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Agenda item 4

Sessional Committee I

**DRAFT REPORT OF SESSIONAL COMMITTEE I**

Agenda item 4 (continued)

*Vice-Chairman-cum-Rapporteur:* Mr. Ali Abderahman Mahmoud (Sudan)

*Speakers:* Madagascar  
Mauritania  
Norway  
United States of America  
Nepal  
Republic of Korea  
Japan  
The Common Fund for Commodities

**Note for delegations**

This draft report is a provisional text circulated for clearance by delegations. Request for amendments to statements of individual delegations should be communicated by **Wednesday, 25 October 2000** at the latest to:

UNCTAD Editorial Section, Room E.8104, (fax: 907 00 56; tel.: 907 5655/1066)

**REVIEW OF THE PROGRESS IN THE IMPLEMENTATION OF  
THE PROGRAMME OF ACTION FOR LEAST DEVELOPED  
COUNTRIES FOR THE 1990s**

**(Agenda item 4 continued)**

**(a) The Challenge of financing growth and development in least developed countries**

1. The representative of **Madagascar** stated that it was unacceptable to see a world population divided into two categories — the rich and the poor — with the gap between the two widening. The persistence of this cleavage was a menace to world peace. To protect peace, the international community needed to take paramount measures, similar to those it had taken during the recent Asian crisis. The delegate noted the commitments in favour of the LDCs in the Programme of Action for the 1990s had not been fully respected. This failure largely explained the worsening of the socio-economic situation in the LDCs and their marginalization.

2. To stop this process, the international community needed to act rapidly and efficiently. In this context, Madagascar supported the commitments envisaged in the new Programme of Action for the LDCs in its part C entitled, "Financing Development". The Malagasy representative indicated his delegation's support to debt cancellation rather than debt alleviation measures. Finally, he expressed concern about the delay in the implementation of the Integrated Framework for Trade-related Technical Assistance for the LDCs.

3. The representative of **Mauritania**, assessing the results of the Programme of Action for the LDCs in the 1990s, deplored the increased marginalization of these countries during the past decade despite their significant efforts in adopting policy reforms and structural

adjustment programmes. He noted that the forces of liberalization and globalization had exacerbated the fragile situation of the LDCs and had not yielded expected results. The failure was due to the fact that the reforms were mainly macroeconomic, and were implemented in an unfavourable international context of aid fatigue, decreasing terms of trade, and erosion of preferential market access. He urged the international community to enhance initiatives such as the HIPC, of which his country had been one of the first recipients. Debt relief, if combined with increased ODA, would offer LDCs greater resources for socio-economic development programmes. He advocated the stimulation of domestic savings in order to sustain economic growth, attract private capital and help LDCs integrate into the world economy. The representative pointed out that essential prerequisites for such integration were enhanced productive capacities, diversification of the export base and increased market access. He concluded by calling upon the international community to use the opportunity provided by the Third United Nations Conference on LDCs to renew the spirit of solidarity in its consideration of these issues.

4. The representative of **Norway** stated that the *Least Developed Countries 2000 Report* succeeded in highlighting the situation of the LDCs, although she recognized the existence of significant differences among these countries. Some LDCs had experienced more development than others, mainly as a result of better domestic policies. In general, LDCs that had undergone reform programmes and adopted good policies had been better positioned to benefit from the globalization process.

5. The Norwegian delegate noted that ODA to the LDCs was well below needs, and that the 1990 Paris commitments in this regard had not been met. LDCs needed more, but also better

ODA. She stressed that international assistance had to be better coordinated and designed to meet the LDCs' own priorities with more attention to the quality and effectiveness of aid provided. A shift in the allocation of ODA to countries with good policies was part of the reason why the impact of aid on poverty reduction had increased significantly in the 1990s. There had been some success in improving aid effectiveness. This demonstrated the importance of national policies in making efficient use of ODA. Increased confidence in the more effective use of aid could contribute to increasing overall ODA.

6. The Norwegian representative stressed the need to attract private flows through FDI and to tackle the unsustainable debt burden on LDCs, including through better debt relief measures. In addition, trade had to be strengthened as an engine for resource mobilization. She stated that an improved international framework alone would not be sufficient to enable the LDCs to take off. Good governance, appropriate domestic policies and political stability remained very important factors of economic growth and sustainable development, as demonstrated by the success stories of some countries.

7. In conclusion, she expressed satisfaction about the increased convergence amongst different development actors in the private and public sectors, and stated that this was a highly desirable starting point in efforts to improve the situation of the LDCs in the coming decade.

8. The representative of the **United States of America** stated that, assisting the LDCs to achieve sustainable development was a high priority of United States foreign policy. An important aim of the international community should be to seek sustainable financing sources

for the development of these countries. While international efforts should help create a conducive environment for economic development, the primary responsibility for a nation's development ultimately rested with that nation's Government and people. In that regard, he believed that the discussions in this area should focus on how a country could productively mobilize domestic financial resources and attract external resources for development. For the LDCs, important relevant issues were:

- trade-led growth and diversification of exports;
- domestic private investment and entrepreneurship as a source of employment and income generation;
- foreign investment as a source of domestic capacity building;
- financial market development; and
- donor-recipient coordination, both, in the provision of ODA and in its productive use.

9. The United States representative noted that rapid growth in international private investment, lending and trade meant that private capital flows now exceeded ODA as the foremost source of external capital available to developing countries generally. In the long run, the private sector would also become the foremost source of external capital available for LDCs. However, to date private sector flows had not been evenly distributed among the LDCs. Discussions on development finance needed to focus on the reasons why some countries had received more private investment than others. In the past two decades, many developing countries had achieved unprecedented economic growth through entrepreneurship, private investment and international trade. In these countries, market-oriented policies had put the power of the private sector to work for the benefit of all.

10. In conclusion, he said that in the increasingly integrated economy, private investment and trade would become more important to sustainable development. It was therefore urgent that LDCs and the international community be encouraged to foster private entrepreneurship, create a domestic environment conducive to foreign investment and expand trade internally, regionally and to the world at large.

11. The representative of **Nepal** noted that, although the objectives of the Programme of Action for the LDCs in the 1990s had been to arrest further deterioration in the socio-economic situation of these countries, development remained sluggish for most of them during the 1990s. In this context, he pointed out that the acceleration of globalization and liberalization, the conclusion of the WTO Agreements in 1994, the continuous decline in ODA flows and the high levels of LDCs' external indebtedness had become major challenges in realizing the objectives of the Programme of Action. He also stressed that, due to lack of capacity to seize new economic opportunities, most LDCs were facing serious risks of increased marginalization. Recalling the conclusions of the Third WTO Ministerial Conference in Seattle, he pointed out that the many domestic constraints in LDCs' capacity to implement the WTO Agreements had been exacerbated by some resistance from developed countries to opening up their markets to LDC products.

12. He noted Nepal's weak competitive position in the global economy owing to precarious socio-economic conditions and structural weaknesses. At the same time, its scarce financial resources had been diverted towards debt servicing rather than financing development programmes. With reference to the GATT/WTO provisions for special treatment for the

LDCs, he strongly encouraged WTO members to better translate WTO provisions into action in favour of the LDCs.

13. The representative of the **Republic of Korea** recognized that, financing development was a paramount issue for LDCs in general, and African LDCs in particular. Reiterating the gratitude of his country for the aid it had received between 1945 and 1980 — during the crucial years of its economic development — he underlined the importance of some fundamental conditions for attracting aid and foreign investment in a developing country: respect for democracy and market principles; commitments to bring socio-economic reforms to fruition; consistency in economic policies; and transparency and accountability in policy-making. He also emphasized the importance of human resource development and institution building to help LDCs in their development efforts. Korea, he added, had a generous aid policy vis-à-vis several LDCs.

14. The representative of **Japan** commended the *Least Developed Countries 2000 Report*, and reminded the Board that Japan had been, for many years, one of the largest aid donors to the LDCs. Japanese policy recognized the principle of ownership of aid by recipient countries, provided considerable grant aid and technical cooperation. Priority targets in allocating ODA were: poverty reduction programmes; human resource development and capacity building; fostering private sector development towards increased economic independence; democratization; post-conflict reconstruction; and reduction of the debt burden

15. Aware of the difficulties facing most LDCs in implementing the WTO Agreements Japan had been contributing towards capacity building in this area through training programmes for

LDCs. In addition, Japan had preferential schemes with some LDCs involving duty-free and quota-free access to the Japanese market for essentially all their products. He said that Japan supported investment promotion initiatives in the LDCs and he congratulated the UNCTAD secretariat for its work in facilitating the adoption of bilateral investment agreements. Concerning LDC debt, Japan had announced, within the framework of recent consultations on the HIPC initiative, a substantial reduction of its claims on LDCs' non-aid debt.

16. The spokesperson for the **Common Fund for Commodities** stated that, despite efforts and progress in the last decade, many LDCs continued to face difficulties in their economic and social development. This could lead to widening the gap between the North and South, and the rich and poor if immediate counter measures were not taken.

17. He noted that the international community recognized the importance of commodities in the sustainable development of developing countries in general, and LDCs in particular. A large proportion of people was employed in agriculture and derived a significant part of their income from the production of export commodities. Given this continued commodity dependence, the Common Fund had an important role to play in assisting LDCs to enhance their competitiveness, productivity and diversification, so that commodity producers could effectively function in the global economy. The Common Fund, he said, worked closely with a number of international commodity bodies and financed several projects involving commodities of importance to the LDCs. In its 10 years of operation, the Fund had made LDCs its prime target beneficiaries.



18. In conclusion, he said that to improve the situation of commodity-dependent LDCs, the Fund would continue to collaborate with Governments, the private sector and international organizations, and would be pleased to cooperate with UNCTAD in the LDC-III Conference, in particular, with regard to the meetings and special events.