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Sessional Committee I

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

Chairman's summary

1. Sessional Committee No. 1 of the forty-fourth session of the Trade and Development Board was assigned to discuss agenda item 4, "Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s".
2. The debates, in which many delegations took part, drew upon the 1997 edition of the report on the least developed countries (TD/B/44/6), which was introduced by the Secretary-General of UNCTAD and unanimously praised for its quality and relevance.
3. The discussions revealed a relative improvement in the situation of a great many LDCs in 1996. Growth had increased per capita income, notably in certain African LDCs, reversing a trend dating back to the beginning of the previous decade. The situation was attributed both to exogenous factors, such as the sustained prices commanded by some of the commodities which are still the LDCs principal export earners, and to endogenous factors stemming from the reform policies being pursued by the LDCs in matters such as inflation, exchange rates and public finances. The regional environment had also continued to play an important role: Asian LDCs had benefited from the knock-on effects of the region's economic dynamism.
4. Encouraging though the situation appeared, all delegations believed there had been too little progress. The LDC delegations emphasized how vulnerable many of them remained to marginalization in the general economic move towards globalization. The LDCs' economic situation must continue to improve - and the LDCs should benefit from the probable persistence of the factors mentioned above - but this only highlighted the need for a favourable domestic and external environment. Among the topics raised in this connection were:

a) The debt question. Many delegations noted with concern that the debt situation of the LDCs had continued to worsen, and that debt-servicing alone absorbed an excessive proportion of their still limited foreign-currency resources. Excessive indebtedness was described by the LDC delegations as a major handicap to their countries' development and efforts to reduce poverty. All delegations hailed the Highly Indebted Poor Countries (HIPC) initiative by the International Monetary Fund and the World Bank. Many LDC and developing country delegations stressed that the eligibility criteria, conditionalities and timetable attached to the HIPC initiative must be flexibly, not rigidly, applied, so that a maximum number of LDCs could take advantage of it quickly. Developed country delegations pointed out that putting the HIPC initiative into effect would require a boost in the resources of the international financial institutions (which, it was emphasized, bore sole responsibility for the programme); one developed country delegation said it was ready to contribute.

b) The decline in Public Development Assistance going to LDCs. Delegations representing LDCs stressed that the objective of the Programme of Action for the 1990s, namely 0.15% of GNP devoted to PDA for LDCs, had not, bar a few exceptions, been attained by the PDA donor countries and that PDA had declined in real terms over the course of the year to 0.06% of the donor countries' GNP. The LDC delegations felt that the decline was indicative of a lack of support within the international community for the LDCs' economic development and reform policies, especially as the PDA had tended to be directed towards emergency humanitarian aid in preference to long-term development. One PDA donor country delegation reminded the meeting of the budgetary circumstances that made the target unattainable for the moment. Another developed PDA donor country delegation announced its Government's willingness to give priority to LDCs in its development assistance policy..

5. Generally speaking, the difficulty of securing concessionary financing was seen as a significant obstacle to improvements in export capacity and the pursuit of structural reform.

- Market access. The LDC delegations felt their countries still had too little access to world markets despite improvements in one area. They decried the maintenance of tariff barriers and the continuing threat of tariff increases, the erosion of preferential regimes, and the use made of anti-dumping measures and norms, voicing the hope that the LDCs might, within the generalized system of trade preferences, enjoy asymmetric, preferential treatment in areas such as food and farm produce, textiles, clothing and hides, and tropical industrial products. But it was also pointed out that the Uruguay Round agreements included a number of exemptions and instances of preferential treatment for LDCs which might enable them both to supply more to "niche" markets and to maintain their comparative advantage on traditional ones. The LDCs should actively seek to derive more advantage from the preferential arrangements adopted for their benefit. The delegation of one major importing country spoke of the lack of interest shown by LDCs in market-access arrangements that had recently been made available to them. A developed country delegation also commented that the LDCs had not always derived as much benefit as originally hoped from preferential market-access arrangements, while at the same time the erosion of such arrangements did not imply the immediate and total eviction of the LDCs from the markets concerned. Over the long term, the better solution would seem to be for the LDCs to become more competitive on world markets. Greater supply capacity was, in several delegations' judgement, essential for LDCs, and UNCTAD was asked to provide technical assistance for that purpose.

6. Several developed and developing country delegations announced their intention of making independent offers of market access to LDCs at the next high-level meeting on integrated initiatives for the development of LDC trade held under WTO auspices. One delegation pointed out, however, that market access was one of the two facets of the agenda for the meeting, the other being technical cooperation. Delegations unanimously congratulated the secretariat on its active involvement in preparations for the meeting concerned and hoped it would play an important part in the meeting itself and in the execution of the recommendations expected to result.

Several delegations called for maximum consistency among the various international organizations with responsibilities in that area. One delegation voiced regret that UNCTAD member States had not been involved in the meeting, and said that proper discussion of questions relating to LDCs required all parties concerned to take part.

a) Attracting Foreign Direct Investment and gaining access to technology. Several delegations emphasized that the most recent UNCTAD *World Investment Report* showed a notable increase in FDI flows to LDCs. Still, LDCs accounted for only a tiny minority of FDI flows to developing countries, and did not generally benefit from the virtuous circle linking export growth to greater FDI.

b) The need for LDCs themselves - including those that have recently been experiencing serious political difficulties - to pursue reform and seek to derive maximum benefit from the facilities made available to them.

c) The major role of institutional and economic stability. Many delegations, from LDCs and elsewhere, welcomed the emphasis placed in this year's report on LDCs on institutional, political and social decline. In many cases, internal and external conflict and population movements may have contributed to institutional and economic decline resulting in a farming crisis, destruction of infrastructure, and interruptions in educational, health and social services aggravated by land mines. It was pointed out that conflicts in one country often had deleterious effects on neighbouring countries and their economies. One LDC delegation stressed that the emergency food aid that the international community was induced to supply in order to alleviate the immediate effects of such crises could, over the longer term, adversely affect the agricultural development of the countries concerned. Delegations from LDCs that had recently suffered such a decline said that the decline was not irreversible but that domestic and foreign peace did have to be restored, democratic institutions and the rule of law had to be put in place, and the international community had to lend its support. One developed country delegation felt that trimming military spending and preventing conflicts could help to roll back the danger of decline.

7. The statements and exchanges on agenda item 4(a) revealed a consensus on the importance to all LDCs of the farming sector which was their principal source of jobs, exports and income, and, by extension, on the cardinal importance of reforms in that area. The sector's obvious contribution to LDC food security was also emphasized, along with its interrelationship with social development, notably education and health.

8. Some LDC delegations described the difficulties their farming sectors were experiencing: rising domestic prices following the liberalization of the sector while international prices remained stable; outdated systems of land ownership; an inability to gain access to modern technologies and inputs; the paucity of funds made available to agriculture; and difficulties in gaining access to external markets, which they attributed to the erosion of preferential regimes granted by importing countries and economic and customs unions, the persistence of tariff barriers, subsidies in developed countries (the LDCs having abandoned theirs), and health and quarantine standards. One developed country delegation was at pains to point out that such standards, which were not hidden barriers, were legitimate, and said that its Government helped LDCs to bring their farm produce into line with them. Developing country delegations pointed out that an export-oriented farm sector could lead to difficulties with domestic supplies. They also stressed the need for suitable infrastructure: the lack of, or serious deficiencies in, energy supplies, rail, road and telecommunications facilities gravely handicapped farm and other kinds of development in LDCs. Thus it was necessary to increase PDA to LDCs. LDCs should also work to reduce the tax burden on farmers, to modernize farm structures, to liberalize marketing networks and to strengthen agricultural support

services, among them research and human resources training. One developed country delegation said that the four main thrusts of farm development in LDCs should be diversification, improved financing, technology acquisition and intensified research.

9. Several delegations from LDCs and elsewhere wished to see UNCTAD, which is responsible for monitoring the implementation of the Programme of Action for the Least Developed Countries for the 1990s, continue to play a major role in the international community's consideration of questions relating to LDCs by, among other things, forging a link between participation in international trade and development, and providing LDCs with assistance in establishing themselves in the world economy. Delegations from both LDCs and developed countries hailed the secretariat's implementation of the first integrated country programmes and voiced the hope that the benefits of such programmes would soon extend to other LDCs. The LDC delegations expressed their satisfaction at the increase in contributions - now amounting to more than half the initial target set - to the trust fund for LDCs set up by UNCTAD in response to the conclusions of the Ninth Conference. Delegations from developed and developing countries announced pledges by their Governments to the fund. Several pointed out that, while LDCs had accounted for an increased proportion of UNCTAD technical cooperation in 1996, that proportion was nonetheless inadequate and UNCTAD still needed to tailor the technical assistance it offered to the specific needs of the LDCs. The delegation of one of the most advanced developing countries explained that its Government had set up a programme of bilateral cooperation for Portuguese-speaking LDCs.