



LDC Ministerial Conference 2015:  
Operationalizing ISID for LDCs:  
“The Path to Graduation and beyond”

26 November 2015

Vienna, Austria

Speech by:

Li Yong

Director General

United Nations Industrial Development Organization

*Your Excellency, the Chair of the LDC Group,*

*Honorable Ministers,*

*Dear colleagues from the UN family,*

*Distinguished Ladies and Gentlemen,*

Let me begin by welcoming you to the 2015 LDC Ministerial Conference. The theme of this year's Conference is "Operationalizing Inclusive and sustainable industrial development (ISID) for LDCs: The Path to Graduation and Beyond". The Conference occurs at a time when the International Community has just adopted 2030 Agenda along with its Sustainable Development Goals, among which SDG 9 focuses on building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation. It highlights the need to significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

The Conference is intended to hear different experiences and lessons and to ultimately and collectively attempt to coin a unique blend of both vision and action towards operationalizing inclusive and sustainable industrial development (ISID) and socio-economic transformation of LDCs. It will also discuss practical insights and foresights, spelling out the required policy measures and institutional mechanisms to use manufacturing as a dynamic force to facilitate the graduation of the LDCs.

In recent years, LDCs as a group have recorded a relatively high rate of economic growth, and their export record is also impressive. The value of LDC merchandise exports more than doubled over the past decade or so, rising from \$99 billion in 2003 to \$211 billion in 2014. The share of LDCs in world exports almost doubled in 15 years, from 0.6 per cent in 2000 to 1.1 per cent in 2014, triggered largely by a small group of LDCs. In addition, there has been a steady increase in intra-regional trade amongst LDCs, although the degree varies by country and region. In some East Asian LDCs intra-regional trade accounts for more than 80 per cent of their total trade.

Another positive trend in LDCs is the growing middle class, which offers a large domestic consumer base that should be taken advantage of to propel further economic progress in these countries. In Africa alone, where most of the LDCs are located, the middle class currently stands at 300 million people and is poised to grow to 1.4 billion by 2050.

However, amidst the strong growth, impressive export record and growing consumer base, poverty issues and the lack of inclusive development still loom large. In LDCs, export-led growth based on primary commodities has failed to lift millions from the poverty trap, and has led to growth without development. On the contrary, it is the productive sector-led growth that is critical for lifting people out of the poverty trap. As evidenced by the developed, emerging and newly industrializing economies of the world, manufacturing and related services, including trade capacity building, constitute the pillar of rapid socio-economic transformation.

More and more, LDCs also need and should be part of the current transformative shift towards qualitative improvements to achieve economic efficiency, ecological compliance and social inclusion.

This is to say that apart from infrastructure development (including renewable energy development), special attention is also needed on critical elements such as the following aspects:

Knowledge, innovation and technological flows coupled with value creation networks can serve as vibrant new sources of inclusive and sustainable growth. In other words, apart from focusing on incremental innovation which is often largely associated with the adoption of foreign technology, there is increased benefit in focusing on high-technology and R&D-based innovation which allows for completing the “catch-up” process. This calls for increased North-South, South-South and triangular cooperation to facilitate technology transfers and innovation. This also entails increased support to research and innovation institutions in LDCs. In this regard, UNIDO has the expertise and provides a range of technical services to foster technology transfers and give policy advice to promote innovation and institutional capacity building for industrial competitiveness.

Inclusive and sustainable employment creation: The LDCs’ path to graduation can be catalyzed by an increased focus on employment generation with special attention to include women and youth. Women constitute the largest proportion of the LDC population but are less actively engaged in the labour force and experience higher risks of vulnerable employment.

The youth population (aged 15 to 24 years) of LDCs is expected to reach 300 million by 2050. In view of this situation, LDCs will require increased investments in the training, education and employment of youth and women. In this regard, policy interventions and institutional support services are also critical to enhancing capabilities and skills to use modern technology and to commercialize new knowledge. As part of our support to the LDCs, UNIDO will continue to focus on promoting mechanisms and catalytic technical cooperation tools to enhance industrial development.

Environmental sustainability: This is another crucial aspect in the LDCs' journey towards socio-economic advancement. We cannot deny that our industries leave a significant global environmental footprint. Indeed, there is no country in the world that is not struggling with the issues of waste and water management, land degradation and air pollution – it remains a major learning and moral process for all of us. By safeguarding the environment we would be guaranteeing the livelihoods of future generations. Consequently, UNIDO encourages the use of clean energy and energy efficient technologies as a core determinant of economic competitiveness and sustained growth.

Partnerships for economic transformation: UNIDO strongly believes that building partnerships and enhancing connectivity are strong pillars to create a solid foundation for an enabling environment to foster ISID. Our partnership approach fosters collaboration among various development partners, including development financial institutions and the private sector, to promote value-added manufacturing through appropriate technology transfer, capacity building, and the adoption of best practices to accelerate domestic investments in, and manufactured exports from, the LDCs . In this regard, UNIDO has initiated an innovative new Programme for Country Partnerships based on the ISID framework, which we are piloting in two LDCs, namely: Senegal and Ethiopia. These Programmes for Country Partnership stand out as concrete examples of how various stakeholders can come together for creating and enhancing mutual development impact in LDCs.

Overall, allow me to state that UNIDO has consistently accompanied the LDC efforts towards structural change and economic growth. The current UNIDO LDC Strategy 2012-2020 aims to fill the gap of inclusive and sustainable industrial development in LDCs.

It contains UNIDO's commitments, which are articulated around the eight key development priorities of the Istanbul Programme of Action (IPoA). Emphasis is placed on equity at all levels through empowering the poor and marginalized and ensuring, among others, gender equality, inclusive and equitable economic growth and sustainable development.

I believe that the ideas generated by the discussions during the Conference will result in an outcome that will spell out an agenda for action for LDCs' graduation. In the process of development, each challenge is an opportunity. But opportunities are not guarantees of sustainable wealth creation. Our response to convert challenges into opportunities and opportunities into sustainable sources of wealth and the creation of decent jobs is an ongoing process. UNIDO remains committed to be an effective and efficient development partner to support the process which enables LDCs to graduate and continue to grow beyond that point.

I wish you fruitful deliberations and a successful outcome of the Conference.

Thank you for your attention.