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**SPECIAL BODY ON LEAST DEVELOPED AND LANDLOCKED
DEVELOPING COUNTRIES**

(Agenda item 3)

Draft report

**A. The food-fuel-financial crisis and climate change: addressing threats
to development**

1. The Commission had before it document E/ESCAP/65/15 entitled “The food-fuel-financial crisis and climate change: addressing threats to development” and the Bali Outcome Document (E/ESCAP/65/15/Add/1).
2. A High-Level Exchange on “The food-fuel-financial crisis and climate change: addressing threats to development” was organized as a part of the discussions and deliberations under agenda item 3 (a). The objective of the panel discussion was to share diverse country experiences in addressing the triple crisis. The panel drew the attention of the Commission to the issues associated with the crisis, actions taken by the Governments to mitigate the impacts, and the way forward, especially in the area of regional cooperation.
3. The Executive Secretary of ESCAP introduced the two secretariat documents and moderated the panel, which was followed by an open discussion and statements from the floor.
4. The Commission noted that the impact of the food and fuel crisis varied greatly among the least developed and landlocked developing countries of Asia and the Pacific. Some of those countries were net exporters of food. Others, such as the least developed of the small island developing States, imported most of their food since their limited land mass, infertile soil and inadequate supply of water limited opportunities for agricultural production.
5. For countries that were net importers of food, the increase in international prices affected not only the domestic price of food but also its supply. The rise in spending on food at both the household and national levels subsequently compressed consumption of other items. As a result of volatility in commodity prices, inflation

had risen sharply in many of those countries before declining in recent months. Subsidies to minimize the immediate impact of the rise in food prices had a significant impact on the fiscal budget in other countries. While the increase in food prices had exacerbated the hardship of its urban population, one delegation noted that such prices also increased demand for locally produced traditional food crops.

6. In countries that were commodity exporters, however, the fall in the prices of products derived from agriculture, fishery, forestry and non-renewable resources had an adverse impact on export earnings as well as fiscal balance.

7. To address the issue of high food prices, one delegation expressed its support for the recommendations of the High-level Regional Policy Dialogue on “The food-fuel crisis and climate change: reshaping the development agenda”, held in Bali, Indonesia on 9 and 10 December 2008, with respect to the role of regional cooperation in addressing the financial crisis and ensuring food security, sustainable agriculture and energy security.

8. Some delegations expressed the view that greater investment in agricultural production was necessary to attain food security, and that renewed focus should be placed on the expansion of traditional food crops and livestock as well as on the development of new agricultural products. To address the cost of imported food, one delegation informed the Commission that its country had established a food crisis task force to review import arrangements, including freight charges and import tariffs.

9. Some delegations reiterated the need for continued technical assistance, as well as research and development to strengthen the agricultural sectors in the least developed and landlocked developing countries.

10. The Commission was also informed by one delegation that the G8 Leaders Statement on Global Food Security adopted at the Hokkaido Toyako Summit, held in Toyako, Japan, from 7 to 9 July 2008, renewed their commitment with regard to increasing assistance and investment in agriculture, removing export restrictions and accelerating development and commercialization of sustainable second-generation biofuels.¹ In line with that statement, the ministers of agriculture of the G8 countries underlined their support for the establishment of a global partnership for agriculture and food security at their meeting held in Cison di Valmarino, Italy, from 18 to 20 April 2009.²

11. In relation to the fuel crisis, the Commission was informed that the increase in the price of petroleum products had led to an increase in foreign exchange outflow, higher prices of goods owing to increased production and transport costs, and rises in the price of essential commodities. One delegation expressed the view that in least developed countries that are small islands, imported fuel was critical for the functioning of fisheries, which was the largest source of employment, as well as for the provision of potable water through desalination.

12. Some delegations noted that in a number of least developed countries that were net importers of fuel, setting fuel prices at market levels also required policymakers to take into consideration the need to provide disadvantaged groups with fuel at subsidized levels. The provision of such subsidies, however, had led to a significant rise in Government expenditures at a time when revenues were decreasing, and consequently reduced Government spending on development activities.

¹www.mofa.go.jp/policy/economy/summit/2008/doc/doc080709_04_en.html.

²www.reliefweb.int/rw/rwb.nsf/db900SID/SNAA-7RB3EW?OpenDocument.

13. Several delegations recognized the importance of alternative fuels and renewable energy, including bioenergy, in reducing dependency on energy imports and energy prices. Some countries recognized the importance of renewable energy to support energy security or actions to tackle climate change.

14. One delegation called for assistance to develop alternative sources of energy through South-South cooperation for the benefit of least developed countries, especially those that were small islands. The Commission was informed that a regional mechanism was being created to purchase fuel in bulk, as well as to strengthen regulations in the Pacific to reduce fuel costs.

15. One delegation from a landlocked developing country expressed its appreciation to the Commission for the implementation of the Special Programme for the Economies of Central Asia and the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries, which had enabled the development of land and maritime links to facilitate transport between Asia and Europe.

16. Some delegations reported that remittances had declined.

17. The delegation of Kiribati informed the Commission of a steep decline in the value of its Trust Fund, which was invested in various stocks. The situation had reduced the country's ability to fund critical social programmes.

18. The Commission was informed by the delegation of Maldives of the range of new challenges it would face with the removal of trade and development preferences after graduation from least developed country status. It called for international partners to work with countries graduating from least developed country status to design and implement an effective transition strategy.

19. The delegation of Bangladesh informed the Commission about its fiscal and financial stimulus package, which consisted of subsidies to the agriculture and power sectors, increases in agricultural credit and social safety net programmes. Export incentives were to be increased and the maximum lending interest rate had been capped. In addition, policy changes to complement the stimulus package had been instituted. Those changes were an increase in the tax base, the expansion of the tax administration, the use of remittances for productive purposes, and social safety net programmes to increase aggregate demand.

20. The Commission was informed by the delegation of Japan that its Government: (a) was ready to provide up to \$20 billion for budgetary support and infrastructure improvements for Asian countries; (b) would facilitate trade finance in developing countries—an additional \$22 billion for two years; (c) would establish a new line of trade insurance amounting to \$20 billion to assist infrastructure improvement in Asia; and (d) would invest approximately \$5 billion in the area of environment.

21. The Commission noted one delegation's observation on the linkage between actions to be taken by developed and developing countries. The global economic crisis, which had negatively affected Asia-Pacific countries, particularly least developed countries, landlocked developing countries and small island developing States, could be managed only if developed and emerging economies both took action. At the global level, the reform of international financial institutions must be advanced, including speeding up International Monetary Fund quota reviews, in order to provide developing nations with a stronger voice.

22. The same delegation informed the Commission that it was important to leverage the United Nations development mandate to address the crisis. In that regard, it supported the Secretary-General's suggestion to establish a monitoring and alert mechanism to track developments, as there was still relatively little data on the political, social, economic and gender impacts of the crisis. The regional commissions, including ESCAP, could play a constructive role towards that end.

23. One delegation highlighted the critical role of ESCAP in providing a platform for mobilizing funds and providing a forum where Pacific concerns could be raised and brought to the international arena.

24. The Commission heard statements from several delegations on the effects of climate change. One delegation reported adverse temperature rise, uneven precipitation and the melting of mountain snowcaps. Some delegations briefed the Commission on a marked increase in storm surges and coastal erosion.

25. One delegation informed the Commission that, over the medium term, the main threat to its country came from temperature rise and the acidification of the surrounding ocean, which could lead to the extinction of coral reefs. In such a scenario, the two principal industries—tourism and fisheries—would likely fade along with the reefs that supported them. One delegation highlighted the impact of climate change on weather pollution, which had affected the replenishment of limited water aquifers, in turn affecting the yield of food crops and restricting the availability of safe drinking water.

26. Several delegations pointed out the impacts of climate change on water resources and related effects on the socio-economic development of least developed countries and, particularly, small island developing States. In that connection, some delegations pointed out the need to adopt new approaches to water infrastructure development, such as participatory management and eco-efficient development. One delegation pointed out the challenge of maintaining healthy and clean water and drew attention to the policy recommendations on water resources management of the Fifth World Water Forum, held in Istanbul, Turkey, from 16 to 22 March 2009.

B. Regional cooperation for shared prosperity and social progress

27. The Commission had before it document E/ESCAP/65/16 on regional cooperation for shared prosperity and social progress.

28. The Commission noted that poverty was one of the main obstacles in achieving the Millennium Development Goals in the least developed countries and landlocked developing countries. One delegation informed the Commission of the various strategies, policies and programmes its country had adopted in achieving the Goals. Those policies and programmes had emphasized the expansion of the scope for pro-poor economic growth in order to increase employment opportunities and income for the poor and had included the provision of social protection for the poor through education, health, nutrition and other social interventions. Emphasis had also been placed on the empowerment of women to close the gender gap, participatory governance to enhance the voice of the poor, and the promotion of the security, power and social inclusion of the poor.

29. The Commission noted that several least developed countries and landlocked developing countries had made good progress in reaching many targets related to the Millennium Development Goals, including halving the proportion of the population living below the national poverty line, reducing child and maternal mortality and achieving gender parity in primary and secondary education. One delegation

informed the Commission that its country was still struggling with a high incidence of child malnutrition and maternal mortality.

30. The Commission noted that the food, fuel and economic crises posed significant threats to the prospects of achieving the Millennium Development Goals. Although the least developed countries of the Asia-Pacific region had done better than those of other regions, the food and fuel crises and the current global economic crisis had had a measurable downward impact on their growth performance in 2008 and would most likely have the same adverse effect in 2009 and in 2010. Global high prices of food had threatened vulnerable groups in many developing countries, and the growing tendency towards a global undernourished population led one delegation to express serious concerns about achieving the Goal-related target of halving the proportion of the population that was undernourished. It was therefore essential to ensure that the development gains made so far in achieving the Goals were not negated by the possible adverse impacts of the crises. Developed country partners were urged, despite their own budgetary pressure, to meet the official development assistance commitments that they made at the International Conference on Financing for Development. The international community needed to take proactive measures to assist the developing countries, particularly the least developed countries and other vulnerable countries, to overcome supply-side constraints so as to benefit from international trade opportunities. There was a need to effectively operationalize aid for trade and to address preference erosion issues.

31. The Commission was informed by several delegations about measures taken by their countries in support of the least developed countries and landlocked developing countries. In 2008, the Government of India unilaterally announced a scheme to grant duty-free and preferential access to products from all least developed countries. The tariff lines covered under that scheme spanned 92.5 per cent of all global exports of all least developed countries, and 94 per cent of India's total tariff lines. Japan was implementing various technical assistance projects in several least developed countries and landlocked developing countries aimed at raising their capacity in rice production, food processing and aquaculture under a South-South cooperation initiative. China had waived import duties on exports from some 41 least developed countries and provided assistance in the development of infrastructure. Both China and India had also written off the debts of several countries under the Highly Indebted Poor Countries Initiative.

32. The Commission was informed that there was significant potential for enlarging the intraregional flow of labour, goods and services for the benefit of the least developed countries and the landlocked developing countries. The foundations for increased regional cooperation were stronger in the region. In particular, South-South cooperation and triangular cooperation was playing a key role in using the expertise and resources of other developing countries for the benefit of the least developed countries in areas such as human resources development, the expansion of trade in energy and services, and tourism and overseas employment.

C. Summary of progress in the implementation of resolutions relating to countries with special needs

33. The Commission had before it document E/ESCAP/65/17 on the summary of progress in the implementation of resolutions relating to countries with special needs.

34. The Commission noted, in the context of the implementation of its resolution 63/5 of 23 May 2007 on the midterm review of the implementation of the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing

Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries, that the Almaty Programme of Action had produced tangible results, especially in transport and trade. One delegation, in relation to the Almaty Programme of Action, informed the Commission about the proposal, as contained in a draft resolution sponsored by that delegation, to establish an international think tank of the landlocked developing countries to enhance their analytical capability. The delegation further informed the Commission that the General Assembly, at its high-level meeting on the midterm review of the Almaty Programme of Action, held in New York on 2 and 3 October 2008, had welcomed the think tank proposal (see General Assembly resolution 63/2, para. 26). The delegation urged international organizations and the donor community to assist in realizing that initiative.

35. The Commission was informed of the work of the secretariat in implementing Commission resolution 63/6 of 23 May 2007 on the implementation of intercountry energy cooperation to enhance energy security for sustainable development with a view to widening access to energy services in least developed countries, landlocked developing countries and small island developing States and requested that work should continue under that resolution. The Commission noted the request from one delegation to provide more facilitation opportunities, through South-South or triangular cooperation, to assist Pacific island countries in selecting appropriate and cost-effective technologies to meet energy needs. One delegation recognized the important role that regional cooperation could play in improving energy access for the poor and requested that the secretariat strengthen its efforts in that regard.

36. The Commission was informed by one delegation that, in implementation of Commission resolution 63/7 of 23 May 2007 on international migration and development for least developed countries, landlocked developing countries and small island developing States, a situation analysis of international migration in East and South-East Asia had been conducted by the secretariat and the International Organization for Migration. The delegation requested that the secretariat conduct a similar study for South and South-West Asia, which should also include the adverse effects of the global economic crisis. The same delegation highlighted the need for a forum for dialogue among member States on international migration, especially in relation to countries with special needs. Another delegation called for the development of an international migration database covering the Pacific subregion.

37. The same delegation also supported the proposed review of the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States and requested that the issue be raised at the session of the Special Body on Pacific Island Developing Countries during the sixty-sixth session of the Commission.

38. The Commission recognized the importance of South-South cooperation and emphasized the need for strengthening that modality for countries with special needs. One delegation noted that it had provided various training opportunities for a number of Pacific island countries. Those training opportunities covered microfinance, art and culture, technical cooperation in farming and fishing techniques, agricultural equipment and machinery, diplomatic training and exchange visits for journalists and artists.

D. Other matters

39. The Commission was briefed about the preparations for the Fourth United Nations Conference on the Least Developed Countries scheduled for early 2011. As

part of that process, the regional commissions were expected to conduct their own review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010.

40. The Commission was briefed on the outcome of a meeting on capacity development organized by the United Nations Development Programme, the Netherlands Development Organization (SNV) and ESCAP. The meeting was attended by several least developed countries and landlocked developing countries. The outcome of the meeting emphasized the need for more investment in capacities for national development. It highlighted the importance of improving the efficiency and accountability of such investments. It also recognized that people and organizations must be involved in identifying their own needs and achieving their own solutions.