Mr. President, Distinguished Delegates, Ladies and Gentlemen,

- The economic dominance of the commodities sectors in the LLDCs has meant that their growth, and wider development prospects are largely determined by commodity prices. Indeed, their poor trade performance is largely due to commodity-price trends.

- At UNCTAD, we have carried out extensive research and analysis on these themes. Our research finds that the commodity-driven development model has several disadvantages:
  - **First**, the benefits of growth tend to be highly concentrated. This explains why overall, poverty-reduction in the LLDCs has not been commensurate with their growth performance, even during boom times.
  - **Second**, commodity-driven growth tends to be volatile. Here, the recent fall in commodities prices resulted in a collapse in growth, and
slowdown in poverty reduction. In some cases, poverty levels have even started to rise again.

- **Third**, commodity dependence makes industrialization harder to achieve. It leads to the overvaluation of exchange-rates, and the crowding out of investment opportunities.

- Against this background, it is clear that if LLDCs are to achieve the goals of the VPoA, they need to support structural transformation, and diversify their economies away from commodity dependence.

- The key pre-requisite for achieving this is building productive capacities. Here, UNCTAD’s new Productive Capacities Index, which will soon be launched, can be a useful tool to guide the efforts of the LLDCs.

**Ladies and gentlemen,**

- UNCTAD has identified a number of sectors and products where LLDCs hold substantial potential for export diversification: A recent UNCTAD study of several Asian LLDCs found that all of them have potential in at least two of the following four sectors, such as agro-processing, light manufacturing, Information and Communications Technology (ICT), and tourism.

- In identifying these sectors, we looked at both the supply and demand sides of the economy. We also studied the potential export markets for specific products.
  - For example, we found that there is scope for **Kazakhstan** to increase exports of wheat, processed cereals and oil seeds by 1.2 billion US dollars. Potential markets include Iran and Uzbekistan. Further
opportunities exist to expand cotton, plastics, and rubber manufacturing exports.

- Similarly, Mongolia stands to benefit from the increased export of cut meat products, such as mutton, to markets including Germany, Taiwan, and Saudi Arabia.
- Bhutan and Turkmenistan can also achieve economic gains by expanding their tourism sectors.

- Harnessing these opportunities requires a series of policies and concerted actions from national governments and the international community. These range from sector-specific support, to broader economy-wide policies.
  - At the sector-specific level, policies could include targeted tax incentives, or improved access to finance.
  - In the case of the tourism sector, the interventions needed may include increased foreign marketing, improvements in the quality of services delivered, and the lifting of certain visa restrictions.

Ladies and gentlemen,

- The LLDCs will only be able to achieve the goals of the VPoA and the SDGs if they achieve structural economic transformation.

- They should harness their natural resources wealth to build the foundation for inclusive and sustainable growth and export diversification. A key drive should also be to build new productive capacities, while leveraging and maintaining existing capabilities.

- These need to be complemented by broader policies to encourage structural transformation. Here, coordinated efforts are required in a number of areas:
• With regard to transport and trade facilitation, there is a need to improve the hard and soft infrastructure for trade and transport in the LLDCs. This includes efforts to support trade facilitation. Here, the implementation of the WTO Trade Facilitation Agreement can make an important difference. There is also a need to improve domestic transport infrastructure, and to ensure that it is aligned with the needs of targeted sectors, not just the extractive or primary commodities sectors. In this context, there is a need to ensure that a greater proportion of Aid for Trade Funds are allocated to the LLDCs. Presently, only about 16% of Aid for Trade funds are allocated to the LLDCs.

• We have also found that energy policy is essential for supporting structural transformation, and economic diversification. In this regard, energy policies must go beyond increasing household access. Rather, energy should be channeled to the productive sectors – including agriculture, manufacturing and ICTs. More reliable and affordable energy for productive uses can allow firms to adopt more efficient technologies, raise productivity and facilitate the introduction of new economic activities.

• In many LLDCs, the private sector still faces too many obstacles to be able to play its role effectively. These obstacles range from excessive administrative and regulatory requirements to access to finance. Hence, private sector facilitation should play a key role.

• And last, but not least, education. We have found that there is often an important gap between the skills provided by the national education systems in LLDCs, and those required by the private sector, especially in sectors with potential for high-productivity growth. Here, greater private sector involvement in curriculum-development could be important. Furthermore, there is a need to strengthen training for entrepreneurship.
Ladies and Gentlemen,

• Please allow me to conclude with a phrase that I think warrants repeating, We cannot carry on with business as usual and expect different results!

• Thank you for your attention.