



Committee for Development Policy (CDP)'s input to the 2022 High-Level Political Forum

The CDP held its 24th plenary session on February 21-25, 2022. The submission below is based on the discussions held at the meeting and on the Committee's intersessional work. The CDP's consolidated recommendations to ECOSOC on the annual theme – ***“Building back better from the coronavirus disease (COVID-19) while advancing the full implementation of the 2030 Agenda for Sustainable Development”*** – and on its other areas of work, notably least developed countries (LDCs) and voluntary national reviews (VNRs) will be contained in the report to ECOSOC on the 24th session (forthcoming).

The Committee for Development Policy (CDP), a subsidiary body of the Economic and Social Council (ECOSOC), advises the Council on a wide range of development issues. Among other activities, it submits annual contributions on the Council's themes and is the body in charge of recommending the graduation of countries from the least developed countries (LDC) category. Its 24 members are nominated in their personal capacity by the Secretary-General. Membership is geared to reflect a wide range of development experience as well as geographical and gender balance. More information at <https://cdp.un.org>.

- (a) Progress, experience, lessons learned, challenges and impacts of the COVID-19 pandemic on the implementation of SDGs 4, 5, 14, 15 and 17 from the vantage point of your intergovernmental body, bearing in mind the three dimensions of sustainable development and the interlinkages across the SDGs and targets, including policy implications of their synergies and trade-offs; and**
- (c) Actions and policy recommendations in areas requiring urgent attention in relation to the implementation of the SDGs under review.**

The CDP has long advocated for the centrality of **productive capacity** in global efforts towards sustainable development, in LDCs and other developing countries. If we are serious about the SDGs and leaving no one behind, we need to do more on this, domestically and as an international community. The crisis induced by COVID-19 added to the already serious pre-existing global crises of deep inequalities and persistent and pervasive poverty, on top of rising challenges in relation to climate change and environmental distress. We have a once-in-a-generation opportunity to push for transformation towards equitable and sustainable development. Without the development of productive capacities and significant movement towards structural transformation, the domestic resource mobilization referred to in target 17.1 will remain marginal compared to the needs of LDCs and many other developing countries. Industrial policies that take into account, at their core and not at the margin, precisely the issues covered in SDGs 4, 5, 14, 15 –education, gender and the environment – as well as climate change and inequality, can be instrumental in addressing the simultaneous crises.

SDG 5, 14, 15 and 17 in the CDP's analysis of VNRs: The CDP's analysis of the 2021 voluntary national reviews (VNRs) shows that treatment of gender issues in the VNRs has been superficial. For example, only around half of the reports recognize gender pay gaps, and only one in four reports refers to any policies or strategies to address this issue. Similarly, environmental issues such as those covered in SDG 14 and 15 are generally not treated in depth, and some targets and issues are absent from most reports. Interlinkages between environmental and other goals and targets can be further explored. Resource mobilization receives the most attention in the reporting of SDG 17, while other aspects of SDG 17 are not sufficiently reported on. The

Committee is also concerned that targets, such as investment promotion and market access that specifically support the development of least developed countries, remain among the least reported targets overall. The importance of policy space is scarcely mentioned.

(b) Assessment of the situation regarding the principle of “leaving no one behind” against the background of the COVID-19 pandemic and for the implementation of the 2030 Agenda, within the respective areas addressed by your intergovernmental body.

The CDP’s work on the impacts of COVID-19 on the least developed countries (LDC) category in 2021¹ highlighted the severe socio-economic impacts of the pandemic on LDCs. It emphasized that the pandemic had increased poverty significantly and was expected to push those already in extreme poverty into further destitution. It noted that women and girls, who are more reliant on the informal sector and are burdened by unpaid care work, had been more affected by the economic and social fallout of the pandemic. Debt relief had been insufficient. At its 2022 Plenary meeting, the Committee remained concerned about the impact of COVID-19 on the development of all LDCs. Most LDCs continue to lag far behind all other countries in terms of vaccinations, the external debt of several LDCs remains unsustainable, and there is very limited support for a sustainable and inclusive transformation of their economies. Despite the progress of several countries towards graduation from the LDC category, the CDP is deeply concerned that a third of LDCs could remain far behind and struggle to achieve graduation. It reiterated that the lack of productive capacity is among the main root causes of underdevelopment of LDCs and recommended that priority should be given to those elements of the Doha Programme of Action that enable LDCs to expand productive capacities for sustainable development. These efforts should ensure that modalities of international support and concrete deliverables take the heterogeneity of LDCs into account, so that no LDC is left behind

Monitoring of graduating and recently graduated countries by the CDP in 2022 shows that while some countries are well placed to recover from the socio-economic impacts of the pandemic in the medium-term, for others there are persistent challenges in terms of macroeconomic stability and debt sustainability, among others.²

The pledge to leave no one behind was also addressed in the context of the CDP’s review of the 2021 VNRs. The Committee was encouraged by the increasing attention given to the pledge in the reports, including issues of inequality, gender inequality and the effects of the COVID-19 pandemic. However, more attention could be given to the structural causes of exclusion. The CDP analysis found that, when addressing the challenge, the focus was mostly on the vulnerability of the elderly, disabled, migrants and youth with less attention to ethnic/racial minorities. The policy responses being adopted rely on social protection measures, with little reflection on structural issues that could be keeping people behind. Only two reports mentioned the priority to reaching the furthest behind first and none referred to actions to avoid pushing people further behind. As noted above, the CDP is concerned that SDG targets referring to support to LDCs are among the least reported on.

(d) Policy recommendations, commitments and cooperation measures for promoting a sustainable, resilient and inclusive recovery from the pandemic while advancing the full implementation of the 2030 Agenda.

The CDP focused, for its input on the 2022 ECOSOC theme, on the potential of industrial policy to help build forward sustainably from the pandemic:

¹ The study is available at https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/CDP_Comprehensive_Study_2021.pdf

² 2022 monitoring reports are available at <https://www.un.org/development/desa/dpad/publication/2022-monitoring-reports/>.

Governments worldwide are facing simultaneous challenges: recovering from an economic crisis of unprecedented scale, addressing deep and growing inequalities, securing the transition to low-carbon and environmentally sustainable economies, adapting to climate change, and increasing resilience to shocks. Industrial policies – defined as policies that aim to develop selected productive capabilities with a view to contributing to productivity growth and other development objectives – can be instrumental in pursuing those simultaneous goals and addressing potential trade-offs, as well as overcoming low-and middle-income traps. The creation of stable and well-paying jobs and the formalization of workers and firms through industrial policies can reduce inequality, including gender inequality.

Industrial policy has been central to the countries that have managed to advance on a path of structural transformation. Future industrial policies will need to be designed to reflect new realities, challenges and priorities such as digitalization, decarbonization, the post-pandemic restructuring of firms and sectors, and the need to build resilience to shocks and adapt to climate change. It will also need to be embedded with strategies to develop the green economy, the blue economy, and the care economy. Even considering this new and dynamic context, the experiences of the past provide important lessons for the effectiveness of future industrial policies.

In the past, industrial policy often focused on manufacturing. What was traditionally defined as the manufacturing sector was, and is, embedded in a complex network of services. What gave manufacturing its value as a catalyst of productive development were the capabilities developed and deployed in interaction with that network. Industrial policy should not be thought of only in terms of sectors or specific products. It should also pay attention to developing the productive capabilities that can ensure productivity growth and promote the move to higher value-added activities within and across sectors. Each country must set its priorities in terms of education and training, infrastructure (including digital infrastructure), as well as developing science, technology and innovation capabilities.

There is no one-size-fits-all model or single theoretical framework for industrial policies, but experience shows that, for them to be effective they must have clear goals, be pragmatic, and reflect the resources, capabilities, socio-political and environmental contexts so that their implementation is feasible. They must be central in an integrated economy-wide structural transformation strategy, in line with macroeconomic, trade, energy, science and technology, environment, and gender policies. Their design must consider potential geographic impacts, including consequences for internal migration and urbanization and opportunities for de-concentrating investments.

Effective industrial policy also requires mechanisms to avoid abuse, including rent-seeking behaviours. While businesses that benefit from industrial policy should not be paralyzed by the risk of failure, as innovation requires risk-taking, they should be held accountable. Enforceable innovation commitments, time-bound support, sunset clauses and regular evaluation of performance can help ensure that both governments and businesses are focused on producing results and that ineffective policies are not perpetuated. The relevant decision-making processes must be transparent and inclusive.

Industrial policy must reflect the diverse and dynamic nature of firms and sectors. Production networks that bring capabilities together are moving away from the boundaries of the large corporation or conglomerate towards mosaics of firms, including micro-, small and medium enterprises (MSMEs) cooperating across borders under diverse legal arrangements. Capability-based industrial policy requires a new generation of support services, particularly for MSMEs, such as providing technological services, business information, support to adopt better practices and export marketing services through public and joint private-public agencies. This would also include training and opportunities for entrepreneurs to share ideas, discuss challenges, and address issues through lessons and peer learning from success in other countries.

Better integrating MSMEs into broader productive networks, which can play a role in reducing inequality, also requires building their capabilities, including technological capacity, as well as incentivizing larger firms to

develop local supplier networks. It also requires innovative financing solutions to lower the transaction costs that have kept many MSMEs outside the scope of interest of private capital and the opportunities in regional and global supply chains.

In countries where national development banks possess strong governance and risk assessment capabilities, these institutions can play an important role in supporting firms and sectors with potential for productivity growth, as well as financial inclusion, including access of MSMEs to credit. They, along with multilateral development banks, need to be part of a broader financing framework that is agile, inclusive and meets the needs of diverse firms and sectors. Financing frameworks also need to be able to mobilize private funds in a way that is compatible with a decentralized and fragmented network of firms most often operating outside the boundaries of a single corporation or traditional conglomerates.

Fulfilling the potential of industrial policy and productive capacity requires effective regional and global frameworks, effective institutions and cooperation – including South-South cooperation – oriented pragmatically to help developing countries overcome constraints in finance, technology, and information. The international community should increase the resources being invested in identifying the sector- and capability-specific lessons that can be of most practical use to policymakers.

The pandemic, climate change, and other current crises of sustainable development require a revision of intellectual property frameworks that would provide developing countries access to the latest advances in technology, such as COVID-19 vaccines and treatment or clean energy technologies. This would provide opportunities for developing countries to participate in co-development of technology, rather than rely on the largely undelivered promise of technology transfer.

Innovative regional and global platforms should be explored to bring together elements of value chains, taking advantage of advances in technology and clean energy. Innovation in international cooperation for industrial policy starts with open dialogue across trade, climate, environmental and other relevant international arenas.

Of immediate concern for the multilateral system are the implications of industrial policies aiming at advancing a green transition towards low-carbon economies. Many countries are starting their transition, but often pursue this objective in a competitive manner, resorting to protectionist measures. Many developing countries are integrating into emerging value chains by providing natural resources for low-carbon technologies, perpetuating or even increasing their reliance on primary sectors. The green transition should promote rather than hinder the sustainable development of the most vulnerable countries. Commodity-dependent LDCs in particular require support from the international community to secure diversification and structural transformation in this new and dynamic context.

(e) Key messages for inclusion into the Ministerial Declaration of the 2022 HLPF.

The CDP's recommendations on LDCs, VNRs and the ECOSOC theme will be communicated formally through its forthcoming report to ECOSOC on its 24th plenary session. The following paragraphs contain the recommendations on the ECOSOC theme, before formal editing:

- The Committee recommends that ECOSOC encourage Member States to consider and implement evidence-based industrial policies – defined as policies targeting the development of selected productive capabilities – as a means to build forward from the pandemic-induced crisis, address the pre-existing crises of climate change and severe and growing inequalities, and overcome low- and middle-income traps. These policies must be time-bound, include accountability mechanisms to avoid capture by special interests and be subject to regular evaluation. The Committee further recommends that ECOSOC call on the relevant United Nations entities to support developing countries, in particular the least developed countries, in this regard. This includes facilitating the exchange of experiences and providing information, services and finance, to enable decision-making in line with current trends and opportunities and the post-pandemic global economic reconfiguration, and addressing the

aspects of the multilateral system, including issues-related to intellectual property rights, that are holding countries back from reaching their potential in developing science, technology and innovation capabilities.

- The Committee reiterates its recommendation that ECOSOC call on development and trading partners to put the development of productive capacities at the centre of their support to least developed countries, and that it call on the international community for an orderly workout of the external debt problems that several countries are facing and which is a major obstacle for their development and the recovery from the COVID-19 crisis.

On the VNRs, the CDP's recommendations are as follows:

- The Committee recommends that ECOSOC continues to explore how the Voluntary National Reviews (VNRs) can be made more effective for the purpose of sharing experiences on implementation of the 2030 agenda. This should be achieved by incorporating into these reports more specific and substantive discussions and analysis on national and international policies, actions and strategies taken as part of the global social contract in pursuit of the SDGs. Such reflections should review in particular the challenges of achieving the transformative and integrated objectives of the 2030 Agenda and include a reference to the key constraints faced by countries and support needed.
- The Committee also recommends that ECOSOC and Member States undertaking VNRs strengthen the role of the reviews to share lessons learned among Member States and other stakeholders. Member States undertaking their second and successive VNRs should report on how findings from earlier reviews have been used to accelerate the implementation of the 2030 agenda nationally and internationally.
- The Committee further reiterates its recommendation that ECOSOC and Member States undertaking VNRs explore ways to tap into new opportunities to make the VNR processes more inclusive, while ensuring representation of groups that are disadvantaged. This requires continued engagement of civil society and space in the VNR process for independent input from all stakeholders, including the presentation of shadow reports.