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DRAFT REPORT OF THE SESSIONAL COMMITTEE I

Ms. W. Tadesse (Ethiopia)

Speakers:	Norway
Denmark for the European Union	China
Spain	Japan
Mauritania	Bhutan
Zambia	Algeria
Botswana	Officer-in-Charge of LDCs, LLDCs and SIDS
Morocco	
Islamic Republic of Iran	
Nepal	

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
Requests for amendments to statements by individual delegations should be communicated by **Wednesday, 23 October 2002** at the latest, to:

UNCTAD Editorial Section, Room E.8104, Fax No. 907 0056, Tel. No. 907 5655/1066.

**PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION
FOR THE LEAST DEVELOPED COUNTRIES FOR THE DECADE 2001–2010**

(Agenda item 4 – continued)

24. The representative of **Denmark**, speaking on behalf of the **European Union and the Central and Eastern European States associated with the EU, as well as Cyprus, Malta and Turkey**, encouraged the UNCTAD secretariat to provide more precise information concerning estimates on technical cooperation activities in LDCs and noted that the 43 per cent level, although appropriate, should be increased. The secretariat and its departments should give clear priority to LDCs in the planning of activities. Recalling the crucial role of trade-related technical assistance, he said that the Integrated Framework, which mainstreams trade into national development strategies and improves the coordination of assistance in support of this goal, was an important and promising initiative for LDCs. He encouraged UNCTAD to play a strengthened role in the Integrated Framework, in particular by planning and implementing activities related to the follow-up to the trade integration studies. Considering the complexity of poverty measures and the lack of consensus surrounding the issue, he welcomed UNCTAD's proposal for new poverty estimates and highlighted the need for more work on poverty estimates. Peace and good governance, including sound social and economic policies, were fundamental conditions for development, and the international community could assist developing countries in their national efforts to achieve these conditions. However, the main responsibility lay with the countries themselves. With regard to market access, he called on other countries to take initiatives similar to "Everything But Arms" to give duty-free and quota-free market access to products originating from LDCs. The situation of the LDCs was a central concern of the EU and associated countries. This concern would be reflected in the negotiations under the Doha Development Agenda, and his group would work constructively with other members on the issue of facilitating LDCs' accession to WTO.

25. The representative of **Spain** said his Government was in favour of advancing work on economic vulnerability as a criterion for the identification of LDCs. The vulnerability index could be useful for assessing the situation of countries that, even though they did not qualify completely for LDC status, still suffered from structural economic handicaps caused by factors such as geographic ones, and therefore required differentiated treatment. This theme was currently being explored, with UNCTAD carrying out analysis of country profiles, which included an assessment of the impact of their economic vulnerability. Spain was supporting this initiative by financing a study on a set of vulnerability criteria for various countries. He hoped that this work would allow UNCTAD XI in 2004 to analyse in depth the problem of differentiation among states according to their vulnerability.

26. The representative of **Mauritania** said that the marginalization of LDCs in the world economy had deepened, and that this group of countries, which generated less than 0.5 per cent of world GDP, had not been able to benefit from globalization. This situation could be reversed only by the adoption of a set of international support measures that

would enable these countries to overcome their structural handicaps. It was important to translate the Brussels Commitments into actions. The international community could not afford to repeat the failure of past Programmes of Action in favour of LDCs. Noting that UNCTAD was playing a major role in the implementation of the Programme of Action for the LDCs for the Decade 2001–2010, he said that UNCTAD's analytical and research activities had proven remarkable but that the impact of its activities in other areas remained limited. He stressed the need for increased efficiency and said that more thought should be given to technical assistance programmes and to capacity building. Furthermore, the donor community should provide UNCTAD with additional resources in order to enable it to respond to the extensive and complex needs of LDCs. UNCTAD should be more actively involved in implementation of the Integrated Framework.

27. The representative of **Zambia** expressed his delegation's continuing support for the Special Programme on LDCs, LLDCs and SIDS. He noted the visibility of this programme and welcomed the improved coordination between the various divisions of the UNCTAD secretariat. It was heartening to note in document TD/B/49/6 that the approach being applied was not only demand-driven but also consistent with what had been agreed at LDC III. Research and policy analysis on LDCs and technical cooperation and capacity building continued to be UNCTAD's priority. He referred to the benefits that LDCs were deriving from UNCTAD's work. As examples, he cited, market access studies, which he said played an extremely important role in strengthening the LDCs' negotiations in WTO, as well as technical assistance to commodity-dependent countries like Zambia to promote upgrading of production and diversification of exports. With respect to the Doha Mandate, which effectively enlarged the WTO work programme, UNCTAD had also been instrumental in building LDCs' capacities in the areas of trade negotiations, accession, market access, agriculture and services. Just recently, UNCTAD representatives had been in Zambia to help build national capacity for conducting negotiations in the services segment. He stressed the fundamental importance of collaboration between UNCTAD and the Office of the High Representative and called on development partners to support UNCTAD and the Office by giving them sufficient funding. The expanded mandate of the WTO work programme needed a corresponding increase in funding for UNCTAD so that the latter could continue its assistance to LDCs. Regular and timely replenishment of the Trust Fund for LDCs was necessary. The Board should create a consultative body, chaired by the President of the Board, to investigate and resolve the funding problems with respect to LDC-related activities. The gap between available resources and the unfulfilled needs of LDCs to which the secretariat's note (TD/B/49/6) referred was real and could be addressed only with predictable funding and a political commitment from donors.

28. The representative of **Botswana** presented the case of his country, the only one that had succeeded in graduating from the LDC list. He gave an overview of the economic history of Botswana, the reasons for its successes, challenges still to be met and Botswana's experience with graduation. Since achieving independence, his country had made great progress with regard to development. Not only had per-capita GNP increased dramatically, but major investments had been made in infrastructure and human capital. These included the promotion of universal access to primary and secondary education as

well as primary health care. These successes had been obtained through a combination of factors and policies. The country had been able to capitalize on its rich endowment in diamonds and minerals. Revenues from the mining sector had been heavily reinvested in infrastructure and human resources development. The Government had maintained a market-based system throughout the period since independence. It had avoided nationalization of firms and had encouraged joint ventures with foreign investors. It had also created and maintained liberal foreign exchange controls. He expressed his Government's gratitude to UNCTAD for its technical assistance and capacity-building activities, which had greatly benefited Botswana. However, his country still faced serious challenges. Although there had been improvement, poverty was still prevalent in Botswana. He also emphasized the severity of the HIV/AIDS pandemic. Botswana had taken systematic measures to fight AIDS and mitigate its impact, but these measures were quite costly and decreased the resources available for financing development and other social programmes. Botswana also suffered from insufficient energy capacities, with electricity having to be imported. Regional instability, along with recurrent climatic disruptions and cattle diseases, had also negatively impacted development. Botswana's graduation from the LDC category had penalized the country in terms of foreign assistance flow. He called for a less disruptive transition mechanism and said that a country should not be penalized for its success, as had happened with Botswana.

29. The representative of **Morocco** welcomed the initiatives on market access undertaken by developed countries in favour of LDCs and said that Morocco, too, had undertaken initiatives in favour of African LDCs. He said there was a need to relax the rigidity of the rules of origin for LDCs in trade negotiations. He also noted the role of the industrial sector in LDCs and emphasized that the Integrated Framework needed to help the LDCs overcome various supply-side constraints. Since information technology was a factor of production, more efforts in this area were needed in LDCs. Finally, the LDCs should benefit from the post-Doha technical assistance programme on a priority basis.

30. The representative of **the Islamic Republic of Iran** expressed concern regarding the fact that the last three UN conferences on the LDCs and previous Programmes of Action had failed to help countries graduate from the LDC category or to reduce the incidence of extreme poverty. On the contrary, more countries had joined the LDC category, and the number of extremely poor people had increased significantly. He asked whether the lack of success with respect to both criteria resulted from a failure of the Programmes of Action to address and resolve socio-economic bottlenecks in the LDCs, or whether it was associated with weak implementation of these Programmes of Action by the development partners and the LDCs themselves. While acknowledging the importance of national policies, including good governance, accountability and transparency, he stressed the significance of the international factor. He highlighted difficulties associated with transnational corporations that had little regard for the development dimensions of host countries. He also stressed the need for adequate assistance and ODA to build capacity and complement other resources of financing for development. Achievement of the Millennium Development Goals in the LDCs hinged on enhanced national ownership and better coordination of aid activities. This could be achieved through the United Nations Development Assistance Framework and PRSP

processes. With regard to the external debt problems of LDCs, he called for more debt relief and suggested that the possibility of equity financing be evaluated. He concluded by calling for all-inclusive and comprehensive cooperation by the international community to address and resolve the problems of LDCs and to help other developing countries in their development efforts. A concerted effort was needed to ensure that other developing countries were not driven into the LDC category.

31. The representative of **Nepal** expressed appreciation of UNCTAD's work on LDCs, especially with respect to research and policy analysis, technical cooperation and capacity building. The issues addressed by UNCTAD, including trade, investment and technology, were of great interest to Nepal, which had greatly benefited from technical assistance by UNCTAD, including in areas related to WTO's activities. The analysis and recommendations in the *Least Developed Countries Report 2002* were interesting and important, and he was looking forward to a closer examination of the report during the executive session of the Board in December 2002. He encouraged the relevant international organizations to cooperate genuinely with each other and to coordinate their efforts better in order to more effectively aid the LDCs' participation in the multilateral trading system. Finally, he noted that the majority of LDCs continued to be poorly integrated into international trade and suffered from structural economic handicaps. The fact that LDCs had not made much progress in the past decades and that poverty in these countries had even worsened raised the question of what had gone wrong with technical assistance in the past and what needed to be improved in order to ensure successful implementation of the new Programme of Action for LDCs.

32. The representative of **Norway** stressed the need to work closely with the Office of the High Representative and noted with appreciation the good working relationship between the two offices, as witnessed by the High Representative's active participation in the Board meeting on 11 October. He recognized the need for a clear division of labour between the two offices based on their respective strengths. He noted that his Government welcomed the continuing dialogue and cooperative spirit between the two offices, with each focusing on its specific areas of competence. He said that WTO, ITC and UNCTAD each played an important role in providing technical assistance and that each entity should contribute on the basis of its strengths, but that their work on LDC-related issues should be more closely coordinated. The cooperation should also include other partners of the Integrated Framework (IF), such as UNDP and the Bretton Woods institutions. The IF and the JITAP were useful coordinating mechanisms that should be fully utilized for improving coordination of their respective activities. His delegation fully supported the revamped IF, which should remain targeted at the needs of LDCs. He encouraged UNCTAD to become more closely involved with the IF process, as it went to the heart of trade-related technical assistance for LDCs. He greatly appreciated UNCTAD's analytical activities and expressed the hope that this work would be targeted as much as possible to ongoing discussions and negotiations. Concerning follow-up by the donor community, he noted with satisfaction some positive developments regarding ODA commitments undertaken in Monterrey and encouraged an invigorated focus on LDCs in this area. In Norway, the LDCs lay at the heart of development policy. Development aid to LDCs greatly exceeded the target rate of 0.15–0.2 per cent of GNI

proposed by LDC III. Furthermore, his Government had proposed to increase its total ODA to LDCs even further, to 0.93 per cent of GNI – a figure well above the 0.7 per cent of GNI agreed to by UN member States. However, the most important contribution by the partner countries would be to improve market access for LDC exports. Market access should be complemented by technical assistance activities in order to help the LDCs achieve the technical standards required to enter the high-income markets. However, without full involvement by the LDCs themselves, international efforts would not succeed. The LDCs themselves needed to play an active role in creating a business environment that would attract foreign investment and stimulate domestic investment activities. He concluded by stressing the importance of a smooth graduation process that would enable countries to move out of the LDC category without disrupting their development plans, projects and ongoing programmes. The international community should facilitate the graduation process for LDCs.

33. The representative of **China** argued that the development of the LDCs depended on a sound national development strategy coupled with a supportive international environment and strong donor support. Vital elements of international support and a successful implementation of the Programme of Action were increased aid and technical cooperation as well as increased debt relief and better terms of trade. UNCTAD needed to continue its support for the LDCs in the areas of trade and investment and to help the LDCs increase their competitiveness and productive capacities. She welcomed UNCTAD's activities in support of the implementation of the Programme of Action for the LDCs and the secretariat's document (TD/B/49/7) on the effective benefits and the perspectives of graduation from LDC status. She highlighted the importance of maintaining specific support measures for countries within the LDC group but also acknowledged the need for special support measures for countries that graduated from this group. Temporary support measures were important to smooth the transition period, but these measures could not be standardized measures meant for all countries, as they needed to take into account the national specificities of the various LDCs. To this end, it was important that the LDCs receive more support from donor countries.

34. The representative of **Japan** emphasized his country's support for UNCTAD's activities. He noted that it was now extremely important to move towards implementation of the Programme of Action for the LDCs, the Doha Development Agenda, and the Monterrey Consensus on Financing for Development. Successful implementation hinged on three factors: (1) better coordination between different development agencies operating in different issue areas; (2) consistency among development programmes and policies, including consistency between policies pursued in capitals and those advocated in overseas missions; and (3) greater coherence between and within the international organizations. Along the same lines, he made three comments with respect to UNCTAD's activities. UNCTAD's involvement in the IF was of utmost importance and stronger involvement by UNCTAD in this area was expected. Also, UNCTAD was expected to act in accordance with the mandate that it had received at UNCTAD X. It was expected to continue its work on LDCs as well as in other areas falling within its realm of competence. Furthermore, UNCTAD and other international organizations involved with trade, especially WTO, needed to coordinate their activities better in order

to avoid duplication. He highlighted activities relating to capacity building in negotiations and to implementation of the WTO Agreements as ones where overlaps might exist.

35. The representative of **Bhutan** welcomed the advocacy, coordination and monitoring roles played by the Office of the High Representative. He expressed satisfaction with the number of capacity-building activities UNCTAD had succeeded in implementing in favour of LDCs, LLDCs and SIDS and called for sustained long-term measures. While welcoming UNCTAD's efforts to streamline and improve its programme delivery through promoting regional and subregional projects, he emphasized the importance of national programmes in responding to the specific needs of individual countries. Mentioning Bhutan's difficulties with high transport costs – a result of its landlocked and mountainous situation – he welcomed the preparations for the International Ministerial Meeting of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation to be held in Kazakhstan in 2003 and expressed hope that the Conference would succeed in mobilizing resources necessary to improve and develop new transport and transit infrastructures in landlocked and transit developing countries. Bhutan received UNCTAD assistance in a number of areas, and technical assistance connected with accession to the WTO formed a major component of this aid. He hoped that the donors would continue their support for UNCTAD's work and emphasized Bhutan's commitment to using all technical and financial assistance efficiently, without overburdening the country's absorptive capacity.

36. The representative of **Algeria** said that the background reports prepared by the UNCTAD secretariat gave a very clear assessment of the socio-economic situation of the 49 LDCs and the progress made in implementing the Brussels Programme of Action. The main conclusions emerging from the studies were that there was a striking deterioration in these countries' socio-economic situation and worsening misery among their populations. He shared the concerns expressed in document TD/B/49/7 regarding effective benefits and exit strategies, and he wondered whether the effective benefits were in fact creating an enabling environment that would allow the LDCs to graduate from the LDC category. Were the international support measures explicitly given to LDCs in accordance with their status? Were these measures being effectively implemented as promised? Did the beneficiary countries use them effectively? Did the advantages derived from LDC status have a real structural impact? The responses given by the report were clear: the list of LDCs had continued to grow, and none of the 49 countries was ready for graduation. There was reason to fear that the support measures envisaged in the Programme of Action might end up doing nothing to help the situation, as had been the case with the two previous Programmes of Action. This was especially so if the financial institutions continued to approach the situation from an accounting perspective, with an emphasis on ensuring repayment of allocated resources. Given the importance of international trade for LDCs' economies, measures geared to improving conditions of access to the markets of developed countries remained insufficient. The LDCs' declining share in world exports demanded rigorous application of the principle of special and differential treatment in favour of LDCs. However, in order for the LDCs to effectively take advantage of the special and differential treatment, it was important that all those

LDCs having applied for accession to WTO be admitted unconditionally. It was important that the donors take actions to enhance implementation of the various commitments they had made.

37. The **Officer-in-Charge of the Special Programme on LDCs, LLDCs and SIDS** grouped the questions asked by delegations in Sessional Committee I into three categories: (1) questions concerning the workload for the four areas of action envisaged by UNCTAD in paragraph 30 of the document TD/B/49/7; (2) questions relevant to national strategies for making better use of the LDC status; and (3) questions relevant to UNCTAD's collaboration with the Office of the High Representative in the area of effective benefits and graduation from LDC status. In answer to the first group of questions, the Officer-in-Charge stressed that the tasks envisaged could not be carried out consistently unless they were dealt with as an area of in-house expertise and therefore supported by the regular budget. The workload was expected to occupy two or three staff members of the Special Programme on a full-time basis. It would also require some extra-budgetary resources for activities regarding which the Officer-in-Charge provided some details. Answering the second group of questions, he said that, while aspects relevant to the low-income and human capital criteria were likely to be dealt with extensively by the PRSP, the latter often did not deal properly with the economic vulnerability dimension, hence the link between PRSPs and the vulnerability profile prepared by the Special Programme to promote better use of the LDC status at the national level. With regard to the third group of questions, the Officer-in-Charge stressed that the Office of the High Representative was expected to be one of the most important beneficiaries of UNCTAD's work on benefits and graduation from LDC status.
