



# United Nations Conference on Trade and Development

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## Fifteenth session

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### **Declaration of ministers of the least developed countries at the fifteenth session of the United Nations Conference on Trade and Development**

We, the ministers of the least developed countries (LDCs),

*Having met* virtually, on 16 September 2021, in preparation of the fifteenth session of the United Nations Conference on Trade and Development (UNCTAD XV), to be held from 3 to 7 October 2021,

*Recalling* the 2030 Agenda for Sustainable Development, the Sustainable Development Goals, the Addis Ababa Action Agenda, the Paris Agreement and the Sendai Framework for Disaster Risk Reduction,

*Recalling* the Istanbul Declaration and the Programme of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action),

*Welcoming* the progress made by some LDCs in implementing the Istanbul Programme of Action,

*Emphasizing* the critical importance of LDCs to structurally transform their economies and develop their productive capacities for advancing towards sustainable development and enabling graduation from the LDC category,

*Emphasizing* the need for addressing the impacts of the COVID-19 crisis, the debt crisis, illicit financial flows, and tax evasion and avoidance for mobilizing domestic resources and for reaching the Sustainable Development Goals,

*Emphasizing* further the importance of many LDCs to reduce their vulnerability to external shocks, especially in view of the ongoing COVID-19 crisis and other future external shocks,

*Recalling* the central role of UNCTAD in the United Nations system's support to the development process of LDCs,

*Recalling* the views expressed by UNCTAD members in the 2016 Nairobi Maafikiano, which called on UNCTAD to strengthen its special focus on the trade and development needs of the least developed countries across all areas of its mandate,

*Reaffirming* the primordial functions and mandates of UNCTAD in the three pillars – namely, intergovernmental consensus-building, research and policy analysis and technical cooperation – to advance the trade and development interests of developing countries, especially LDCs,



*Adopt the following Declaration:*

(a) We are deeply concerned by the adverse impacts of the COVID-19 shock on LDCs. It has led to recession or growth deceleration, rising poverty and unemployment, deteriorating social conditions and the closure of a large number of microenterprises and small and medium-sized enterprises. This crisis has reversed years of previous LDC developmental progress against poverty, hunger and illiteracy and advancements in the development of productive capacities. This reversal will be felt well into the new decade.

(b) We are equally concerned that the post-COVID-19 recovery of the world economy is likely to be uneven and lead to even further divergence in social and economic outcomes among different countries. This situation is expected to have some countries recovering dynamically while others – including most LDCs – will suffer from the lingering health, social and economic adverse impacts of the COVID-19 crisis and struggle to place the process of their sustainable development back on track.

(c) We regret that the reaction of LDC Governments to the COVID-19 crisis has had a limited impact in attenuating the negative consequences of the pandemic. The reason for this is that the financial and institutional means available to LDC Governments are extremely limited and their policy space is very narrow. This limits their resilience, understood as the capacity to react to crises and the effectiveness of LDC government actions.

(d) The LDCs at present have two major priorities: first, to recover from the lingering COVID-19 crisis; and second, to build and strengthen the bases to achieve sustainable and inclusive development over the medium term. The necessary condition to pursue these priorities is to build, expand and upgrade their productive capacities, including addressing climate change challenges.

(e) The LDCs are the group of countries with the lowest level of development of their productive capacities. The situation is a major obstacle to reaching development goals, including national and international goals, such as the Sustainable Development Goals and the goals of the successive plans of action for the LDCs. Their low level of productive capacities is at the root of the very high vulnerability of LDCs to external shocks, whether these originate in the economic, social, environmental or health sphere.

(f) We welcome the launch of the UNCTAD Productive Capacities Index, as an appropriate and comprehensive tool to measure the level of development of productive capacities and to monitor achievements in building and expanding them.

(g) The limited development of productive capacities entails a very slow and inadequate pace and direction of structural transformation of the economy of LDCs, including those in the graduation track. On average LDCs still have 56 per cent of their labour force active in agriculture, far ahead of the 30 per cent of other developing countries and just 3 per cent in developed countries. The transfer of productive resources to sectors and activities with higher labour productivity and value added has been extremely slow, hindering progress towards sustainable development. Therefore, the development of productive capacities of LDCs is critical for both the recovery from the present crisis and for setting the bases for a more conducive development process over the medium term.

(h) The international support measures (ISMs) in place for LDCs are important for the development of productive capacities in the LDCs and can greatly support their progress towards graduation. The next plan of action for the LDCs for the decade 2022–2031, to be adopted during the Fifth United Nations Conference on the Least Developed Countries (LDC5), must have specific provisions of extended ISMs for the LDCs after graduation to support their smooth transition.

(i) In the pursuit of the new programme of action, the LDCs need support from the international community to the development of their productive capacities in two main forms: first, through a new generation of ISMs and, second, by means of extended research, analysis and support to policy formulation and implementation and sharing of technical know-how, creating an enabling environment in the LDCs.

(j) We underline the importance of receiving official development assistance (ODA) on a predictable basis. It can potentially play a determining role in our efforts to build productive capacities and accelerate the structural transformation of our economies. However, aid will only play its role if it is explicitly directed to these goals and aligned with country priorities.

(k) We stress the importance of donors' enacting of modalities of aid delivery which strengthen LDC institutional capacities. Aid needs to be managed and carried out through an efficient collaboration State institutions and human resources of the LDCs. If this is not the case, aid is likely to weaken LDC State capacities and defeat its purpose of fostering LDC development.

(l) We welcome the increase in aid to COVID-19-related activities in 2020. We, however, express our concern at the future trajectory of ODA, especially in terms of: (i) the future amounts disbursed; (ii) the continuous increase in the share of loans, as opposed to that of grants; and (iii) the increasing complexity and opaqueness of aid allocation and corresponding decision criteria.

(m) We note with concern the rising debt burden of several LDCs and the fact that almost half of these countries have incurred in debt distress or are at high risk thereof. We welcome initiatives taken by the international community to provide temporary debt relief since the outbreak of the COVID-19 crisis, but recall their insufficiency in providing a long-lasting solution to the LDC debt challenge.

(n) As a complement to North–South cooperation, South–South cooperation and triangular cooperation have an important role to play in boosting the development of LDCs in several fields, including trade, finance and technical assistance.

(o) Market access is necessary for our countries to expand and diversify exports and to reach the Sustainable Development Goals, including the target 17.12. One of the most effective ISMs continues to be trade preferences under the duty-free and quota-free (DFQF) initiatives.

(p) We note that the proliferation of preferential trade agreements continues to erode the value of such trade preferences and that, in spite of the World Trade Organization (WTO) Nairobi Decision on rules of origin, there has not been significant progress to improve rules of origin and related administrative procedures, causing low utilization of trade preferences by LDCs.

(q) A number of LDCs that have substantially benefited from trade preferences may suffer a significant deterioration of preferential market access following graduation from LDC status. Alternative preferential market access schemes need to be put at the disposal of LDCs, since for these countries engaging in reciprocal free trade agreements maybe premature. Other LDCs have yet to mature the necessary productive capacities and investments to take advantage of the existing trading opportunities.

(r) Thirty-five LDCs are currently members of the WTO, and eight are negotiating to join the Organization. The process of accession is, however, resource-intensive, and it is crucial that the financial and technical assistance needed by acceding LDCs is provided in a timely and efficient manner.

(s) The LDCs are the group of countries bearing the least responsibility for climate change. However, they are at the same time among the countries most affected by the adverse impacts of climate change and the least capable of mobilizing the resources required for adaptation.

(t) Graduation from the LDC category is a major development objective of all LDCs, as it indicates the point where the development efforts undertaken by these countries obviate the need for special measures of international support. LDCs need to achieve graduation with momentum, so that graduation does not entail a setback in their development process, but marks a point in the process of advancing towards sustainable development. This requires long-run preparation, so that graduation does not lead to an interruption or deceleration of the process of sustainable development.

(u) International support to LDCs – be it in terms of means of implementation or in terms of institutional support to policymaking – has to address the needs of both countries that are graduating from the LDC category and those countries which will remain in the LDC category in the foreseeable future.

(v) We urge our trading and development partners to:

(i) Place the development of productive capacities at the centre of the next plan of action for the LDCs for the decade 2022–2031.

(ii) Renew, deepen and strengthen their efforts and commitments to the expansion and upgrading of LDCs' productive capacities through the enactment of a thoroughly revised and broadened package of ISMs, and through proactive measures to support institution-strengthening in the LDCs, including for a few more years after their graduation. These two initiatives need to address the root causes of the low level of development of LDC productive capacities.

(iii) Enact a new generation of ISMs with the following features: first, they need to be designed in view of a systematic framework that establishes coherence and synergies among ISMs in the fields of trade, finance, technology and capacity-building. Second, they need to be stronger and more effective than the present ISMs, especially in the fields of financing for development and technology. ISMs in these domains should favour the wider availability of resources to finance the investments required by structural economic transformation, and the strengthening and widening of the technological capabilities of LDC economic agents. Third, the new ISMs need to be adapted to the realities of the 2020s, including the lingering effects of the COVID-19-induced crisis, the worsening of the climate change crisis and the accelerating digitalization of the world economy.

(iv) Adopt a coherent programme of strengthening the institutional capacities of LDCs for the design and implementation of policies and strategies of development of productive capacities and of structural economic transformation. This concerns especially State capacities to fulfil the developmental role of the State.

(v) Fulfil the commitments reiterated in the 2030 Agenda for Sustainable Development to achieve the target of 0.15 per cent to 0.20 per cent of gross national income for official development assistance (ODA) to LDCs and increase both the quantity (0.15/0.2 per cent of gross national income) and quality of aid to LDCs to ensure that ODA supports the sustainable development of LDCs and that it is put to the best possible use.

(vi) Significantly widen the climate finance earmarked to the LDCs and strengthen the institutional support to accessing and managing them, in line with the principle of shared but unequal responsibilities.

(vii) Significantly improve the coverage and depth of tariff cuts of their DFQF schemes with rules of origin and administrative procedures tailored to the productive capacities of LDCs, ensuring full utilization and attraction of local and international investments. To this end, we call for an enlarged and strengthened mandate with a set deadline to be given by the next WTO Ministerial to the WTO Committee on Rules of Origin to achieve tangible results on improving rules of origin for LDCs.

(viii) Elaborate adequate transition and support measures to be elaborated and put in place by all preference-giving countries to cushion the impact of loss of LDC trade preferences upon graduation, especially for those LDC that have greatly relied on such trade support measures. Preference-granting trade partners should automatically offer, to graduated countries, a transition period of up to 12 years from prevailing trade preferences.

(ix) Sustain and strengthen their support in facilitating the accession of LDCs to WTO.

(x) Support to LDCs in their efforts to build institutional capacity in policymaking and implementation for boosting productive capacities, including

State capabilities. This support needs to be based on the principles of country ownership and respect for country-determined priorities.

(xi) Support both those countries that are in the graduation process and those for whom graduation is a more distant prospect, in order to adequately prepare for graduation with momentum.

(w) We call on UNCTAD to:

(i) Play a major role in the implementation of the new plan of action for LDCs to be adopted during LDC5, given the implication of UNCTAD with the LDCs since the establishment of the category and the high skills it has accumulated on this subject over the last 50 years;

(ii) Put in place an institutional mechanism to perform the systematic evaluation, monitoring and diagnosis of the evolution of the level of productive capacities of LDCs. This work should build on the UNCTAD Productive Capacities Index by means of the productive capacities gap assessment. Expand the work of research on productive capacities and structural transformation with policy analysis and the formulation of policy guidelines, frameworks and recommendations. This policy element should be the subject of in-depth policy dialogue between the organization's staff and LDC country officials, with a view to bolstering the latter's skills and capabilities.

(iii) Foster and facilitate policy dialogue among LDCs and with other developing countries, in order to facilitate sharing of successful and effective experiences, and strengthen policy learning;

(iv) Assist LDCs to take full advantage of trade, investment and official development assistance flows in order to maximize their impact on the development of our countries by means of the work on the three pillars of UNCTAD.

(v) Assist LDCs in the formulations of policies and mechanisms that foster transfer of technology from the developed countries and the building of technological capabilities of enterprises in the LDCs, comprising both domestic policies and strategies to negotiate with foreign owners of technology.

(vi) Contribute, with the support of member States, to make the graduation of our countries from the LDC category sustainable, smooth and robust, in particular by intensifying and strengthening analytical and technical work on graduation with momentum and a "smooth transition".

(vii) Expand the organization's resources dedicated to LDCs.

(viii) Undertake an in-depth forward-looking policy analysis on a new generation of international support measures that would enable LDCs and graduating countries to achieve graduation with momentum and sustain their future development.

(x) We call on the United Nations General Assembly to allocate adequate resources to UNCTAD so that it can fulfil its mandate, particularly on the LDCs.

(y) We express our sincere appreciation and gratitude to the people and Government of Barbados for their hosting of the virtual UNCTAD XV.

(z) We also express our appreciation to UNCTAD for its continued support for the development of our countries.