11 March 2011

New York

Mr. President of the General Assembly,
Your Excellency, Mr. Hailemariam Desalegn, Deputy Prime Minister of Ethiopia,
Excellencies,
Ladies and gentlemen,

At the outset I would like to thank the President of the General Assembly H.E Mr. Joseph Deiss for convening these discussions on this important and very relevant topic of Investment in and Financing of productive Capacities of LDCs.

This morning's panel on 'National Development Strategies to Enhance Productive Capacities' and this afternoon's panel on 'Reorienting international support mechanisms towards enhancing LDCs competitive advantage' were indeed two sides of the same coin.

This morning's presentation by H.E Dr. Sisouphanthong on Lao People's Democratic Republic of Lao's experience including the economic growth it has been witnessing over the past several years gives hope that LDCs, given the right framework, strategic partnerships and strong political commitment can themselves, also grow their economy.

In this regard there is a need to scale up the manufacturing sector which can in turn increase productivity.

The role that the private sector can play in economic growth is an obvious one but at times the enabling environment needed to allow them the space to play that role may need to be better enhanced.

But even as we welcome the role of the private sector and other local communities and authorities, the leadership role that governments play can never be overstated. Here the need for inclusion and participation by all stakeholders remains paramount. So to is the critical role of the international community and development partners in living up to their commitments to increase ODA to LDCs.

The need for ODA to be invested in productive capacity areas of LDCS continues to be a recurring theme, and one that we will continue to hear as we move on towards Istanbul and a new programme of action for LDCs for the next decade.

Investments are badly needed in infrastructure, including power generations, NTIC, human capital development and in agriculture. Bilateral and multilateral donors have provided substantial official development assistance, but funds have not been enough in amounts and effectiveness.

Many LDCs have managed to ensure greater macroeconomic stability. But macroeconomic performance is not a goal in itself. It should contribute to attract more domestic and foreign investments.

LDCs share many common features. But these features may in fact reflect different underlying factors.

There is need to articulate national and international policies and corresponding support measures better targeted to countries' particular needs and the removal of those specific structural factors that impede their progress.

The link between agricultural productivity and economic growth is an important one that cannot be overstated. It is encouraging to hear in our discussions today that development partners also recognize this and continue to offer their assistance, including in terms of capacity building.

It is evident that investment in the productive capacity of LDCs will need appropriate policy improvement at the national level, in particular in investment regulatory frameworks, which must be supported by equally appropriate and innovative measures at the international level.

International support could include not only increased aid commitment but a change in the composition of aid by making more resources available for development of productive capacities, especially infrastructure and skills. There is also a need to match this with equally; innovative bold initiatives to encourage FDI flows into under-invested LDCs which could include increased funding of multilateral risk insurance agencies dedicated to covering political and non-commercial risk in LDCs.

Public-Private Partnerships are a necessary avenue because neither ODA nor Domestic resources levels will be enough to cover the huge need in investment. Market access schemes should be more comprehensive and lasting, allowing more confidence in investors. Access to financing and skill can spur domestic entrepreneurship. Regional integration is also important to generate larger markets and realise economies of scale.

The discussions today will make a significant contribution to the process leading up to Istanbul and the outcome of Istanbul itself. Indeed, the issue discussed here today will continue to be discussed as move forward towards UN LDC IV.

I commend and thank the PGA President, the panellists and all of you for your commitment and dedication to the LDC cause and congratulate you all for a successful meeting.

I thank you

Joseph Deiss

Concluding Remarks

On the occasion of the Thematic Debate of the General Assembly on Investment in and Financing of Productive Capacities in LDCs

New York, 11 March 2011

We are now reaching the end of this Thematic Debate.

I believe that we have had very good discussions and interactions. I would just like to highlight a few points concluding this session.

May I start by saying that our aim was to produce meaningful inputs for the Istanbul Summit on LDCs and these inputs should be focused on the questions of investment and job creation, basically on the questions of economic development in LDCs. In this respect, simple economic rules always remain valid. Better prices food mean better revenues for farmers. A price increase, therefore, is a strong incentive to produce more food. The reality is more complex but we should not make a crisis out of any price increase.

This said, for me, there are four points coming out of the discussion.

First, there is no doubt about the importance of the private sector for development. I was impressed by the number of times that this dimension was recalled. The Vice Minister of Planning and Investment of Lao, for instance, stressed that between 50-60% of investment in Lao should be privately financed.

Low-income countries that have managed to escape the under development trap – such as the East Asian countries - have done so through developing productive capacities. These countries have addressed mass poverty through structural transformation and the expansion of employment opportunities. This is indeed an important lesson for LDCs.

Second, given the heterogeneity of their economies, it is difficult to identify a single productive capacity development strategy for all LDCs. The proper mix of sectoral production will vary among the LDCs, a combination of agriculture, manufacturing and services are needed.

What is important for all these activities – and the Secretary-General made this point very clearly in his remarks – is the creation of added value.

A third point is that great attention must be given to institutions: we are talking here about democracy, rule of law and property rights, and good governance, legitimacy and accountability. The point is to create a business climate conducive to investment and private sector development. Investments to overcome infrastructure bottlenecks will also be important, as well as enhancing human capacities and fostering innovation, dissemination of knowledge and transfers of technology. Open markets and regional integration are other key elements.

Fourth, it will be difficult for the LDCs to succeed in building productive capacities without the support of the international community. As I said in the beginning, economic rules apply, but for LDCs this is not enough. They need a conducive international environment, they need special support to enhance their competitiveness. We must strengthen the partnership for development for LDCs in the area of investment, trade. We have been talking about market access and market entry in particular. We have to recall that important negotiations are underway in the field of trade, aid, and debt relief. We must foster policy coherence for development at the international level.

Addressing these issues in the LDCs is crucial as these ingredients are essential for the development of productive capacities in the LDCs. We have a chance to help address these issues as we head towards the Fourth LDCs Conference.

Finally, I would just like to thank all the panellists for their valuable contributions.

7th National Socio-Economic Development Plan (2011-2015)

Presented by:

H.E. Dr. Bounthavy SISOUPHANTHONG

Vice Minister

Ministry of Planning and Investment

Of the Lao People's Democratic Republic

Structure of the Plan

I. Implementation of the 6th National Socio-Economic Development Plan (2006-2010)

II. 7th National Socio-Economic Development Plan (2011-2015), measures and implementation mechanism

I. Achievement of the 6th National Socio-Economic Development Plan (2006-2010)

1. Macroeconomic

- The economy grew at 7.9% per annum on average, compared to the 5th NSEDP (2001-2005) increased by 1.08 times.
- GDP per capita: US$ 573 in 2005-2006 up to US$ 1,069 in 2009-2010

- Inflation: 8% (2001-2005) to 4.41% (2009-2010)
- Stable exchange rate
- Trade deficit: 5.3% of GDP
- Budget revenue : 16.5% of GDP and budget deficit 4.7% of GDP
- Foreign reserve covers about 6 months
- Poverty rate has been reducing from 33.5% (2002-2003) to about 26% (2009-2010)

2. Investment balances

- **State investment:**

Totally 24,747 billion kip, of which domestic 3,982 billion kip, ODA 20,765 billion kip (about US$2,443 million, an average at US$488 million per annum);

- **Domestic and foreign investment**

Actual 1,022 projects with US$ 11.06 billion, of which private investment for domestic about US$ 2 billion.

- **Outstanding Achievement**:
  - Political stability, peace and security were maintained
  - The economy expanded continuously and at 7.9% GDP growth, exceeded the original target of 7.5%). Overall macro-economic stability has been maintained.
  - The impacts of two natural disasters were withstood, and the country was able to effectively safeguard itself from the global financial crisis
  - The economic structure is moving towards industrialisation and modernisation. Production for commercial purposes is increasingly occurring following the market mechanism
  - Poverty levels have decreased. The living conditions of Lao people have improved; International organizations, friendly countries and development partners cooperation have been increasing and deeply integrated to the global.

- **Some challenges:**
  - Poverty has considerably reduced but inequality persists; the industry sector has grown at a slower rate compared to the service sector
  - There are good basic public investments, but no focal investment areas are identified. The effectiveness of public investment is low.
  - A number of public investment projects still lack financial support for implementation. Contribution from Government counterpart funding was relatively modest so reliance on foreign aid is still high.
  - Labour demand and job creation for the workforce have been carried out according to the market mechanism but have not been well planned. As the result, labour market is not balanced

II. 7th National Socio-Economic Development Plan (2011-2015)

Characteristic of NSEDP VII : still be an ambitious plan including 6 points :

- Rapid growth, stability and sustainability
- Comprehensive basic infrastructure, especially in the rural area, connecting to the region and global
- Improving governance efficiency, transparency, and solving all obstacles
- Achieving MDGs with a quality
- International integration
- and openness trade

Goals

1. Ensure continuation of national economic growth with security, peace and stability, and ensure GDP growth rate of at least 8% annually and GDP per capita to be at least USD 1,700.
2. Achieve the Millennium Development Goals by 2015, and adopt appropriate technology and skills, and create favourable conditions for graduating the country from LDC by 2020.
3. Ensure sustainability of development by emphasising economic development with, cultural and social progress, preserving natural resources and protecting the environment.
4. Ensure political stability, peace and an orderly society.

Overall directions

1. Develop all aspects of national economy: Build a strong base for sustained economic growth
2. Make dynamic changes towards rural development, historical and focal development areas and poverty eradication
3. Socio-cultural, economic development and environmental protection must reinforce each other
4. Increase enforcement and effectiveness of public administration, reform democratic state in the direction of rule of law, ensure equality and justice in society
5. Ensure national defence and security across the country in order to maintain political stability, and social order
6. Increase cooperation with friendly countries at regional and global levels and raise competitiveness at the regional and international levels
7. Implement industrialisation and modernisation strategies in a progressive way

7th Plan macroeconomic targets

- **GDP growth rate: at least 8%**
  - Agriculture and forestry : 3.5%
    (share: 23.0% of GDP)
  - Industry : 15%
    (share: 39.0% of GDP)
  - Service : 6.5%
    (share: 38.0% of GDP)
- **GDP per capita: $1,700 by 2014-2015**
- **Inflation: less than GDP growth rate**
- **Exchange rate stays stable**
- **Revenue: ~ raise to 19-21% of GDP**
- **Budget deficit <5% of GDP**

7th Plan social sector targets

- Poverty to reduce below 19% and household poverty ratio 11%
- Net enrolment rate at Primary school at 98%
- Proportion of pupils starting grade 1 who reach grade 5 at 95% , literacy rate in the age group 15-24 at 99%
- Reduce CMR at 70/1,000 live births and IMR to 45
- Reduce MMR to 260/100,000 live births
- Prevalence of underweight in children under age 5 : 20% and stunting in children under age 5 : 34%

Balance of Financial Sources for Investment During The 5 Years

- In order to achieve the annual GDP growth at 8% (or more), and total investment 32% of GDP or 127 thousand billion kip (about USD 15 billion)

	% to total investment	Value (thousand billion kip)	Value (USD million)
Government budget	8-10%	10-12	1,200-1,400 (average 240 per annum)
Grants and loans	26-28%	33-35	3,800-4,200 (average 776 per annum)
Domestic and international private investment	50-56%	64-70	7,400-8,300 (average 1,700)
Credits	10-12%	13-15	1,500-1,800 (average 360 per annum)

Labor balance and employment

- Projected data 2015, employment ratio:
  - Agriculture: about 70%
  - Industry: about 7%
  - Service: about 23%

Targets of integration

- Openness ratio per GDP
  - Lao PDR 83%

•In the next 5 years, it is targeted to achieve highest export growth rate , in order to open to trade at 100% (but it is a main challenge to achieve that figure)

Rural development and poverty alleviation

- In the 7th NSEDP, poor villages and districts are targets and priorities for rural development and poverty alleviation
- Village and district development concentrates on the production and services that generate high value added and high competitive advantages.

Regional and Local development

- Development by regions (north, central and south)
- Geographical development (mountainous and remote areas, flat areas and areas along the borders)
- Urban development
- Village and targeted area development
- Special economic zone development

Measures

1. Fund mobilizing and increase the effectiveness of fund utilization
2. Firmly grasp the policy on economic Renouveau along socialist path
3. Applying the policy on industrialization and modernization, promote the use of science and technology
4. Human resource development, staff capacity building

Measures (cont.)

5. Enhance capacity and the effective State's management of economy
6. Implementation of the VII five-year socio-economic plan and deconcentralization.
7. Fostering international economic cooperation and seeking support from friendly countries and development partners
8. Translating the VII Five Year Socio-economic Development Plan into actual sectors in grass root localities

Thank you
for your kind attention

National Development Strategies to Enhance Productive Capacities

Erik S. Reinert
The Other Canon Foundation, Norway

United Nations General Assembly

New York, March 11, 2011

Main challenge to fostering investments in productive capacities

The least developed countries are locked into a vicious circle created by a <u>lack of productive capacity</u> and a <u>lack of demand</u>:

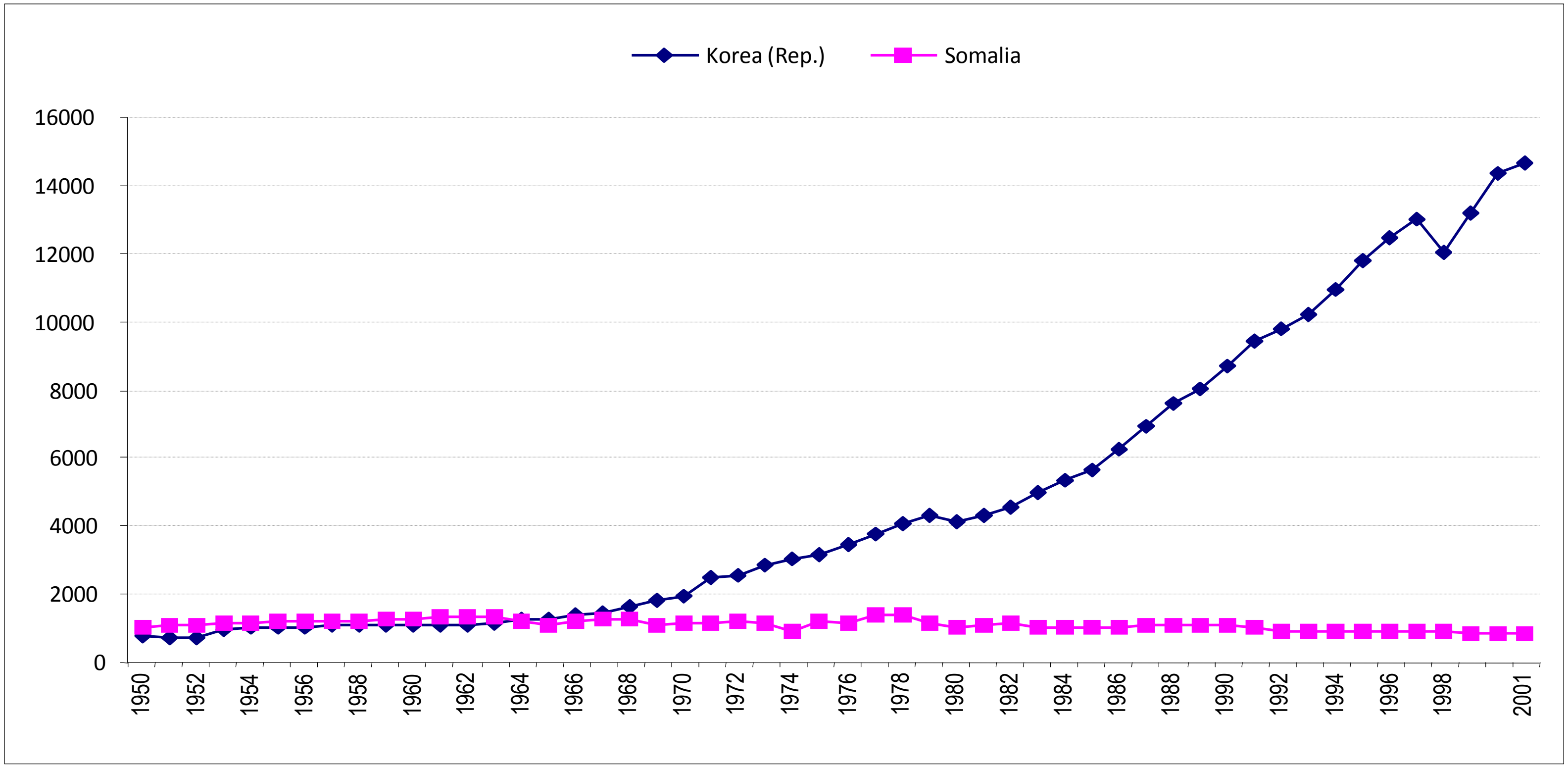
These factors reinforce each other mutually.

Obvious question:

How have other countries historically escaped this lock-in effect?

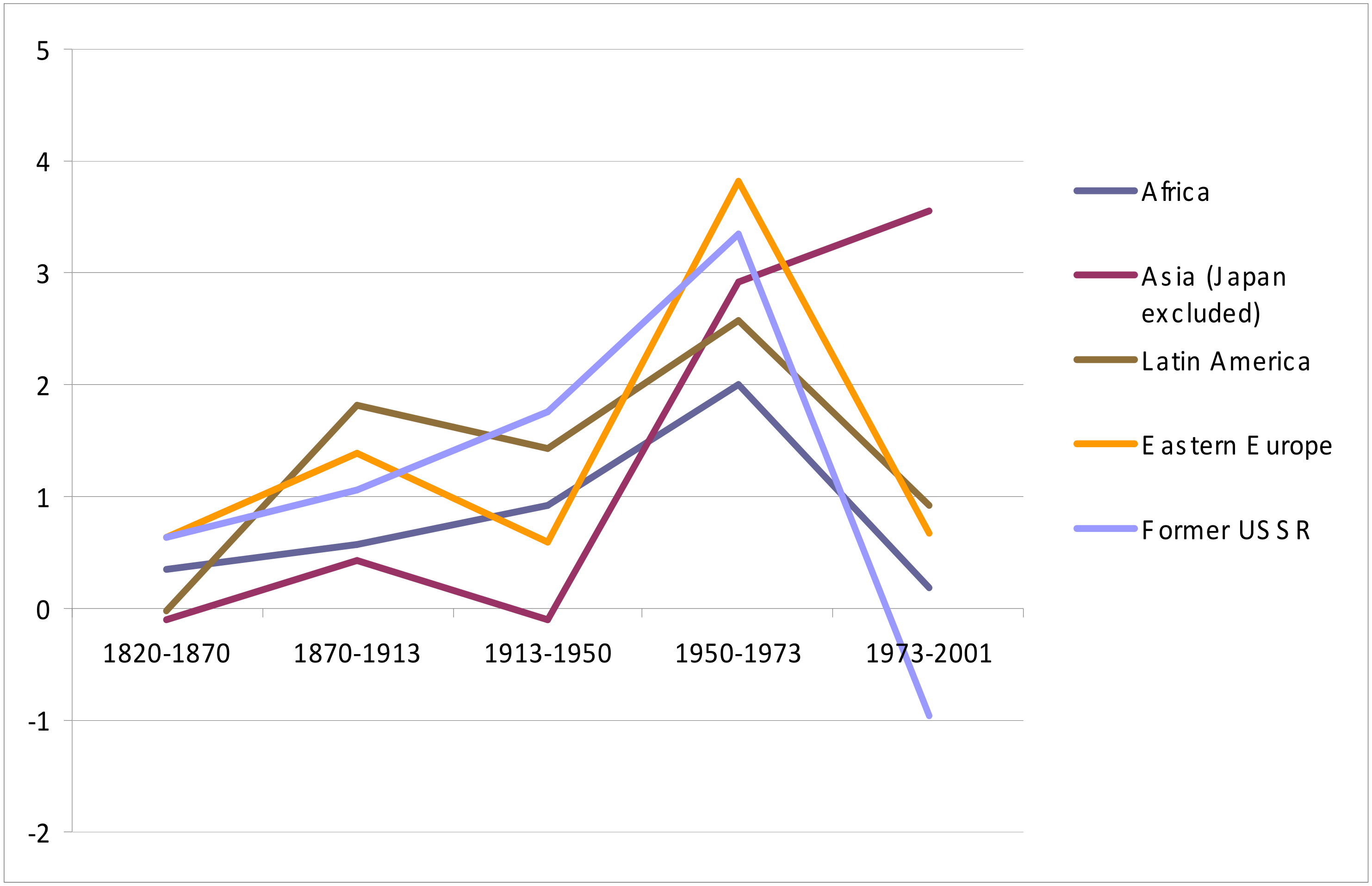
What are the mechanisms behind sudden take-offs?
Blind spots of today's standard economic theory

Korea (Rep.)-Somalia, GDP per Capita 1950-2001



Source: original data extracted from Angus Maddison, OECD, Paris, 2003

Growth rate of GDP per capita of selected world regions; regional average in selected periods between 1820 and 2001; annual average compound growth rate.



Main blind spot of today's economics:

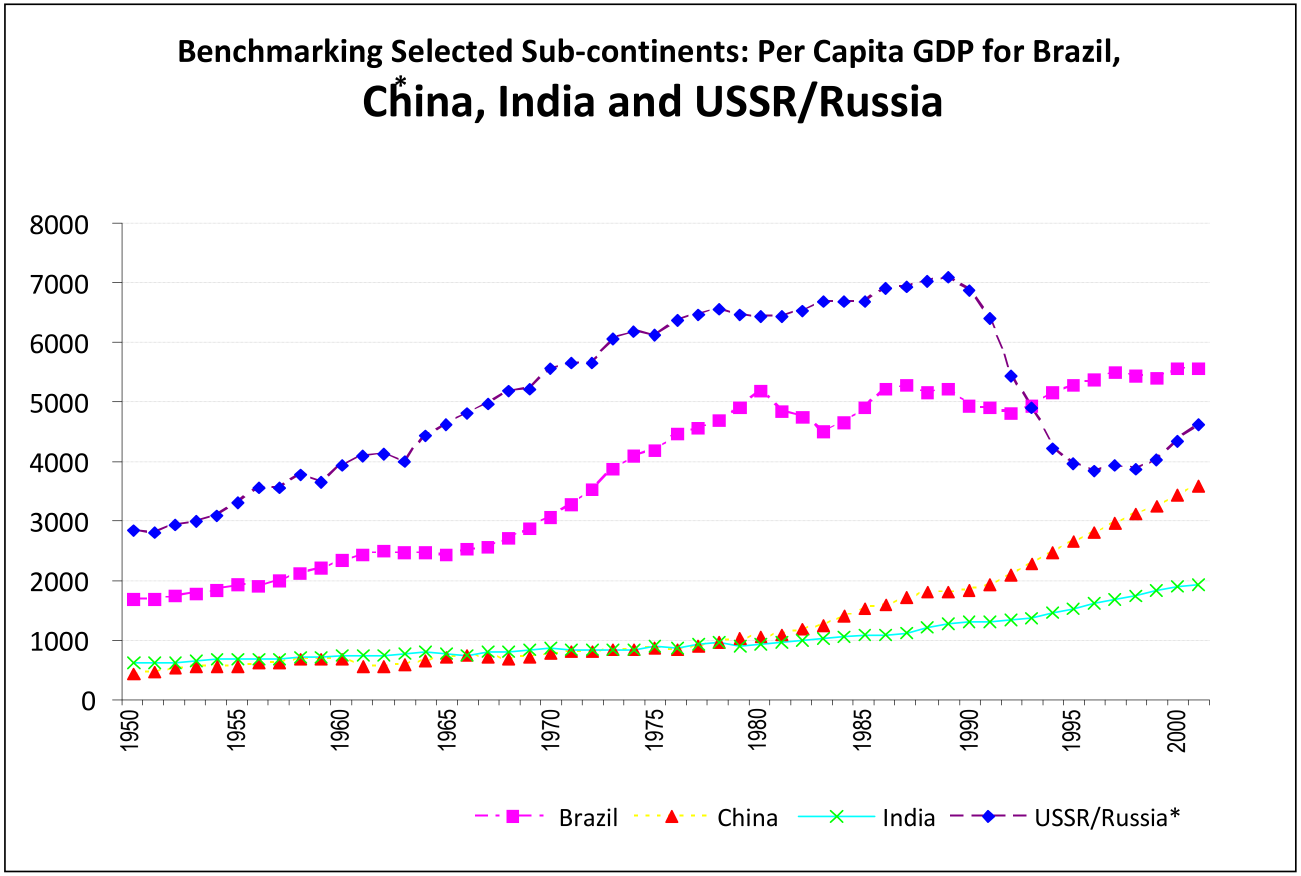
Economic activities are qualitatively different!

Conclusion from the last 500 years of economic history: Only <u>a large division of labour</u> between economic activities subject to <u>increasing returns</u> has created economic welfare (= manufacturing)

Common element of all failed states:

Manufacturing sector below 6 per cent of GDP

SHOCK THERAPY VS. CONTINUITY OF INDUSTRIALIZATION: RUSSIA VS. CHINA AND INDIA

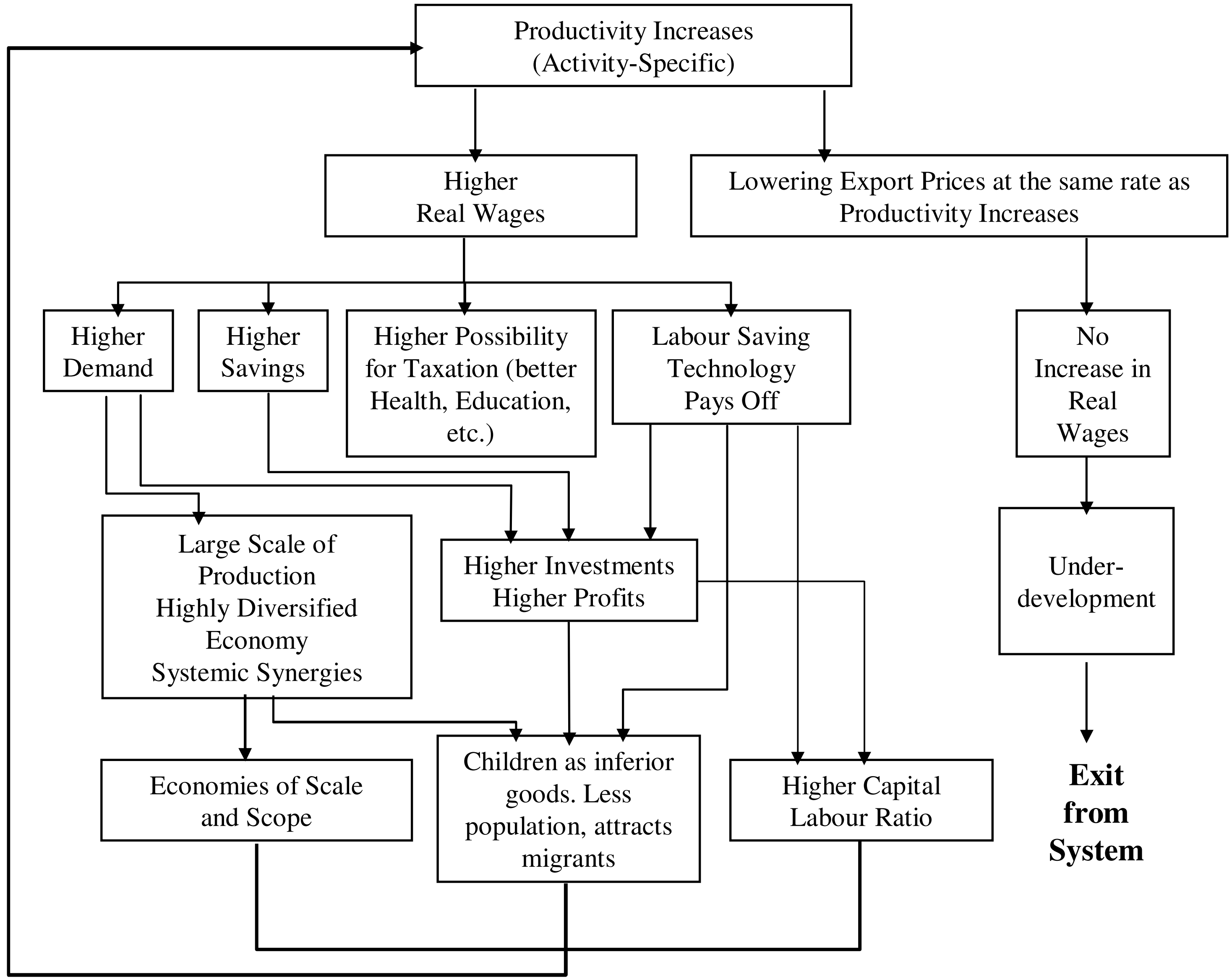


Source:original data extracted from Angus Maddison, The World Economy, Statistics, OECD, Paris, 2003 *USSR became Russia in 1991.

Characteristics of Economic Activities: GOOD (Schumpeterian) and BAD (Malthusian) Activities

‘Good’ export activities	‘Bad’ export activities if no Schumpeterian sector present
• Increasing returns	• Diminishing returns
• Dynamic imperfect competition	• ‘Perfect competition’ (commodity competition)
• Stable prices	• Extreme price fluctuations
• Generally skilled labour	• Generally unskilled labour
• Creates a middle class	• Creates ‘feudalist’ class structure
• Irreversible wages (‘stickiness’ of wages)	• Reversible wages
• Technical change creates higher wages to the producers	• Technical change tends to lower prices to the consumers
• Creates large synergies (linkages, clusters)	• Creates few synergies

The Virtuous Circles of Economic Development: Marshall Plans



Source: Reinert (1980) , p. 39.

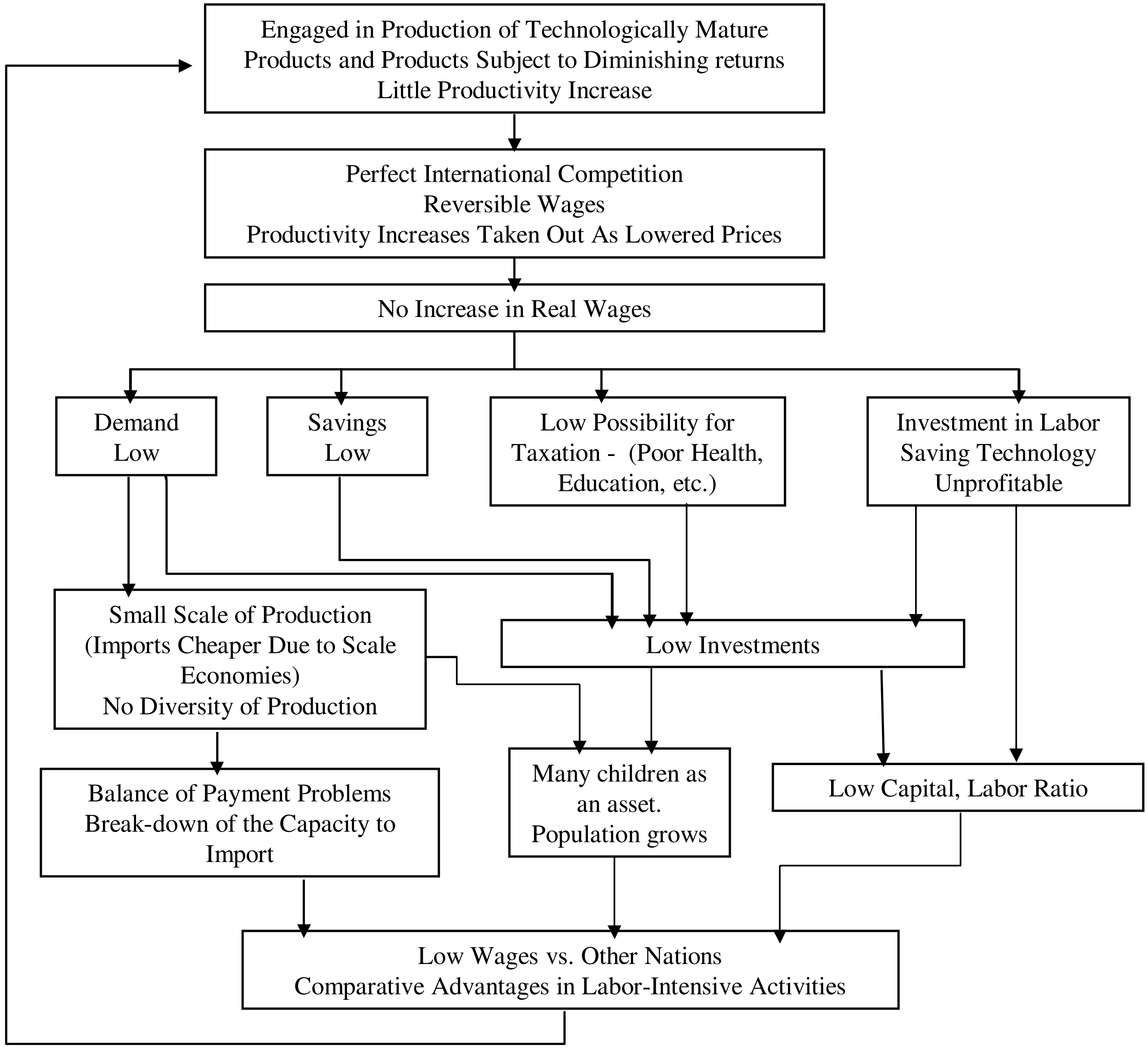
A Morgenthau Plan:
The most cruel punishment:

In 1943 the Allies decided that the most cruel punishment they could give Germany after two wars was to deindustrialize the country: this was called the Morgenthau Plan.

The result was so economically devastating that, in June 1947, an exact opposite plan, the Marshall Plan was started (re-industrialization)

To many small countries in the world periphery, globalization has worked as a Morgenthau Plan.

The Vicious Circles of Poverty: Morgenthau Plans



LDC policy recommendations:

- Diversify economic structure (role of Apartheid in present-day Zimbabwe)
- ’Minimum efficient size’ of nations larger than before: economic integration required.
- Analyze import bill to identify areas where small policy measures may increase national production.
- Resurrect UN 1948 Havana Charter allowing nations to have their own industrial policy in a global Marshall Plan.

Main lesson:

In terms of economic policy, don't do what the Europeans and Americans tell you to do, <u>do as the Europeans and Americans did.</u>

i.e. EMULATION (copying the economic structure of wealthy countries) before relying on COMPARATIVE ADVANTAGE.

Panel II "Reorienting International Support Mechanism towards enhancing LDCs competitive advantage

Informal Thematic Debate of the 65th Session of the United Nations General Assembly on Investment in and financing of Productive Capacities in LDCs

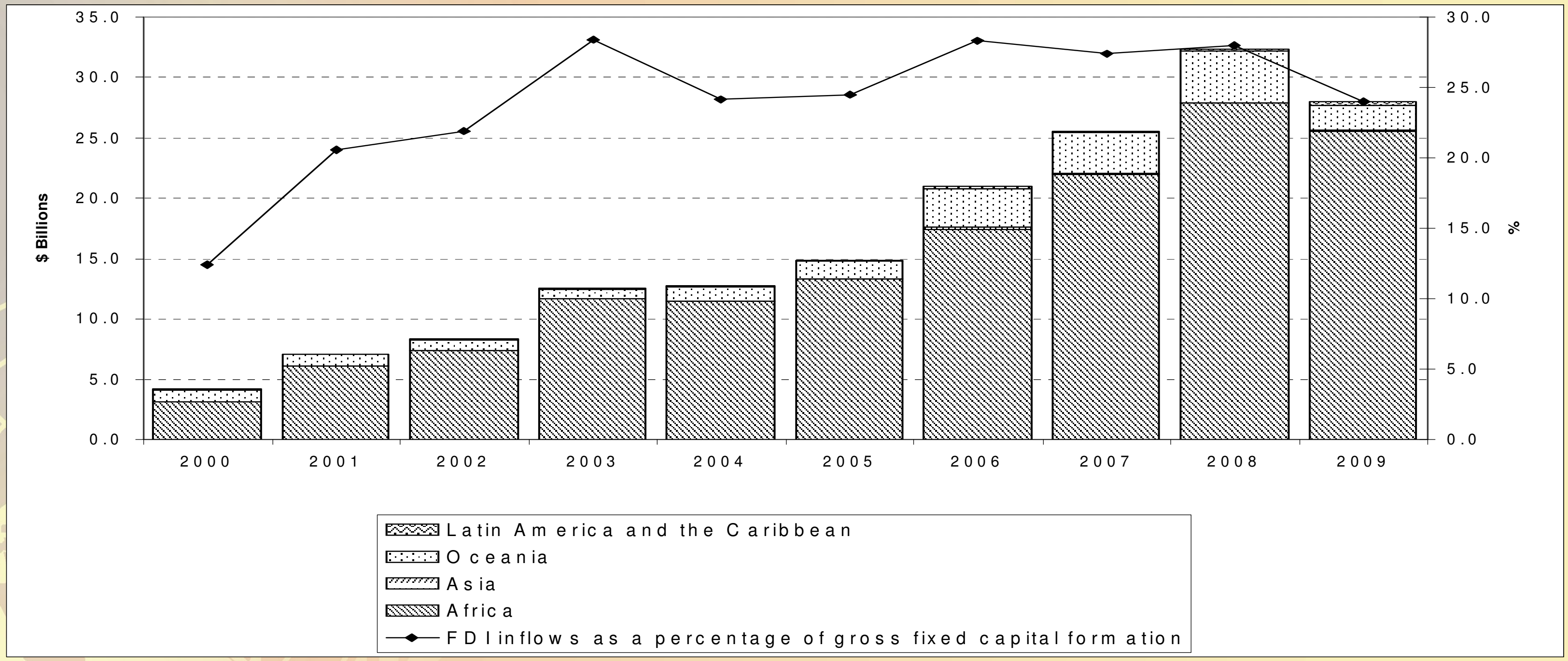
Friday, 11 March 2011, New York

James Zhan
Director
Investment and Enterprise Division
UNCTAD

FDI in LDCs on the Rise…

- Inflows to LDCs: more important source of financing
  $8 billion in 2002 → $28 billion in 2009
- They account for a significant share of domestic capital formation (average 24%)

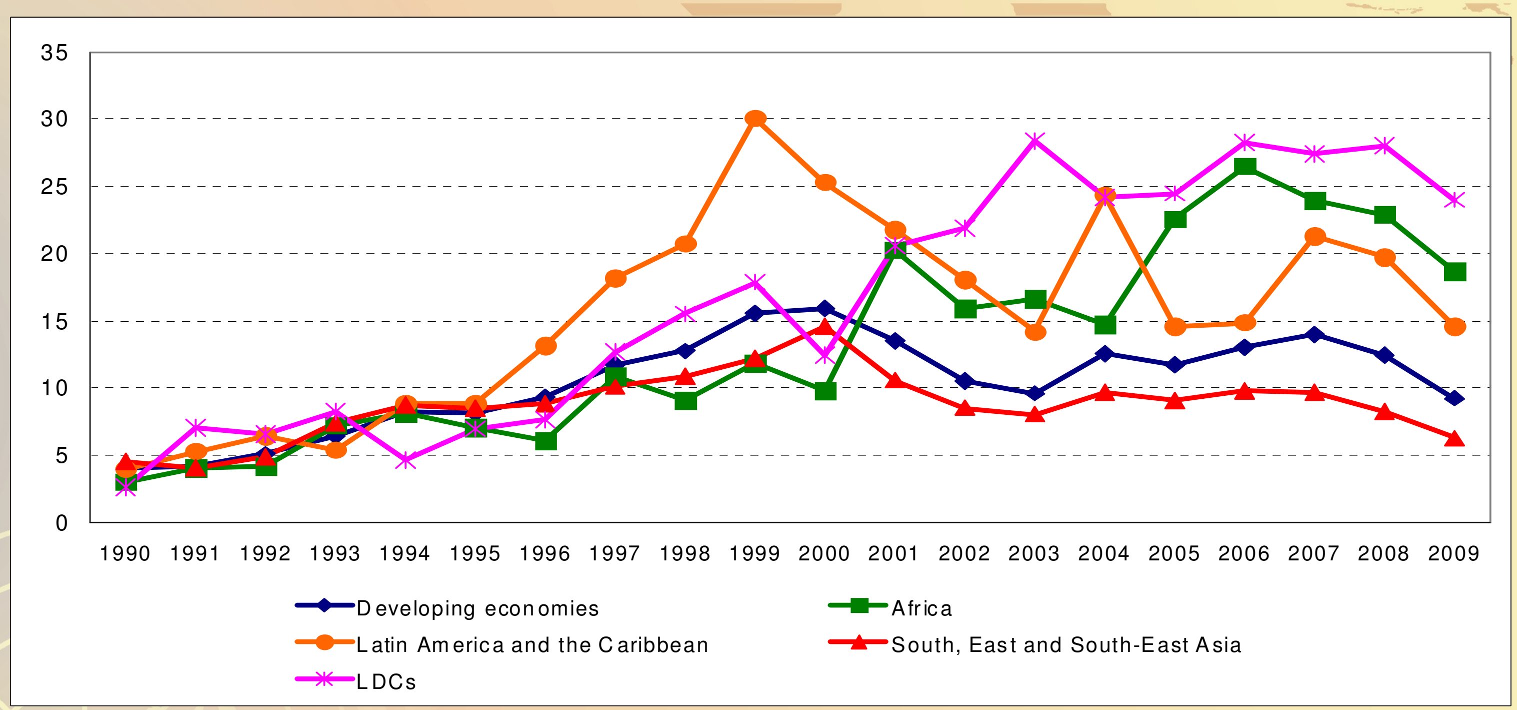
FDI inflows into the LDCs and their share in gross fixed capital formation, 2000-2009



Source: UNCTAD, FDI/TNC database.

The share of FDI in capital formation has been higher than any other developing regions in recent years

FDI inflows as a percentage of gross fixed capital formation, 1990-2009
(Per cent)

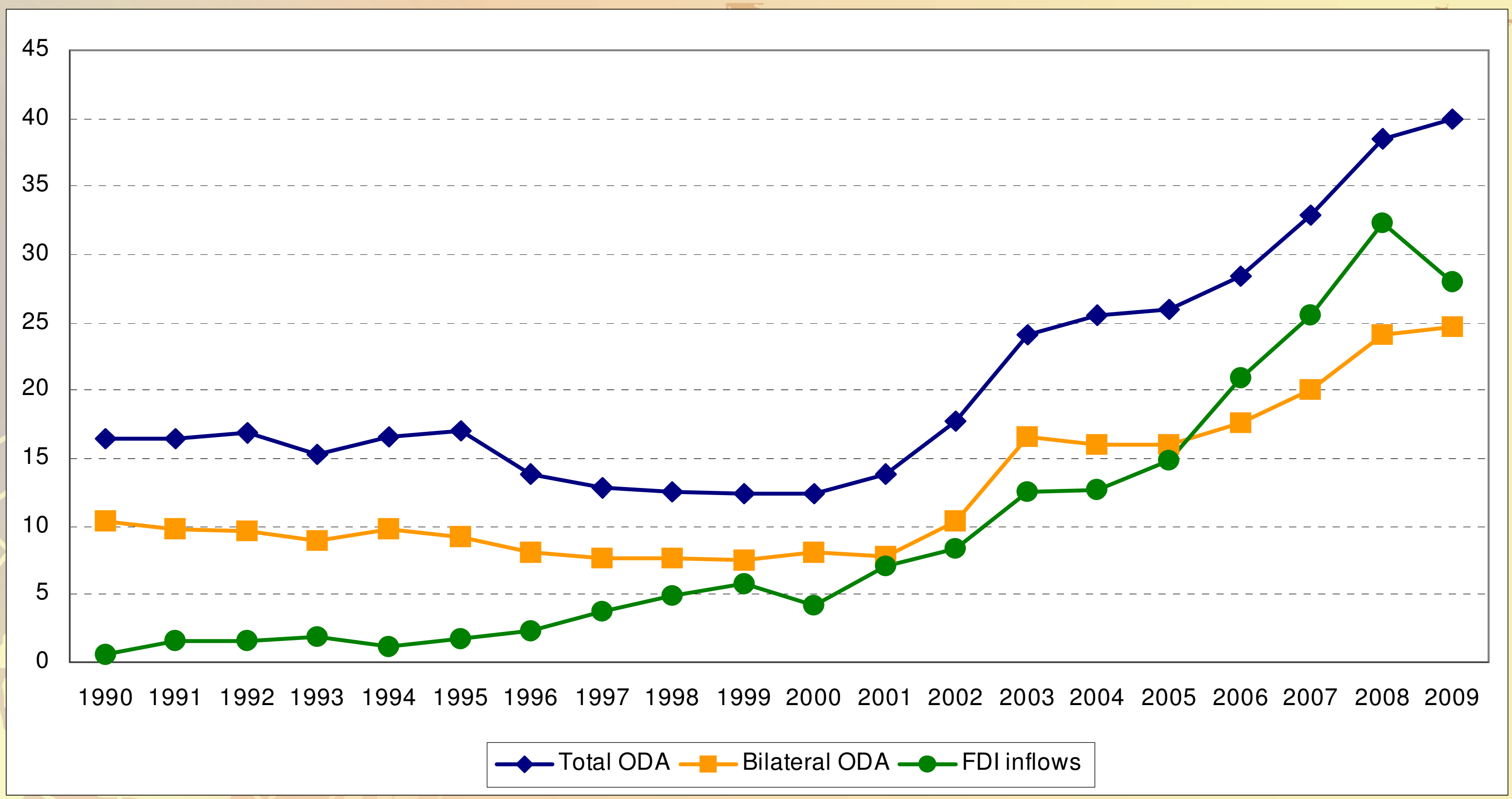


Source: UNCTAD, FDI/TNC database.

FDI could potentially play a bigger role in LDCs than in other developing regions if productive capacities were in place.

FDI inflows have been higher than bilateral ODA to LDCs since 2006

(Billions of dollars)



Source: UNCTAD FDI/TNC database and OECD.

… but the distribution remains uneven

- **High concentration in few natural-resource-rich countries, particular in Africa**

Distribution of FDI flows among economies, by range a, 2009

(Millions of dollars)

Range	Inflows	Outflows
Above $10.0 billion	Angola	..
$2.0 to $9.9 billion	Sudan	..
$1.0 to $1.9 billion	Equatorial Guinea	..
$0.5 to $0.9 billion	Zambia, Democratic Republic of Congo, Mozambique, Uganda, Niger, Bangladesh, United Republic of Tanzania, Madagascar and	..
$0.2 to $0.4 billion	Chad, Liberia, Myanmar and Senegal	Liberia
Below $0.1 billion	Afghanistan, Solomon Islands, Burkina Faso, Lao People's Democratic Republic, Yemen, Rwanda, Mali, Somalia, Djibouti, Ethiopia, Benin, Malawi, Togo, Lesotho, Gambia, Central African Republic, Nepal, Haiti, Bhutan, São Tomé and Principe, Sierra Leone, Vanuatu, Timor-Leste, Guinea-Bissau, Burundi, Maldives, Comoros, Tuvalu, Kiribati, Samoa, Eritrea and Mauritania	Yemen, Sudan, Democratic Republic of Congo, Bangladesh, Senegal, Solomon Islands, Rwanda, Niger, Angola, São Tomé and Principe, Mali, Mozambique, Samoa, Malawi, Burkina Faso, Guinea-Bissau, Vanuatu, Cambodia, Benin and Togo

Source: UNCTAD, FDI/TNC database.

[a] *Ranked on the basis of the magnitude of 2009 FDI inflows.*

Greenfield FDI Projects (dominant mode of investment) in LDCs, by Industry, 2007-2009

(Number)

Sector/industry	2007	2008	2009
Total sectors	110	327	269
Primary	20	55	26
Coal, oil and natural gas	12	29	17
Manufacturing	45	113	97
Food, beverages and tobacco	10	33	30
Textiles	6	5	4
Chemicals and chemical products	1	7	4
Non-metallic minerals	2	12	8
Metals	18	30	15
Machinery and equipment	1	5	6
Electrical and electronic equipment	2	3	4
Motor vehicles & other transport equipment	4	8	18
Services	45	159	146
Hotels and tourism	9	16	10
Transport, storage and communications	12	26	30
Financial services	14	93	76
Business activities	9	22	27

Source: UNCTAD FDI/TNC database.

Manufacturing and services are important recipient sectors:

•Agro-business accounts for one third of manufacturing investments

• In the services sector, financial services account for the largest share of services investments, followed by transport and communications are the next important industry

Greenfield FDI Projects in LDCs by Investor Region, 2007-2009

(Number)

Investor region/economy	2007	2008	2009
World	110	327	269
Developed countries	49	124	106
European Union	28	78	77
Japan	3	5	5
United States	10	21	15
Developing economies	61	201	161
Africa	10	77	66
Latin America and the Caribbean	4	3	5
Asia	47	121	90
West Asia	13	35	12
South, East and South-East Asia	34	86	78
China	10	12	16
India	7	18	12
Malaysia	2	16	17
Viet Nam	6	19	9
Transition economies	-	2	2
Russian Federation	-	1	2

Source: UNCTAD FDI/TNC database.

Investments from developing countries account for more than a half of total new investments

Labour intensity of FDI projects in LDCs is low compared to other developing regions

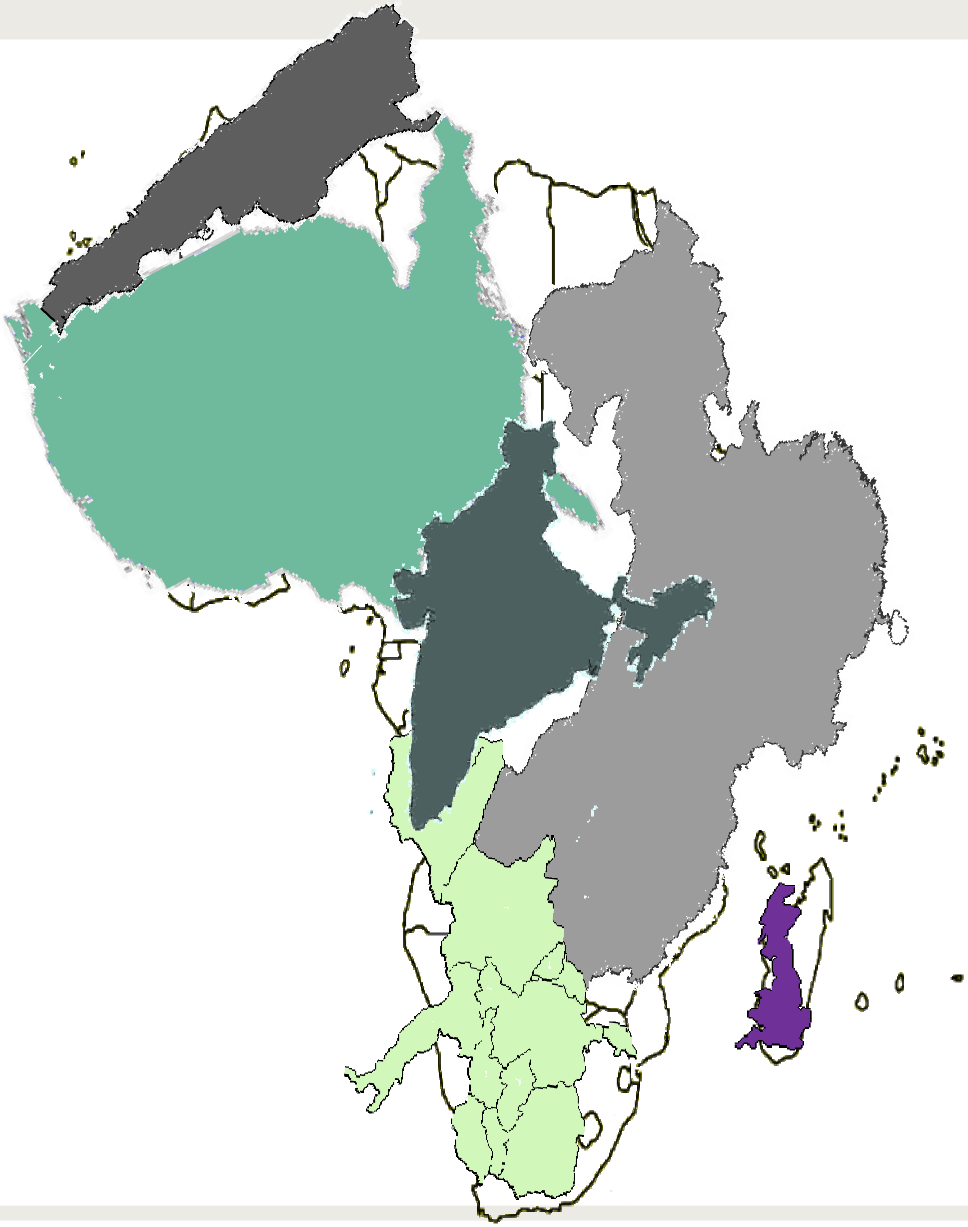
Sales, employment and labour intensity, by region, 2007

Host region	Sales ($ million)	Employment (thousand employees)	Share of foreign affiliates in total sales in host economies	Share of foreign affiliates in total employment in host economies	Labour intensity (number of employees per $1 million sales)
Sub-saharan Africa	**236 454**	**698**	**14.9**	**0.2**	**3.0**
Memorandum					
World	20 862 156	67 041	18.7	2.3	3.2
Developed countries	15 842 663	30 103	20.3	6.3	1.9
Developing economies	4 753 877	35 433	15.9	1.5	7.5
Latin America and the Caribbean	1 620 600	7 365	21.7	3.0	4.5
South, East and South-East Asia	2 510 480	26 046	15.3	1.5	10.4

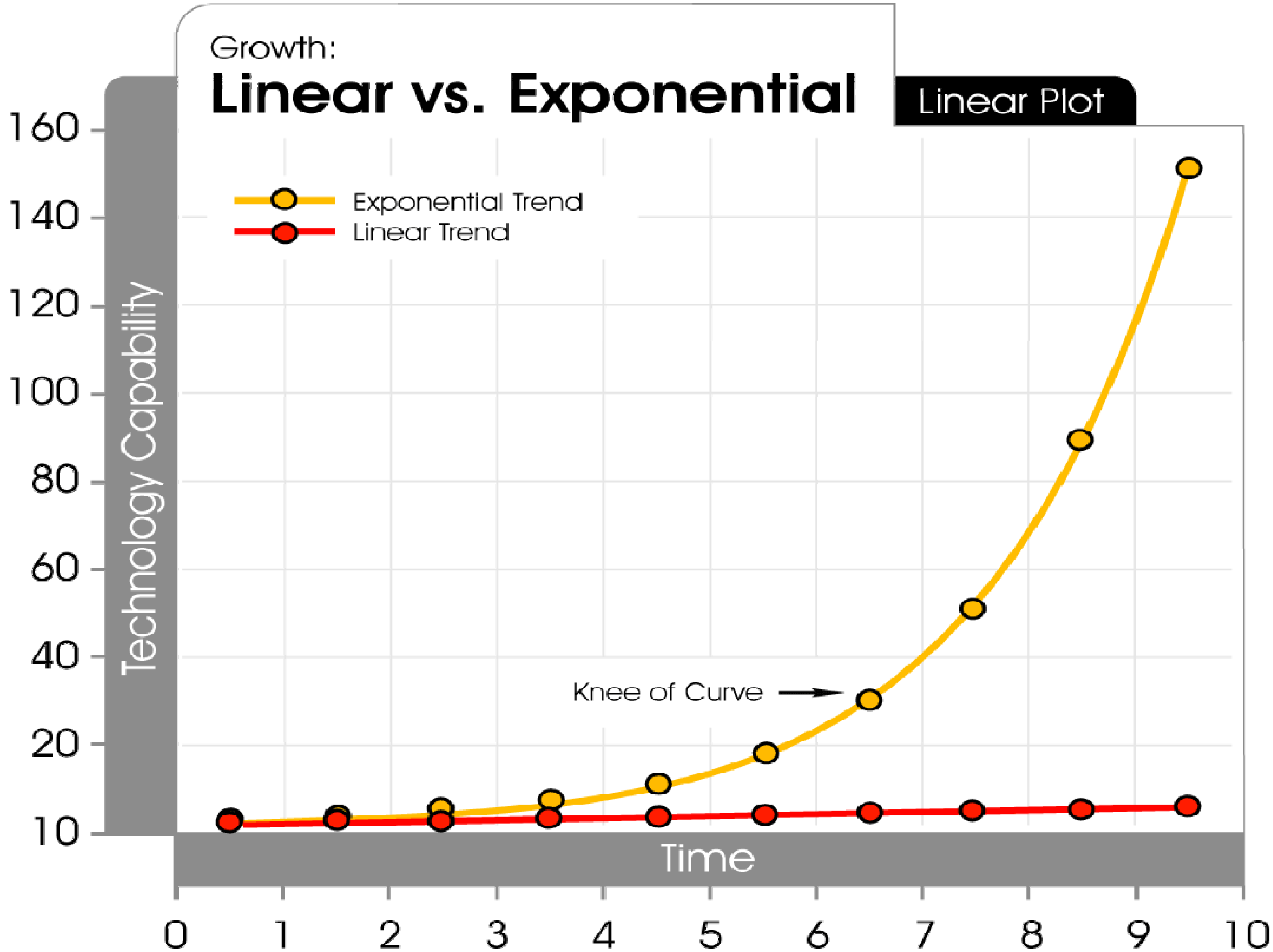
Source: UNCTAD.

Despite the higher share of FDI in gross capital formation in LDCs than in other developing regions, FDI projects do not hire many employees. The labour intensity in Africa LDCs is less than one half of developing countries in general and less than one third of Asia.

THE NEW HARVEST
Agricultural Innovation and Prosperity



Innovation



Technological abundance

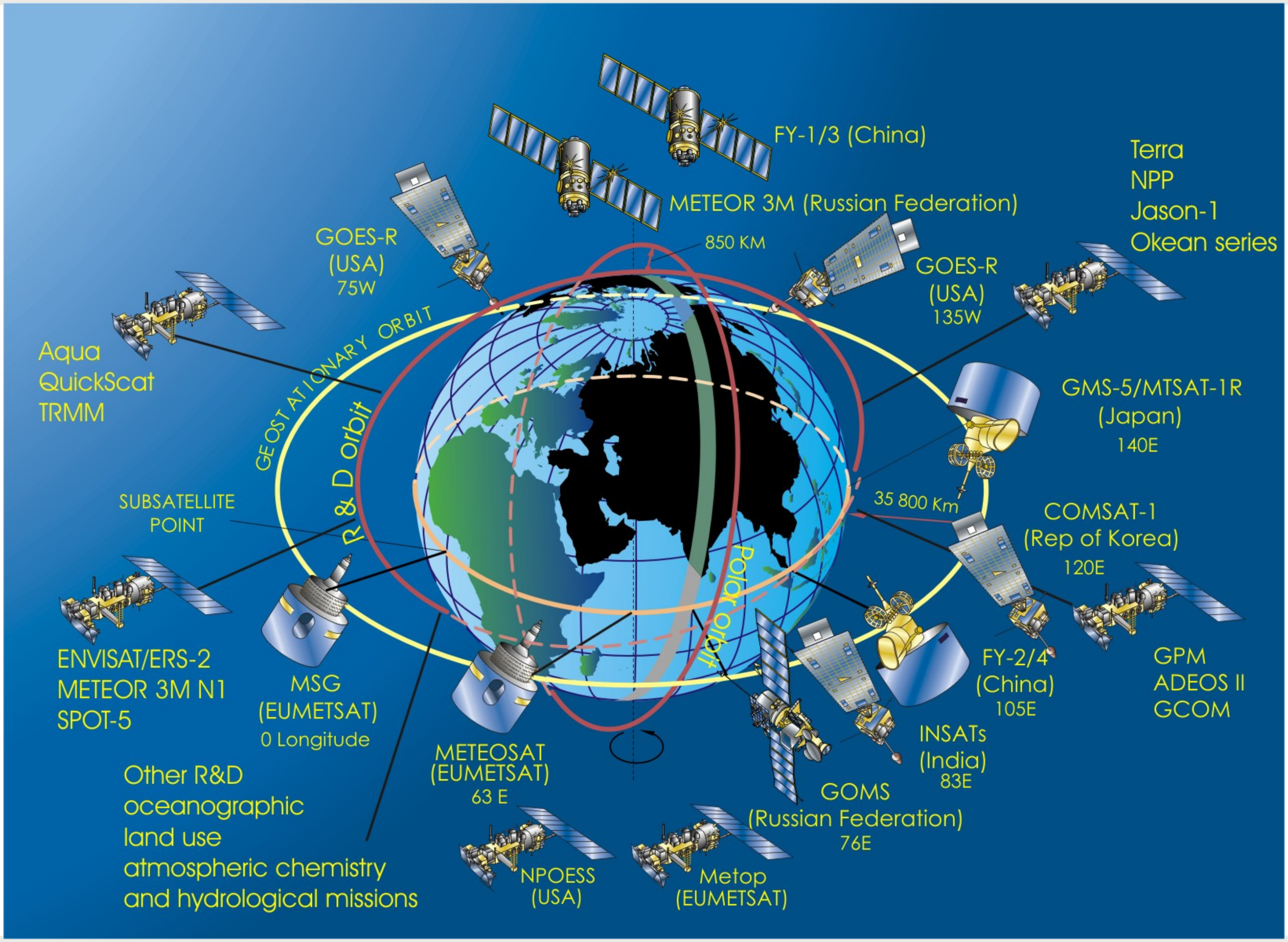
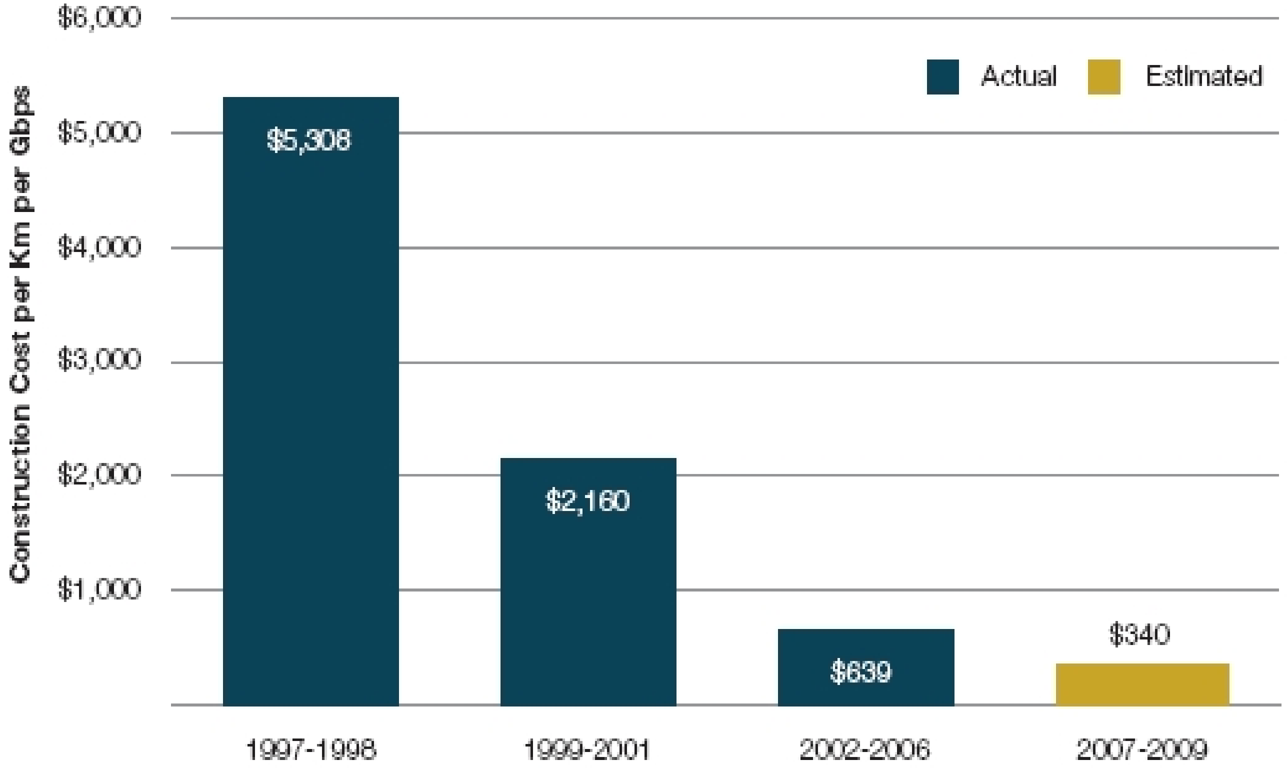

FY-1/3 (China)
METEOR 3M (Russian Federation)
Terra
NPP
Jason-1
Okean series
GOES-R
(USA)
75W
850 KM
GOES-R
(USA)
135W
GEOSTATIONARY ORBIT
Aqua
QuickScat
TRMM
R & D orbit
GMS-5/MTSAT-1R
(Japan)
140E
SUBSATELLITE
POINT
35 800 Km
COMSAT-1
(Rep of Korea)
120E
Polar orbit
ENVISAT/ERS-2
METEOR 3M N1
SPOT-5
MSG
(EUMETSAT)
0 Longitude
FY-2/4
(China)
105E
GPM
ADEOS II
GCOM
INSATs
(India)
83E
METEOSAT
(EUMETSAT)
63 E
Other R&D
oceanographic
land use
atmospheric chemistry
and hydrological missions
GOMS
(Russian Federation)
76E
NPOESS
(USA)
Metop
(EUMETSAT)

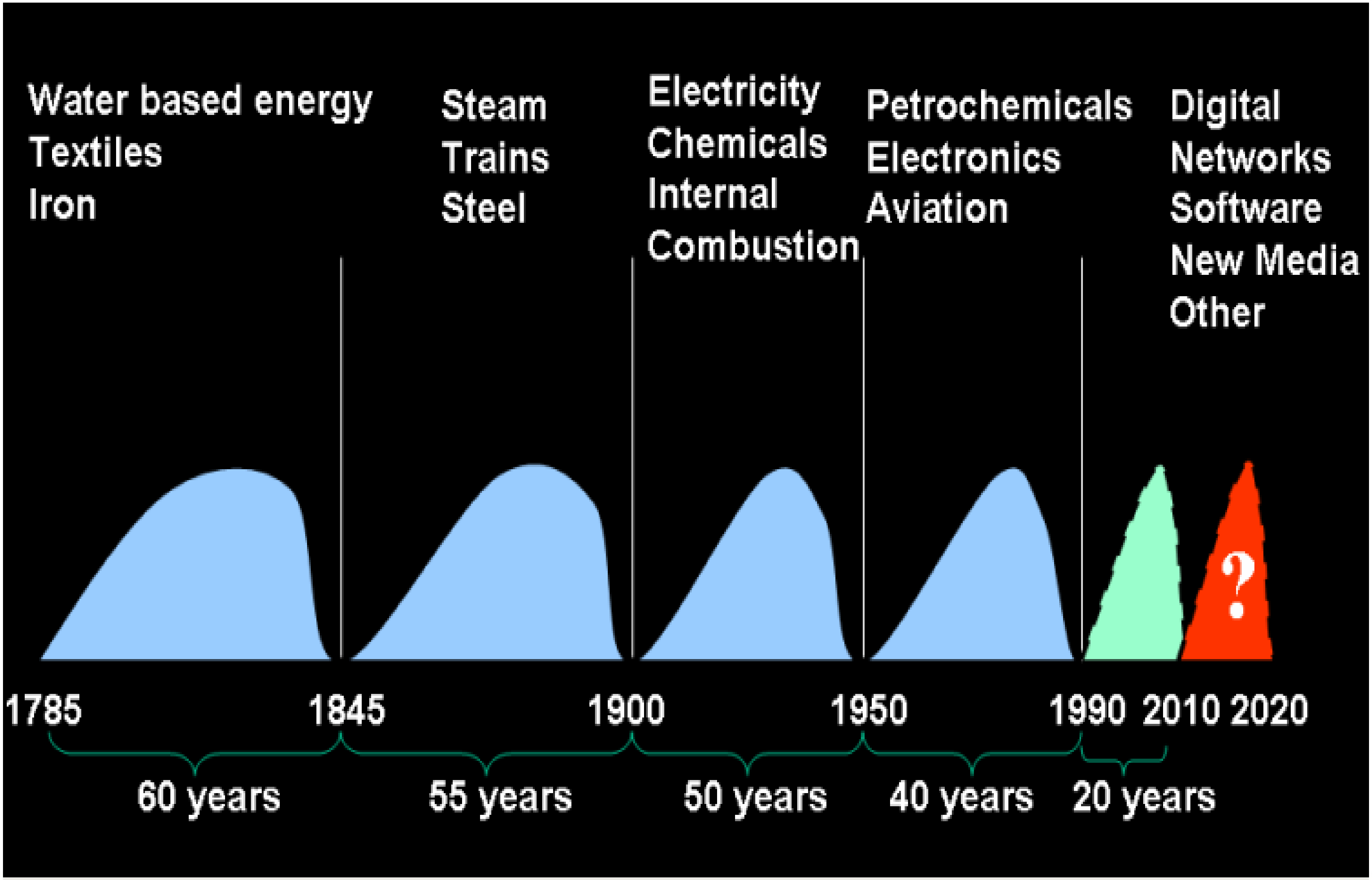
FIGURE 3

Unit Cost of Submarine Cable Systems, 1997-2009



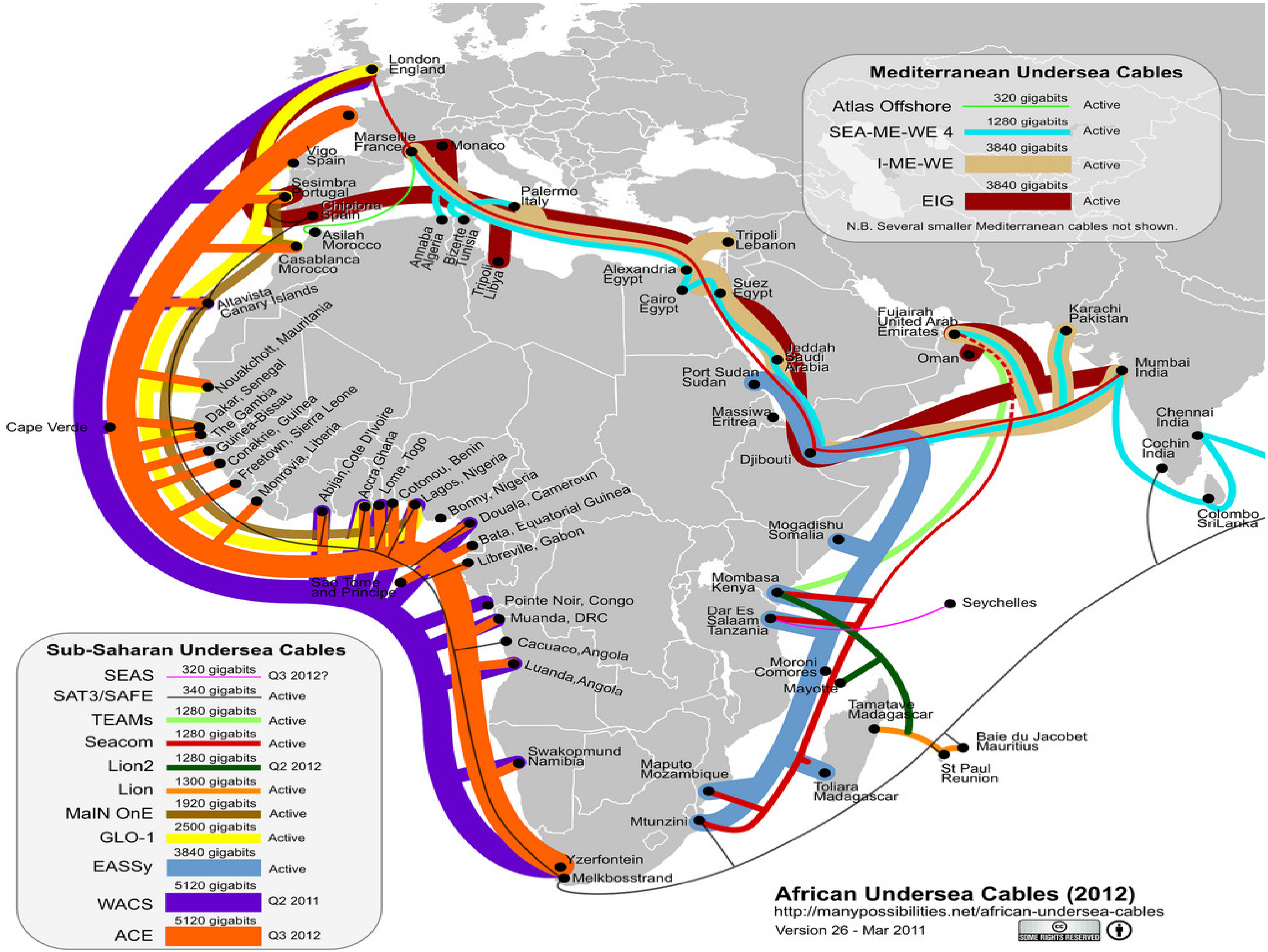
Notes: Unit cost defined as initial cable construction cost divided by total route kilometers divided by RFS capacity. Cables included are over 3,000 kilometers in length and have a maximum design capacity of at least 10 Gbps. Unit costs for 2007-2009 based on announced contract values and TeleGeography estimates.

Source: TeleGeography research



Water based energy
Textiles
Iron
Steam
Trains
Steel
Electricity
Chemicals
Internal
Combustion
Petrochemicals
Electronics
Aviation
Digital
Networks
Software
New Media
Other
?
1785
1845
1900
1950
1990
2010
2020
60 years
55 years
50 years
40 years
20 years

Rural infrastructure



Mediterranean Undersea Cables
Atlas Offshore 320 gigabits Active
SEA-ME-WE 4 1280 gigabits Active
I-ME-WE 3840 gigabits Active
EIG 3840 gigabits Active
N.B. Several smaller Mediterranean cables not shown.
London England
Marseille France
Monaco
Vigo Spain
Sesimbra Portugal
Chipiona Spain
Asilah Morocco
Casablanca Morocco
Palermo Italy
Annaba Algeria
Bizerte Tunisia
Tripoli Libya
Tripoli Lebanon
Alexandria Egypt
Cairo Egypt
Suez Egypt
Jeddah Saudi Arabia
Fujairah United Arab Emirates
Oman
Karachi Pakistan
Mumbai India
Chennai India
Cochin India
Colombo SriLanka
Port Sudan Sudan
Massiwa Eritrea
Djibouti
Mogadishu Somalia
Mombasa Kenya
Dar Es Salaam Tanzania
Seychelles
Moroni Comores
Mayotte
Tamatave Madagascar
Baie du Jacobet Mauritius
St Paul Reunion
Toliara Madagascar
Maputo Mozambique
Mtunzini
Yzerfontein
Melkbosstrand
Altavista Canary Islands
Nouakchott, Mauritania
Cape Verde
Dakar, Senegal
The Gambia
Guinea-Bissau
Conakrie, Guinea
Freetown, Sierra Leone
Monrovia, Liberia
Abijan,Cote D'Ivoire
Accra,Ghana
Lome, Togo
Cotonou, Benin
Lagos, Nigeria
Bonny, Nigeria
Douala, Cameroun
Bata, Equatorial Guinea
Libreville, Gabon
Sao Tome and Principe
Pointe Noir, Congo
Muanda, DRC
Cacuaco,Angola
Luanda,Angola
Swakopmund Namibia
Sub-Saharan Undersea Cables
SEAS 320 gigabits Q3 2012?
SAT3/SAFE 340 gigabits Active
TEAMs 1280 gigabits Active
Seacom 1280 gigabits Active
Lion2 1280 gigabits Q2 2012
Lion 1300 gigabits Active
MaIN OnE 1920 gigabits Active
GLO-1 2500 gigabits Active
EASSy 3840 gigabits Active
WACS 5120 gigabits Q2 2011
ACE 5120 gigabits Q3 2012
African Undersea Cables (2012)
http://manypossibilities.net/african-undersea-cables
Version 26 - Mar 2011
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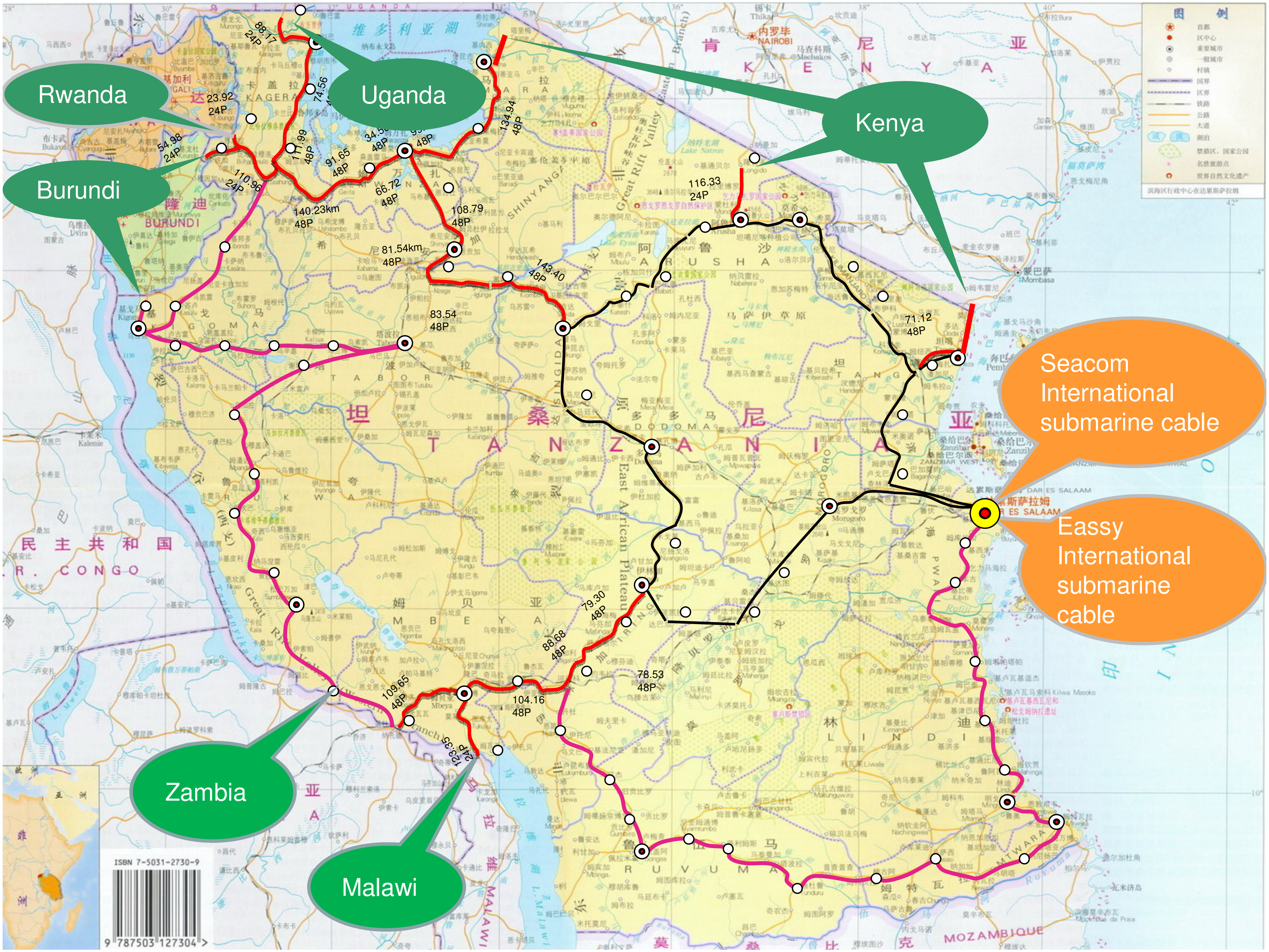
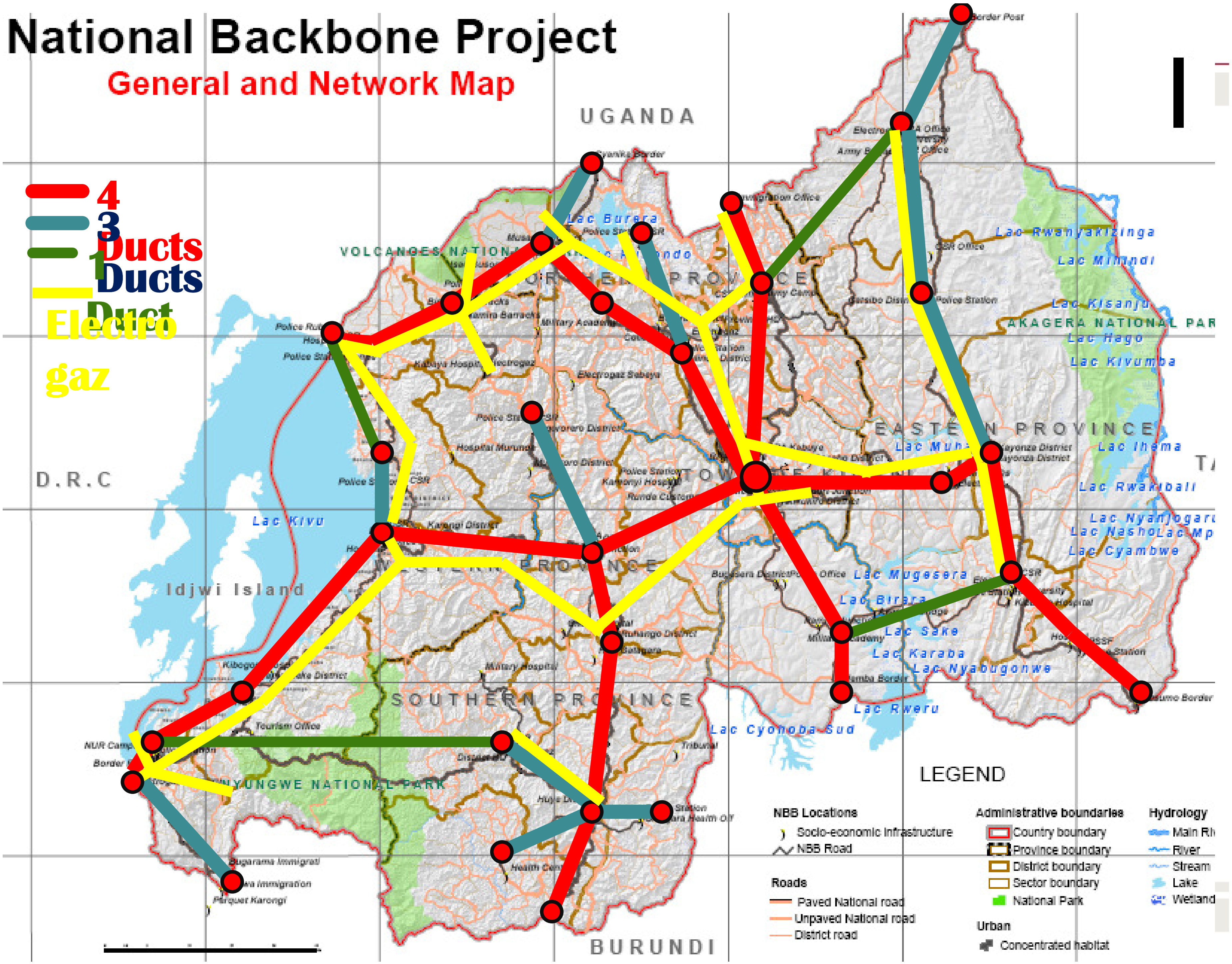
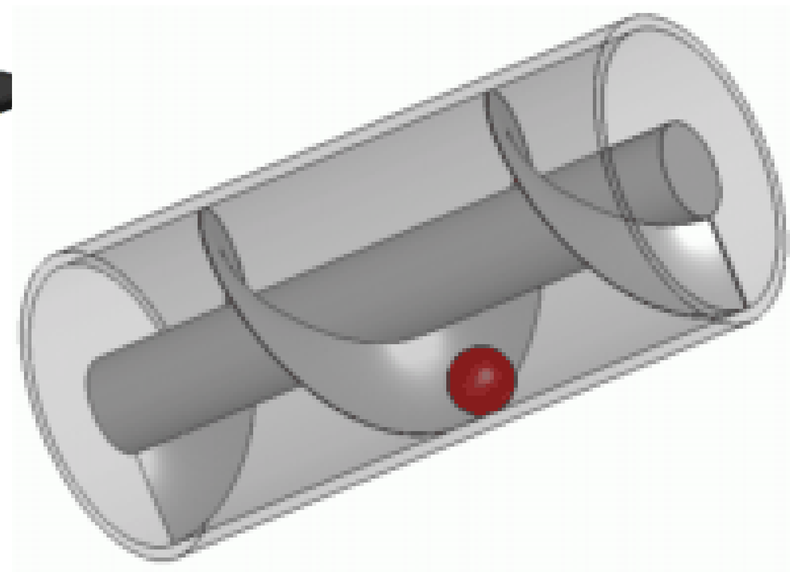

Rwanda
Uganda
Kenya
Burundi
Seacom International submarine cable
Eassy International submarine cable
Zambia
Malawi
88.17 24P
23.92 24P
54.98 24P
111.99 48P
110.96 24P
91.65 48P
66.72 48P
140.23km 48P
108.79 48P
81.54km 48P
134.94 48P
143.40 48P
83.54 48P
116.33 24P
71.12 48P
79.30 48P
88.68 48P
78.53 48P
104.16 48P
109.65 48P
123.35 24P
TANZANIA
KENYA
BURUNDI
MOZAMBIQUE
DAR ES SALAAM
ISBN 7-5031-2730-9

National Backbone Project

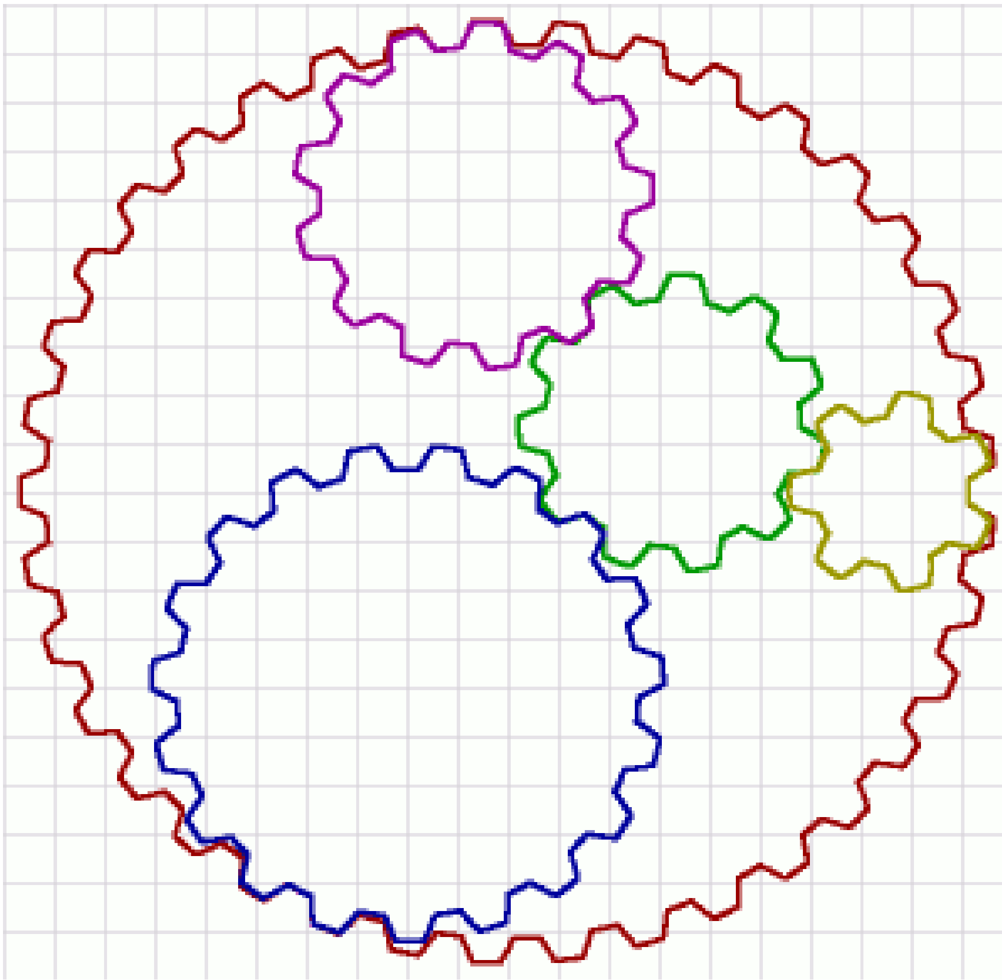
General and Network Map



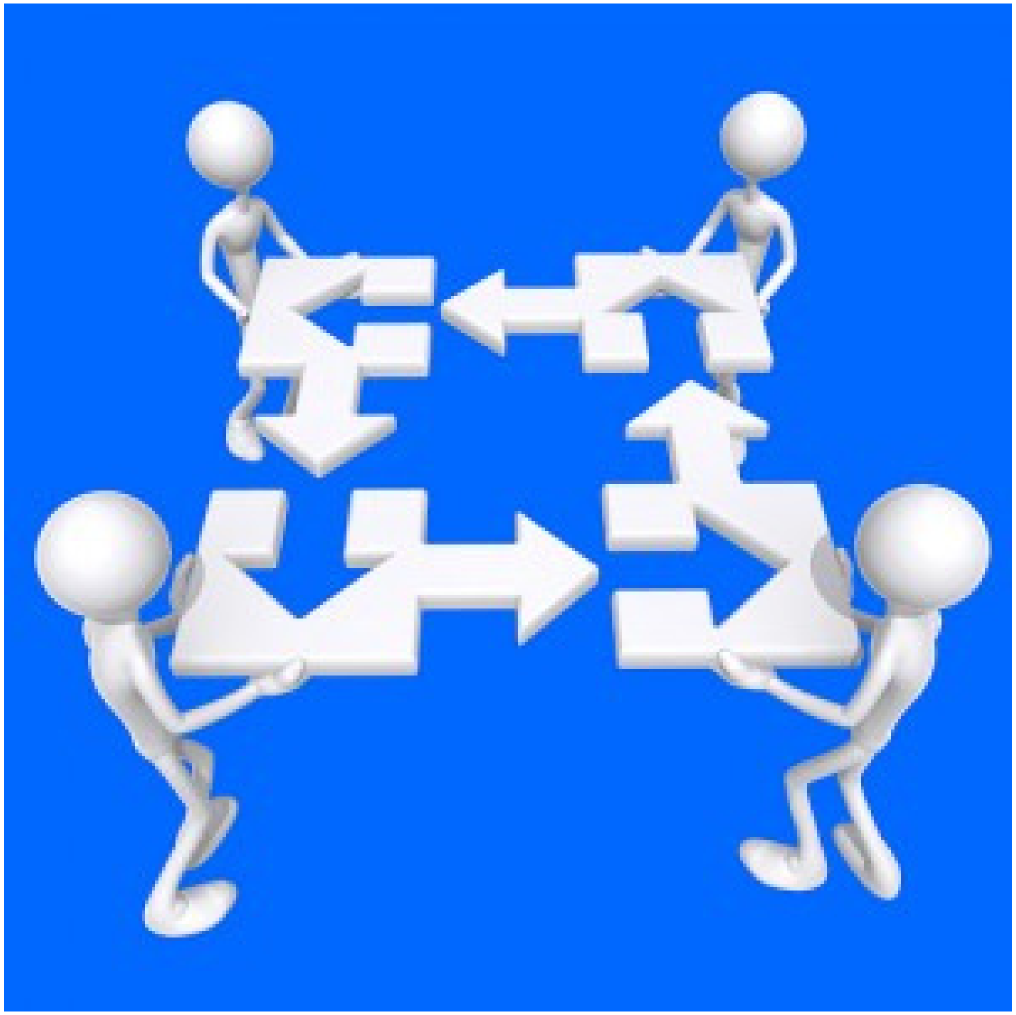


Higher technical education

Business incubation



Regional integration



Science and technology diplomacy

Leadership

Reorienting International Support Mechanism towards enhancing LDCs' Competitive Advantage

Axel van Trotsenburg

Vice President, World Bank

March 11, 2011

Table of Contents

Concessional Finance & Global Partnerships

I. Key Challenges

Market Share of LDCs less than 1 percent

- Weak institutions (about half are fragile states)
- High level of informality, small firms
- Poor infrastructure
- Lack of export diversification
- Many small, landlocked countries

Concessional Finance & Global Partnerships

II. World Bank Assistance

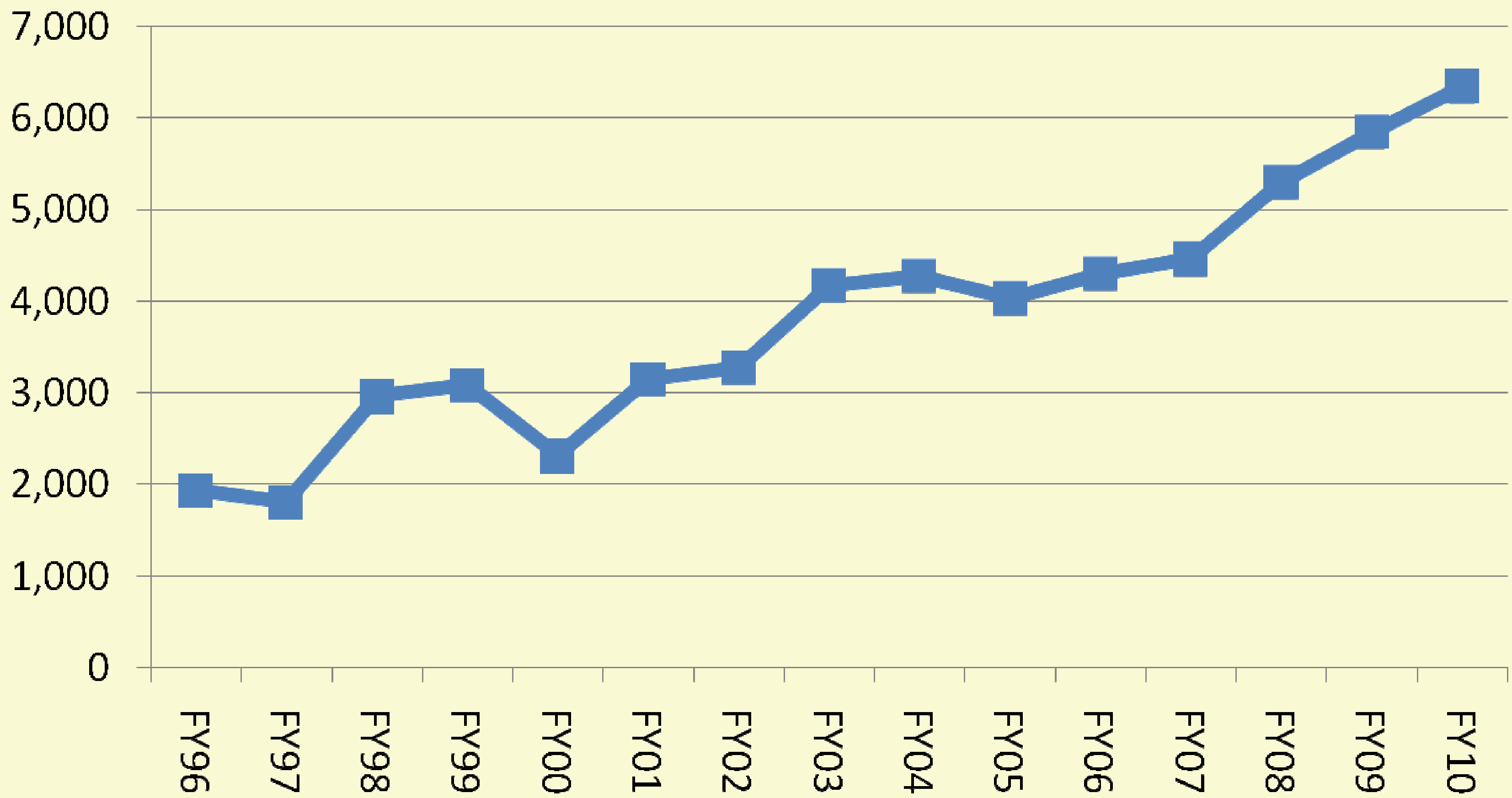
IDA and IFC work together to support PSD

IDA: About half of IDA resources go to LDCs

- Financial support increased from $2 billion in FY06 to over $6 billion a year in FY10.
  - 20%+ for institutional building
  - 30%+ for infrastructure (roads, energy, water)
- Investment climate reform (i.e. Yemen)
- Micro/SME financing (i.e. Cambodia – first Micro Finance Bank)
- Regional integration (i.e. West and Central Africa)
- Growth poles (i.e. Madagascar)

Concessional Finance & Global Partnerships

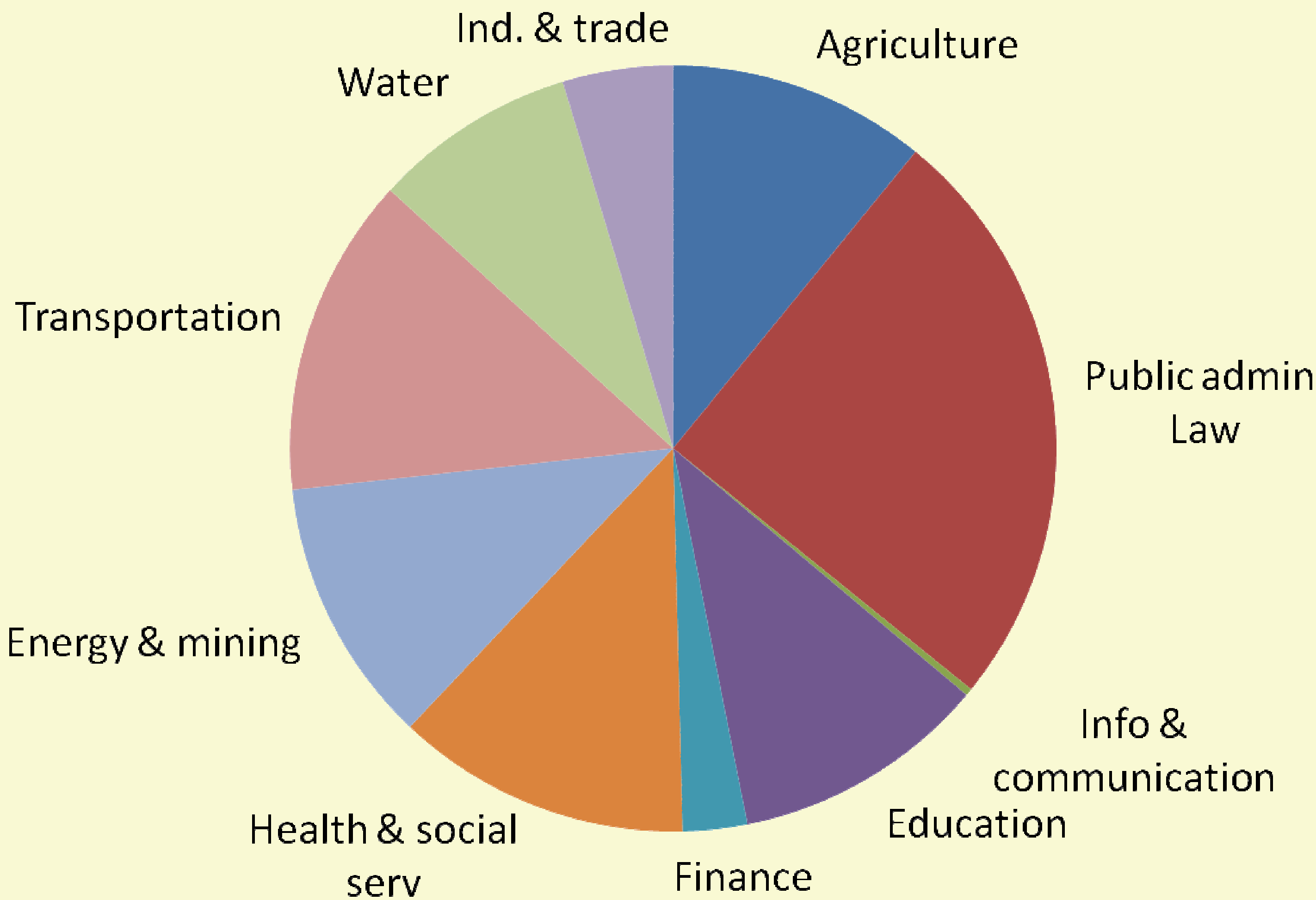
IDA commitments to LDCs (US$m)



Concessional Finance & Global Partnerships

IDA commitments Annual Average

(FY06-FY10): US$ 5.2bn



III. Innovative Finance Approaches

Can help LDCs address various types of risks and shocks that constrain competitiveness:

- Risk sharing/credit guarantee facilities for SMEs
- Agricultural risk insurance facilities (i.e. Malawi)
- Catastrophic risk insurance (i.e. support to Haiti through the Caribbean Catastrophic Risk Insurance Facility)

Can help leverage resources to meet critical financing gaps and improve results:

- Public-private partnerships for infrastructure
- Output-based aid/Results-based financing

www.worldbank.org/cfp

Concessional Finance & Global Partnerships