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**UNCTAD-WIDE ACTIVITIES IN FAVOUR OF LEAST DEVELOPED
COUNTRIES: FOURTH PROGRESS REPORT***

Report by the UNCTAD secretariat

Executive summary

The Trade and Development Board in its agreed conclusions 476(L) of 17 October 2003 "urges the secretariat to continue to report to the Board at its regular sessions on UNCTAD's activities in favour of these countries, including on activities related to the IF (Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries); and emphasizes the need for UNCTAD to continue to contribute to the mandated reviews by ECOSOC and the General Assembly of the implementation of the Programme of Action for LDCs for the Decade 2001–2010". The present report is prepared pursuant to this decision and to assist the Board in its annual review of progress in implementation of the Programme of Action (PoA) in areas within the competence and mandates of UNCTAD. The report emphasizes the importance of constant dialogue between LDCs and their development partners to seek ways and means of enhancing the substantive impact of UNCTAD's analytical and operational activities related to the trade and development prospects of these countries. It stresses the need for (a) predictability and sustainability of extra-budgetary resources, (b) harmonization of financial reporting and audit requirements by donors and funding agencies in conformity with the UN Financial Regulations and Rules and relevant decisions of the General Assembly, (c) mobilization of all stakeholders and actors in development, at the national and international levels, as crucial for the successful implementation of the PoA, and (d) enhanced linkages and synergy between the analytical and operational activities of UNCTAD, coupled with improved secretariat-wide coordination. The report underscores that requests by LDCs for technical assistance programmes and projects should be based on a critical assessment of their domestic gaps and needs. To that end, ongoing efforts to enhance the ownership capacities of LDCs and make technical cooperation programmes demand driven, not donor or process driven, should continue.

* This document has been issued on the above date for technical reasons.

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Introduction

1. The Brussels Programme of Action (PoA) for Least Developed Countries (LDCs) for the Decade 2001–2010¹ contains agreed goals and specific targets under seven commitments² and corresponding actions by LDCs and their development partners. The PoA also includes arrangements for follow-up, review and monitoring of progress in implementation of commitments contained therein at the national, sub-regional, regional and global levels. Paragraph 14 of the PoA emphasizes that, "while LDCs should assume ownership of designing and formulating appropriate national policies ... the full implementation of the Programme of Action is the shared responsibility of these countries and their development partners". In this regard, the PoA serves as "a framework for a strong global partnership to accelerate sustained economic growth and sustainable development in LDCs, to end marginalization by eradicating poverty, inequality and deprivation in these countries, and to enable them to integrate beneficially into the global economy" (para. 4). Mobilization of stakeholders and actors in development for effective implementation of actions and commitments of the PoA is critical for achieving these objectives and revitalizing and strengthening partnership between LDCs and their development partners.

2. In accordance with paragraph 114 of the PoA, the United Nations General Assembly (GA) in its resolution 59/244 "decided to hold the comprehensive [Mid-term] Review of the Programme of Action within the General Assembly during its sixty-first session, bearing in mind the provisions of GA resolution 57/270B of 23 June 2003³ with modalities to be decided upon". The present and previous reports⁴ on UNCTAD-wide implementation activities in favour of LDCs serve as part of UNCTAD's inputs to the GA's Mid-Term Review. This report should also assist the Board in its annual review, during its fifty-second session, of UNCTAD's contribution to the implementation of the PoA.

3. In contributing to the further implementation of the PoA, UNCTAD has undertaken, within its mandates and competence, a number of activities on issues of interest to LDCs. The 2004 activities of the secretariat on LDCs cover research and policy analysis, consensus building and technical cooperation on a wide range of trade- and development-related issues of interest to LDCs, landlocked developing countries (LLDCs) and small island developing states (SIDS).

I. Research and policy analysis

4. UNCTAD's *Least Developed Countries Report* is the main output of the secretariat's research and policy analysis work on the LDCs. The decision of UNCTAD XI to continue to analyse, through annual editions of the *Report*, "the causes of the decline in the share of least developed countries in world trade and the linkages between trade, growth and poverty reduction, with a view to identifying long-term solutions to the problem" is important and challenging. The challenge is that analytical reports such as *The Least Developed Countries Report* require extensive research and the collection of sound statistical data, both of which are resource-intensive activities, especially given that data on LDCs are inadequate. A further decision of the Conference inviting UNCTAD to undertake work on transit, small, structurally weak and vulnerable economies is expected to generate additional work,

¹ A/CONF.191/11.

² The seven commitments are: (i) fostering a people-centred policy framework; (ii) good governance at the national and international levels; (iii) building human and institutional capacities; (iv) building productive capacities to make globalization work for LDCs; (v) enhancing the role of trade in development; (vi) reducing vulnerability and protecting the environment; and (vii) mobilizing financial resources.

³ Resolution 57/270 of 23 June 2003 B is on "Integrated and coordinated implementation of and follow-up to the outcome of the major United Nations conferences and summits in the economic and social fields".

⁴ TD/B/48/16, TD/B/49/6 and TD/B/50/3.

including analytical and operational activities, for the secretariat. Adequately responding to these decisions requires, among other things, allocation of resources commensurate with the tasks ahead. It is equally important to enhance ongoing efforts aimed at ensuring synergies and complementarities between the analytical work and operational activities of UNCTAD.

5. The *Least Developed Countries Report 2004* addressed the linkages between international trade and poverty reduction and the right combination of national and international policies required to improve the socio-economic performance of LDCs. In its assessment of the relationship between trade and poverty, the *Report* contributes to the current debate on trade-poverty interactions; it improves our understanding of complex development processes and contributes to the design of appropriate poverty reduction policies and strategies in these countries. The *Report* also provides a comprehensive analysis of the recent economic performance of LDCs and the extent and depth of poverty in these countries, which persisted or worsened. Today, with 50 per cent of the population of LDCs living on less than \$1 a day and 80 per cent on less than \$2 a day, poverty remains a mass phenomenon in these countries. If such trends continue, the number of people living on less than \$1 a day in the LDCs will increase from 334 million in 2000 to 471 million in 2015. Moreover, social indicators are not encouraging, and most of the LDCs are off target to meet the human development goals of the Millennium Declaration. For instance, only 11 out of 49 LDCs for which data are available are on course to achieve the Millennium Development Goal (MDG) of reducing under-five mortality by two thirds between 1990 and 2015.

6. The main messages that emerge from the *Report* include that (a) the challenge of development and poverty reduction in the LDCs is immense and will require special efforts to tackle the depth and persistence of underdevelopment and poverty in these countries; (b) current policies at the national and international levels are insufficient to meet the challenge of development and poverty reduction in the LDCs; and (c) it is possible to identify constructive alternatives that build on existing global and national processes and make international trade a more effective mechanism of development and poverty reduction in the LDCs.

7. In this regard, the 2004 edition of the *Report* advocates a three-pronged development strategy. First, a development strategy should be capable not simply of mainstreaming trade in poverty reduction but also of mainstreaming both trade and development within the poverty eradication effort. This requires balanced development based on agricultural productivity growth, export-led industrialization, diversification through management of mineral resources and employment-intensive technologies. Secondly, improvements in the international trade regime that reduce international constraints on the development of the LDCs are crucial. This area could include issues beyond the scope of the WTO. Examples of such issues are commodity dependence and its link with extreme poverty, or the rapid phasing out in OECD countries of agricultural support measures and the resulting adverse effects on LDC exports. Similarly, initiatives to ensure greater international transparency in the generation and use of revenues from oil, gas and mineral exploitation in LDCs deserve particular attention. These initiatives and measures, together with international support to reduce vulnerability to price shocks, including linking debt payments to commodity prices and improving the quality and quantity of development aid, should be given particular attention. Thirdly, the *Report* stresses that it is of utmost urgency to provide financial and technical support for promoting production and trade capacities in the LDCs; this is an area requiring massive investment in global efforts to assist the LDCs.

8. In the context of the decennial review of the implementation of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States that took place in Mauritius in January 2005, UNCTAD published a study *Is a Special Treatment of Small Island Developing States Possible?*⁵ The publication, which was launched at the conference, addressed three

⁵ UNCTAD/LDC/2004/1.

areas of particular relevance to the review of implementation of the Barbados Programme of Action: (a) the issue of erosion of preferential market access, which is one of the most difficult challenges SIDS are faced with; (b) the importance of the relationship between trade and the environment in the context of the vital objective of diversifying island economies; and (c) the question of the definition of SIDS and a need for criteria to enhance the credibility of the United Nations in its support to the category. Consensus at the global level is urgently needed to put in place alternative preferential measures in favour of SIDS. It is equally important to ensure that significant efforts are made to improve the conceptualization of the SIDS category. The research and analytical findings contained in the publication suggested that the vulnerability of SIDS to external factors necessitates special treatment to help them become more resilient. Hence, the scope for this particular group of countries to be given more favourable treatment in the multilateral trading system (MTS) or in the sphere of development financing should be expanded.

9. The secretariat's 2004 report on Africa, *Debt Sustainability: Oasis or Mirage?*,⁶ provided technical analysis concerning the depth and extent of the external indebtedness of the African countries in the context of the MDGs. The report recommended a complete debt write-off for the poorest countries or the application of alternative debt sustainability criteria that would provide a lasting solution to the continent's debt overhang. It also drew attention to the fact that the continent's debt problems and its resource requirements are inextricably linked to the capacity of African countries to generate capital accumulation and growth. The recent decision by the G8 countries to cancel 100 per cent of the multilateral debt of the poorest countries is a step in the right direction in alleviating the debt burden of these countries. The report reemphasized the need to double the amount of official development assistance (ODA) to the continent, a view also expressed in the recent reports of the Millennium Project and the Commission for Africa. The European Union's expression of intent to double the amount of ODA to poor countries is also in line with UNCTAD's recommendations.

II. Technical cooperation and capacity building

10. Building effective and durable capacity in countries (such as the LDCs) that have structural and interrelated development problems is complex and daunting. Hence, capacity building, especially the task of institutional and human resources development in LDCs, should be seen from a long-term perspective. Over the last couple of years, the demand for UNCTAD's technical cooperation and capacity-building programmes has risen steadily, and sustained efforts have been made by the secretariat, by donors funding the activities and by beneficiary countries themselves in response to the increase in requests. However, the gap and mismatch between the demands for technical assistance and the resources available to respond effectively and quickly have continued to undermine the delivery capacities of the secretariat. This gap needs to be bridged as quickly as possible so as to address the unfulfilled needs of the LDCs by enhancing the implementation of analytical and operational activities on issues of critical importance to them. Moreover, it is important to enhance ongoing efforts to make the delivery of technical cooperation and capacity-building activities more demand driven, not supply driven, and to enhance the ownership capacities of beneficiary countries.

11. The technical cooperation activities of UNCTAD address, *inter alia*, human resources development and institution building, as well as capacity building in the areas of policy formulation and negotiations on trade, investment, services infrastructure for development and trade efficiency and related issues.

⁶ UNCTAD/GDS/AFRICA/2004/1.

A. International trade and commodities

12. Technical cooperation and capacity-building activities implemented in LDCs in connection with international trade and related issues cover the following areas: commodities; trade negotiations and commercial diplomacy; competition and consumer policy and legislation; trade, environment and development; and the Integrated Framework (IF) for Trade-Related Technical Assistance for LDCs.

Commodities

13. In recognition of the critical role of commodities in the LDCs' economies, the PoA stresses the need for diversification in order to mitigate the adverse effect of precipitously declining world prices for primary commodities on the overall development of LDCs. Similarly, paragraph 100 of the São Paulo Consensus calls for "formulating strategies and policies to respond to the challenges of commodity markets and addressing links between international commodity trade and national development, particularly poverty reduction", with emphasis on "improving the competitiveness of the commodity sector so as to contribute to diversification, adding value, and effective participation in the supply chains". To that end, in 2004 UNCTAD undertook several activities including specific projects, workshops and research publications on commodity-related issues, with emphasis on LDCs. The secretariat has also developed specific projects and systems on commodities information and market transparency. These include projects on commodity-based development and diversification, sustainable cotton production in West Africa, and mining and poverty in Tanzania; other projects to improve market access for small farmers from African LDCs; and projects aimed at identifying, analysing and quantifying the cost of compliance with sanitary and phytosanitary rules for selected African LDCs with regard to agrifood and tropical fruits. In these areas, interagency cooperation, especially with the International Cotton Advisory Committee (ICAC), the Common Fund for Commodities (CFC) and other public- and private-sector actors within their respective areas of interest, provided valuable support and contributions to the implementation of the above-cited activities. Also, to provide up-to-date strategic and market information on major commodity sectors, UNCTAD has designed and developed the INFOCOMM portal (www.unctad.org/infocomm). In 2004, analyses of 20 commodity sectors were available online, most of them (e.g. bananas, cashew nuts, jute, rice, sugar, tea, timber) of direct export interest to many LDCs.

14. In line with paragraph 68 of the PoA and in accordance with the decision of the Trade and Development Board at its forty-ninth regular and thirtieth executive sessions, UNCTAD, in collaboration with the CFC and the Food and Agriculture Organization (FAO), has developed a project on "Quality Assurance and Enhancing Export Competitiveness for Tropical Fruits in the African LDCs". The goal of the project is to contribute to the enhancement of the national export capacities and competitiveness of African LDCs by building institutional and human capabilities for quality assurance and certification for exports of tropical fruits. The project will also contribute to LDCs' efforts at horizontal and vertical diversification, including in local processing and packaging of tropical fruits, by improving their competitive position and setting up demonstration centres. Funding comes from the Second Account of the CFC and from the Government of Sweden. Implementation of the project is expected to begin as soon as a project agreement between the CFC, UNCTAD and the FAO is signed.

Trade negotiations and commercial diplomacy

15. Several LDCs, as a group or individually, benefited from UNCTAD's support in such areas as the WTO Doha work programme, services negotiation and trade policies, trade negotiations among developing countries, ACP-EU trade negotiations, WTO accession, dispute settlement, and the Generalized System of Preferences (GSP) and other trade preferences. In these areas, significant technical assistance and capacity-building activities have been undertaken, with funding support from,

inter alia, the European Community of the European Union, the United Kingdom, Norway and the UN Development Programme (UNDP). For instance, six LDCs⁷ benefited from the continued implementation of MTS capacity-building activities under JITAP.⁸ Activities included support to national meetings of inter-institutional committees in these countries assessing the implications of the WTO "July package" and preparing for the expected detailed negotiations. Bhutan, Cape Verde, Ethiopia, the Lao People's Democratic Republic, Sudan and Yemen were assisted in their accession process to the WTO. Such assistance included advisory support on substantive and procedural issues, including through exercises simulating the meetings of the WTO Working Party on accession; training of officials in WTO-related issues, including through intensive training sessions in Geneva and in the capitals for members of the negotiating team on how to handle sessions of the Working Party; procurement of IT equipment; and the provision of consultants in specific areas to assist national negotiating team.

16. LDCs have also benefited from focused support on trade in services. This included work on the assessment of trade in services; emergency safeguard measures and subsidies; and the ongoing international debate on GATS negotiations in the area of Mode 4 (temporary movement of natural persons supplying services). Several LDCs were also assisted in (a) increasing the utilization of trading opportunities and preferences under existing preferential arrangements, such as the GSP, the Cotonou trade regime and other bilateral arrangements, through increased understanding of and familiarity with the schemes among government officials and the business community; (b) enhancing understanding of preferential and non-preferential rules of origin and formulation and negotiation of rules of origin; and (c) formulating trade strategies in response to the evolving international trading system. LDCs benefited from technical advice provided to African countries in assessing the implications of the WTO "July package", in the context of the High-Level Brainstorming Meeting of African Trade Negotiators and Officials organized jointly by the UN Economic Commission for Africa and the UN Development Programme (UNDP). Further assistance was given to Benin, Cambodia, Guinea, the Lao People's Democratic Republic and Mali through a series of training courses, seminars and workshops and through regional distance learning on such issues as agriculture, services trade, the "July package" and domestic support to agriculture in the context of WTO trade negotiations. UNCTAD has also developed modelling tools such as TRAINS/WITS (Trade Analysis and Information System/World Integrated Trade Solution) and the ATPSM (Agricultural Trade Policy Simulation Model). The latter is a simulation model that can be used to quantify economic effects of changes in trade policies in agriculture. It comprises detailed trade data for 43 of the 50 LDCs. Various studies including analysis of the impact of different WTO proposals have been conducted, 18 LDCs⁹ have benefited from ATPSM, and capital-based trade officials and experts from several have been trained in using the model.

Competition and consumer policy legislation

17. In the area of competition policy, UNCTAD has, over several years, developed and implemented capacity-building programmes on competition law and policy that are also tailored to the needs of the LDCs. The programmes assisted interested countries in formulating trade and investment strategies that would foster their economic and social integration into the world economy by maximizing the benefits of trade and investment liberalization while dealing with anti-competitive practices and market failures. Activities were designed to strengthen human resources and policy-making capabilities and enable relevant institutions of LDCs to deal with the formulation and enforcement of

⁷ Benin, Burkina Faso, Malawi, Mali, Mauritania, Mozambique, Senegal, Tanzania, Uganda and Zambia.

⁸ Joint Integrated Programme of Technical Assistance to Selected Least Developed and Other African Countries, executed jointly by UNCTAD, WTO and ITC.

⁹ Bangladesh, Benin, Bhutan, Cambodia, Cape Verde, Ethiopia, the Lao People's Democratic Republic, Malawi, Nepal, Samoa, Senegal, Sudan, the United Republic of Tanzania, Uganda, Vanuatu, Yemen and Zambia.

competition law and policy. About 19 LDCs¹⁰ have requested and received technical assistance from UNCTAD in the formulation and enforcement of competition law and policy. UNCTAD has also provided expertise in the preparation of the methodology for assessing the impact of anti-competitive practices on consumers in Africa, in cooperation with Consumers International's Regional Office for Africa.

Trade and sustainable development

18. LDCs have continued to benefit from the UNEP-UNCTAD Capacity Building Task Force (CBTF) on Trade, Environment and Development. In 2004, under CBTF, several LDCs benefited from a Training Workshop on Integrated Assessment for African Countries conducted in Nairobi (Kenya), and another on Enhancing Policy Co-ordination on Trade and Environment Issues: Implementation of Multilateral Environmental Agreements Containing Trade-Related Measures, conducted in Phnom Penh (Cambodia). In addition, a CBTF regional seminar on trade, environment and development for Portuguese-speaking African countries (Angola, Cape Verde, Guinea Bissau, Mozambique, and Sao Tome and Principe) was held in Luanda (Angola). CBTF has just started a new series of activities to assist three East African countries, including Uganda and the United Republic of Tanzania, in ultimately developing a standard on organic agriculture that is recognized by the European Union as equivalent to its organic standard and thereby facilitating exports to Europe. These activities are implemented jointly with the UN Environment Programme (UNEP), FAO and the International Federation of Organic Agriculture Movements (IFOAM).

19. Under UNCTAD's project "Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues", LDCs (including Bangladesh and Cambodia) and selected SIDS benefited from the implementation of activities focusing on (a) liberalization of environmental goods and services; and (b) environmental requirements and market access for specific agricultural goods, including organic products from Central America and the Caribbean, and environmental requirements and market access for developing-country exports of leather and footwear, electrical and electronic products, and horticultural produce by the Asian countries.

20. At the national level, technical assistance was provided in promoting trade and investment in biological resources in Uganda, especially on matters related to the sustainable commercialization of Uganda's natural products and services, improving rural community livelihoods, diversifying the country's export base and contributing to the country's economic growth. UNCTAD, with the financial support of Norway, has also been providing support in the design of a Clean Development Mechanism (CDM) in LDCs. A pilot phase of the project is being implemented in Tanzania with a view to (a) developing, publishing and promoting Tanzania's CDM Investors' Guide for promoting CDM investments in Tanzania; (b) organizing a CDM consultative meeting for national stakeholders (government, development agencies, the private sector, NGOs, academia) on the subject; (c) providing an online learning course on CDM to educate and raise the awareness of Tanzanian CDM stakeholders; and (d) exploring possibilities to expand the pilot project to cover more LDCs.

Integrated Framework for Trade-Related Technical Assistance to LDCs

21. The overall objective of the IF is to provide support to the LDCs in their trade and trade-related activities, including human and institutional capacity building. The IF Pilot Scheme, which initially covered three LDCs (Cambodia, Madagascar and Mauritania), has been significantly enlarged, and

¹⁰ Angola, Benin, Bhutan, Burkina Faso, Cambodia, Chad, Ethiopia, Guinea, the Lao People's Democratic Republic, Lesotho, Malawi, Madagascar, Mali, Mauritania, Niger, Senegal, Sudan, the United Republic of Tanzania and Zambia.

currently the revamped IF includes 28 LDCs.¹¹ In 2005 the IF is expected to cover as many as 30 LDCs. UNCTAD, in cooperation with core agencies participating in the IF, has been making important contributions to the Diagnostic Trade Integration Studies (DTIS) led by the World Bank, and to their follow-up. DTIS have been launched for the 22 LDCs covered by the IF, and DTIS Validation Workshops have so far been held in 12 countries.¹² In addition, implementation meetings with the donor community have been held in Burundi, Cambodia, Madagascar, Mauritania, Nepal and Senegal. To ensure that countries assert ownership of the IF at the country level, assistance was considered necessary to help new IF countries lay the groundwork for participation and develop capacity for genuine country ownership through pre-DTIS activities. Country ownership of the IF process is regarded by all stakeholders as central to the effective implementation and success of the IF initiative. A separate report in the form of Conference Room Papers (CRPs) will be made available to the Board in its consideration of the IF, including the most recent related activities of the secretariat.

B. Services infrastructure for development and trade efficiency

22. In this area, UNCTAD's activities focused on such issues as capacity building for trade support institutions, TrainForTrade, trade facilitation, customs modernization and ASYCUDA (Automated System for Customs Data), ACIS (Advanced Cargo Information System) and information and communication technologies (ICT) for development.

Capacity building for trade support institutions in LDCs

23. In 2004, support was provided to trade support institutions (TSIs) in Asian LDCs within the framework of two technical cooperation projects¹³ financed by the Government of Japan. Bhutan, Cambodia, the Lao People's Democratic Republic, Myanmar and Nepal participated in a regional training workshop on the use of the Internet for efficient international trade for senior TSI managers from the Asia/Pacific region, held in Bangkok on 16–19 November 2004. At the national level, further assistance was provided to the Lao People's Democratic Republic in the form of an advisory mission and through an e-business training workshop for managers and the e-business awareness raising seminar for senior decision makers in Vientiane on 12–15 October 2004.

24. UNCTAD has also developed e-business training manuals and the publication *Use of the Internet for Efficient International Trade: A Guide for SME Managers*,¹⁴ all specifically geared towards the needs of LDCs. The year 2004 also saw the launch of a new capacity-building initiative for academic institutions, the UNCTAD Virtual Institute on Trade and Development. To date, one LDC university (the University of Dar Es Salaam in Tanzania) has joined the Institute and benefited from access to UNCTAD's expertise and research on international economic and development issues, as well as from targeted support in the development of the school's new Master of Science course on trade policy management. Moreover, over 42 trade officials and academics from 20 LDCs were trained via the

¹¹ Angola, Benin, Burundi, Burkina Faso, Cambodia, Chad, Djibouti, Ethiopia, Gambia, Guinea, the Lao People's Democratic Republic, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, the United Republic of Tanzania, Uganda, Yemen and Zambia.

¹² Burundi, Cambodia, Djibouti, Ethiopia, Guinea, Lesotho, Madagascar, Mauritania, Mozambique, Nepal, Senegal and Yemen.

¹³ "Narrowing the Digital Divide for Small and Medium-Size Enterprises (SMEs) in International Trade and Electronic Commerce" and "Strengthening the Capacity of the TSIs and SMEs in Asian LDCs".

¹⁴ UNCTAD/SDTE/TIB/2003/3.

courses on Key Issues on the International Economic Agenda as part of the series of courses organized by UNCTAD under paragraph 166 of the UNCTAD X Bangkok Plan of Action.¹⁵

25. Furthermore, several LDCs have benefited from the technical and advisory support provided to them in the context of the Trade Point Programme. Such support focuses mainly on capacity-building activities aimed at strengthening Trade Points and facilitating their role as trade facilitation and information centres for the benefit of micro-, small and medium-sized enterprises in LDCs. Twelve LDCs¹⁶ with established Trade Points received and benefited from support in the form of training, advisory services and capacity-building activities by UNCTAD.

TrainForTrade

26. UNCTAD's TrainForTrade Programme is designed to strengthen training capacities in beneficiary countries in the fields of international trade, investment and port management. In line with its training and capacity-building strategy, the programme develops training materials, trains local trainers, promotes distance-learning activities and facilitates networking among training institutions in beneficiary countries. The programme has developed and implemented distance-learning courses on negotiating international investment agreements and trade negotiations and commercial diplomacy in four West African countries (Benin, Guinea, Mali and Togo). Senegal and Benin have continued their regular training activities and benefited from the programme, including from training in port management. In South-East Asia, the Lao People's Democratic Republic and Cambodia benefited from training activities undertaken at the national and sub-regional levels. These capacity-building activities were implemented in the context of a sub-regional project for strengthening training and institutional capacities for multilateral trade negotiations. The project was launched in Vientiane on 17 November 2003 for the Lao People's Democratic Republic and in Phnom Penh on 23 January 2004 for Cambodia. Overall, nine seminars and workshops were organized, reaching over 160 participants between January and September 2004. These seminars included a session for distance learning training of tutors, port training activities, and training on investment agreements and competition law and policy. TrainForTrade has also developed a course on sustainable tourism and designed integrated technical assistance programmes for the Governments of Angola, Madagascar, Mali and Zambia.

Trade and transport facilitation

27. With regard to trade and transport facilitation, UNCTAD has initiated activities under the "Emergency Customs Modernization and Trade Facilitation" project in Afghanistan. This project is being undertaken with funding from the World Bank International Development Association and in close cooperation with the UN Office for Project Services (UNOPS) and other development partners of Afghanistan. The key objective of this project is to increase Government revenues from customs through (a) better administration and collection of existing customs revenues, and (b) facilitating trade and transit to increase the customs revenue base. In the context of this project, UNCTAD will provide technical assistance in installation of ASYCUDA in Afghanistan's Customs Department and assist in the implementation of trade and transport facilitation measures covering, in particular, transit agreements, transit transport corridor arrangements between Afghanistan and its neighbours, trade and transport documents and related legislation, and accession to the TIR Convention. Another project aimed at developing practical tools to assess the trade facilitation needs and priorities of LDCs has been undertaken by UNCTAD with the financial support of the Government of Norway. The project is expected to assist in designing and developing technical cooperation and capacity-building projects in

¹⁵ Angola, Bangladesh, Bhutan, Burundi, Cambodia, Ethiopia, Gambia, Guinea, the Lao People's Democratic Republic, Lesotho, Malawi, Mali, Mozambique, Nepal, Samoa, the Solomon Islands, Sudan, Uganda, Yemen and Zambia.

¹⁶ Benin, Burkina Faso, Eritrea, Ethiopia, Mozambique, Nepal, Senegal, Sudan, Uganda, the United Republic of Tanzania, Yemen and Zambia.

the area of trade and transport facilitation. UNCTAD is also initiating another capacity-building project to provide landlocked and transit developing countries with sustainable capacity to plan and implement regional trade and transport facilitation arrangements. This project, financed from the UN Development Account (Fourth Tranche), will be implemented through local trade and transport facilitation clusters and in partnership with maritime, inland and border trading communities. Efforts are also underway, with financing from the Government of Sweden, to enhance the participation of LDCs and other developing countries in the WTO negotiations on trade facilitation.

Customs automation: ASYCUDA

28. UNCTAD continues to implement trade facilitation and customs modernization measures in LDCs by strengthening and/or upgrading existing ASYCUDA facilities and establishing new ones. ASYCUDA is a computerized customs management system covering the whole clearance process, from prior to the arrival of goods until their ultimate release after payment of duties and taxes. The system facilitates management of all types of procedures, such as import and export, as well as all other customs regimes, including transit and warehousing. It provides traders with a module that allows for the direct input of declarations, as well as an interface to permit electronic data exchange between customs and approved third parties, such as banks, the trader community and other government agencies. The system also assists in the automatic compilation of timely and readily available statistical data as an output of the customs clearance system, thus providing LDC governments with efficient information for analysis, economic planning and decision-making processes.

29. During 2004 the ASYCUDA programme was implemented and/or upgraded in Burundi, Cameroon and Madagascar, while the system went live in the Republic of Congo, Ethiopia, Rwanda, Sudan and the United Republic of Tanzania. To support implementation in Africa, an ASYCUDA Centre for Africa was established on UNDP premises in Ouagadougou (Burkina Faso) with financial support from the Government of France. The centre, which has begun support activities in Burundi, the Central African Republic, Mauritania, Mali and Togo, has the objective of providing countries using ASYCUDA with immediate and easy technical support on a regional basis and organizing training sessions as required. For instance, a seminar on the use of ASYCUDA was held in Ouagadougou in December 2004 for seven West African countries.

ACIS in LDCs

30. UNCTAD has contributed to the practical implementation of trade facilitation and transport measures by helping LDCs install the Advance Cargo Information System (ACIS). This system tracks cargo and transport equipment on all modes of transport and provides reliable and up-to-date statistics and information. In July 2004, pursuant to a Convention signed with the UEMOA Secretariat, UNCTAD fielded a study mission in five countries of the sub-region to prepare a feasibility study for the installation of the ACIS Roadtracker system along two main transit corridors in West Africa (Abidjan-Ouagadougou-Niamey and Accra/Tema-Ouagadougou-Bamako). Currently, a pilot project is being suggested for the Accra/Tema-Ouagadougou corridor. On the basis of the results of the pilot phase and the lessons learned, efforts will be made to undertake similar projects that benefit as many LDCs as possible.

ICT for development

31. In this area, policy advice to governments and regional integration groupings on ICT and e-business were pursued in the form of training workshops and seminars. As part of the UNCTAD Training Course on Key Issues on the International Economic Agenda (paragraph 166 of the Bangkok Plan of Action), the secretariat organized a training session in Viet Nam in November 2004 and

provided a module on ICT for Development to Asian government officials from countries including Bangladesh, Bhutan, the Lao People's Democratic Republic, Nepal and Samoa. The module addressed the impact of ICT on economic performance, the concept of e-strategies, the legal aspects of e-commerce, the importance of measuring the information economy, the WTO issues related to ICT, and the concept of free and open-source software. A training course on "Legal Aspects of Electronic Commerce" was delivered in March 2005 to 22 participants from various organizations and ministries of the Lao People's Democratic Republic and was of assistance in the drafting of the country's E-Commerce Law. At UNCTAD XI, the UNCTAD secretariat had also launched the E-Tourism Initiative, a technical assistance package aimed at promoting the application of ICT in the tourism sector so as to enable beneficiary countries to maximize benefits from their tourism resources. This initiative responds to demands from developing countries and is expected to benefit several LDCs when its implementation starts. Since June 2004, Angola, Benin and Mauritania have submitted technical assistance requests, while the Governments of Madagascar, Mali, Senegal, Sudan and Zambia have expressed interest in the initiative.

C. Investment and enterprise development

32. In this area, LDCs continue to benefit from various programmes and projects of UNCTAD, including LDC Investment Guides, Investment Policy Reviews, Good Governance in Investment Promotion and Facilitation, EMPRETEC and other investment-related technical assistance and capacity-building activities. The overall objective of these activities is to contribute to national and international efforts to improve LDCs' investment climate and to strengthen their ability to formulate policies that enable them to attract and benefit from investment, including foreign direct investment (FDI). For instance, in 2004, in the context of the follow-up to the Investment Policy Review (IPR) of Lesotho, UNCTAD prepared draft FDI legislation and a benchmarking study on business immigration procedures and practices for the country. Similarly, as a follow-up to the Investment Policy Review of Tanzania, the investment code of Zanzibar was drafted and a workshop was organized to sensitize members of parliament and government officials to FDI issues. The Investment Policy Review of Benin has already been completed, and IPRs are being prepared for Zambia and Rwanda. In 2004, activities following up on the recommendations of previously issued IPRs were carried out in five LDCs (Benin, Lesotho, Nepal, the United Republic of Tanzania and Uganda).

33. The programme on Good Governance in Investment Promotion and Facilitation concluded activities in the first five beneficiary LDCs (Ethiopia, Lesotho, Maldives, Mali and the United Republic of Tanzania), and an Advisory Report on Good Governance in Investment Promotion for Maldives was prepared and presented to the Government. Also, through the UNCTAD/ICC project on Investment Guides and follow-up activities, in 2004, Ethiopia, Mali, Mauritania and Uganda benefited, while three new guides were prepared. As of July 2005, there were 12 outstanding requests for the Guides, nine of them from LDCs. A new publication, the *Blue Book on Best Practice in Investment Promotion and Facilitation*, is aimed at improving the investment climate and promoting public-private sector dialogue. The focus of the *Blue Book* is an action plan that proposes concrete and measurable activities for governments that can be implemented in the timeframe of one year. Moreover, an online database facilitating access to updated and comprehensive data on FDI and transnational corporations' activities in LDCs and other developing countries (www.unctad.org/fdistatistics) was developed and activated in 2004.

34. The secretariat has conducted several training courses, seminars and workshops on international investment agreements (IIAs) and bilateral investment treaties at the national and regional levels which benefited 27 LDCs in 2004. With regard to enterprise development, UNCTAD continued providing advice to Afghanistan, Angola, Burkina Faso, Madagascar, Mozambique, Senegal, Vanuatu and Yemen on policies conducive for enhancing the competitiveness of domestic small and medium-

size enterprises (SMEs). The secretariat's EMPRETEC programme has been particularly useful for strengthening LDCs' institutional capacity for promoting entrepreneurship and competitiveness among SMEs. Currently, the UNCTAD/EMPRETEC network of 26 countries includes seven LDCs (Angola, Benin, the Democratic Republic of the Congo, Ethiopia, Senegal, Mozambique and Uganda).

D. Debt Management and Financial Analysis System (DMFAS)

35. Technical cooperation activities undertaken in the context of DMFAS cover installation of specialized debt management software, including the latest version of DMFAS (e.g. in Burkina Faso and in the Democratic Republic of the Congo), and technical training and assistance in the use of such products. Project activities also cover maintenance and system support, advice on institutional and procedural issues, seminars and workshops for government officials, study tours for government officials to other DMFAS user countries, and assistance in debt analysis and in the development of debt management strategies. An important feature of the DMFAS software is its interface with the World Bank's Debt Sustainability Model Plus (DSM+), an analytical tool designed to assist country officials in formulating a debt strategy – incorporating debt relief or new borrowing alternatives – that is cost-effective, sustainable and consistent with long-term macroeconomic policies. DMFAS also enables debt officers to establish a complete and up-to-date debt database and to provide timely and accurate debt statistics. Currently, the programme is collaborating with 28 institutions (ministries of finance, economic planning and banks) in 21 of the 50 LDCs.¹⁷

III. Preliminary assessment of results achieved and lessons learned

36. As has been clearly noted during many deliberations of the Board, several lessons can be drawn from experiences with implementing the previous and current PoAs. (a) International cooperation for development and related policies should increasingly take into account and be responsive to national conditions and priorities. This also calls for strengthened efforts on the part of the donor community in particular and the international community in general. (b) At the national level, each LDC government should strive to translate policies and commitments agreed in the PoA into concrete measures within the framework of its national development policies and strategies. (c) The development problems facing the LDCs are so complex and multifaceted that their effective resolution requires concerted efforts by the LDCs themselves and the international community. (d) LDCs are characterized by mass poverty and underdevelopment. Hence, most of these countries are already behind schedule with regard to meeting the MDGs and the goals and targets of the PoA. Finally, a few LDCs have been making progress, although sustaining such progress is daunting given the difficulty of predicting the impacts of domestic and external factors that can influence economic growth and development in these countries.

37. Although it is too early to fully assess the impact of the secretariat's research and policy analysis work on LDCs, the countries themselves and their development partners have consistently appreciated the relevance of policy findings and recommendations contained particularly in the *Least Developed Countries Reports*. The policy analysis work has been instrumental in drawing the attention of the international community to the immense challenges of development and poverty reduction in LDCs and in calling for additional and special efforts at the national and international levels to tackle the depth and persistence of underdevelopment and mass poverty in LDCs. For instance, the recent G8 proposal to cancel the multilateral debt of the poorest countries, which is a step towards lasting

¹⁷ Angola, Bangladesh, Burkina Faso, Burundi, the Central African Republic, Chad, the Democratic Republic of the Congo, Djibouti, Ethiopia, Guinea-Bissau, Haiti, Madagascar, Mauritania, Rwanda, Sao Tome and Principe, Senegal, Sudan, Togo, Uganda, Yemen and Zambia.

elimination of the unsustainable debt burdens of these countries, is in line with UNCTAD's longstanding calls to cancel debt, including multilateral debt, for these countries. UNCTAD's research and policy analysis have consistently highlighted the fact that an increasing share of the debt held by poorer countries is owed to multilateral institutions, and have stressed the importance of including in debt reduction initiatives multilateral debt, which was excluded from previous efforts.

38. The publication of *The Least Developed Countries Report* and other research and policy analysis outputs of the secretariat should not be viewed as an end in itself but rather as a means towards the ultimate objective of building national policy-making capacities and international consensus. To that end, an effective, targeted dissemination strategy should be seen as an integral part of the analytical work. It could include conducting training seminars and workshops and preparing policy briefs with the aim of helping policy makers in LDCs to build ownership and policy-making capacities. For instance, the training workshop on trade and poverty convened in Geneva in the context of the 2002 and 2004 *Reports* and the Kigali workshop on the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF), both of which were financed with support from the Government of Finland, provided excellent opportunities to share the research findings and conclusions with LDCs and their development partners. The Kigali workshop on the IF led to the publication of the *IF Manual*,¹⁸ a stakeholders' reference tool for new countries and for forging a common understanding of the Framework within the IF community.

39. In the area of commodities, the various activities of the secretariat were found to be vital for LDCs, as the strategic significance of the commodities' sector remains crucial for their socio-economic transformation. In the area of trade negotiations and commercial diplomacy, extensive training and capacity-building activities undertaken by UNCTAD have contributed to national and international efforts to improve LDCs' participation and engagement in multilateral trade negotiations as well as complex trade issues of interest to them. This is important for ensuring ownership and leadership in the process of trade negotiations and forming effective coalitions with other developing countries to pursue common interests in the WTO and other trade negotiations. However, LDCs' human and institutional capacities as well as financial resources for trade negotiations, trade policy formulation and implementation remain weak, and thus continued support from UNCTAD and other relevant institutions is necessary to assist them in building their negotiating capacities.

40. With regard to competition and consumer policies, several LDCs have made progress in the preparation, adoption, revision and implementation of national competition legislation. Further efforts are needed to assist LDCs in elaborating development-oriented competition and consumer policies so as to enhance their competitiveness and development. Also, concerted action at the international level is needed to promote a more proactive strategy on trade, environment and development, taking into account the developmental needs and priorities of LDCs. This requires both enhanced policy coherence at the national level and active participation in international discussions, consultations and negotiations. It also requires more sector- and country-focused analysis and capacity development so that LDCs can capture trade opportunities arising at the multilateral level.

41. The IF remains the only currently available interagency tool for mainstreaming trade into the national development policies and strategies of LDCs, including into the Poverty Reduction Strategy Papers. The IF has become a source of knowledge for better understanding of trade policies and of the constraints impeding LDCs' enhanced participation in global trade, as well as a mechanism for coordinated implementation of trade capacity building in these countries. In this context, it was generally recognized that the IF countries need support as they prepare to launch the IF process, starting with the Diagnostic Trade Integration Studies (DTIS). This support involves action at the earliest stage to strengthen the capacity of LDCs for IF country ownership through pre-DTIS

¹⁸ UNCTAD/LDC/2005/2.

activities. This will help to ensure thorough preparation for and understanding of the IF process, and to identify the tools, advice and exchange of experience necessary for incoming LDCs to enable them to build individual IF strategies.

42. On issues related to services infrastructure for development and trade efficiency, important human resources development and institution-building activities have been undertaken by UNCTAD, with special emphasis on capacity building in trade support institutions and SMEs of LDCs. For instance, projects such as ASYCUDA and ACIS have contributed to improving government revenues and trade and transport facilitation in a number of LDCs. The courses on Key Issues on the International Economic Agenda and on using the Internet for e-business contributed, respectively, to improved understanding by LDC participants of complex issues and to national and international efforts to improve the technical and human resources capacities of institutions in LDCs. Activities on investment-related issues contribute to national and international efforts to improve LDCs' investment climate and to strengthen their ability to formulate policies that enable them to attract and benefit from investment, including FDI. With regard to debt management, UNCTAD's DMFAS programme continues to build LDCs' capacity to manage debt effectively. Through international and regional conferences and seminars and country-specific technical cooperation projects, the programme has also helped identify and disseminate best practices in debt management among beneficiary countries.

43. In undertaking the above-described extensive activities, UNCTAD has benefited from financial contributions in the form of extra-budgetary resources from several donor countries and various development agencies. As and where appropriate, UNCTAD also cooperated closely with, among others, the WTO, ITC, the World Bank, the UN Department for Economic and Social Affairs, UNDP, UNEP, the UN Office of the High Representative for the LDCs, LLDCs and SIDS, UN regional commissions, the Common Fund for Commodities, international commodity organizations, export-import banks, competition authorities, the African Union, regional integration secretariats, the European Union, the UK Department for International Development, SIDA (Sweden), academic institutions, and civil society organizations, including the private sector. Such cooperation benefits LDCs, as it allows UNCTAD to maximize the impact of its support by developing complementarities and synergies with other organizations and their expertise.

44. However, while increased donor interest in funding UNCTAD's technical cooperation programmes is very encouraging, responding to different reporting requirements and conditions is becoming complex and onerous to the extent that this undermines the operational efficiency and long-term sustainability of projects and programmes. It is especially important to ensure that donors respect the United Nations' financial reporting limitations – that agreed requirements strike a balance between the donor's need to ascertain the uses to which contributions are put and UNCTAD's administrative and regulatory capabilities. Reporting and other information disclosure requirements must not stray into the realm of audit. In this regard, it is worth noting that the General Assembly, through the UN Financial Regulations, has given the Board of Auditors the sole right to audit the United Nations' financial statements.

Conclusions

45. From the above list of activities, it can be discerned that LDCs have continued to benefit from the various activities of the UNCTAD secretariat. The substantial number of technical cooperation and capacity-building activities undertaken in LDCs are financed with extra-budgetary resources. While the generous funding by donors of LDC-specific activities is encouraging, the unpredictability of extra-budgetary resources continues to undermine the sustainability and continuity of several programmes and projects. This situation in turn may reduce the developmental impact of projects and programmes at the national level. One way to address the issue of predictability of extra-budgetary resources is to encourage donors to make available, on a multi-year basis, adequate resources well in

advance of the implementation stage of agreed projects and programmes. Also, financing of more projects and programmes with longer lifetimes from more predictable sources of financing – for example, from the UN Development Account (Section 34 of the Programme Budget) or from the regular technical cooperation resources of the United Nations (section 23 of the Programme Budget) could also contribute to the long-term sustainability of technical cooperation and capacity-building programmes in LDCs.

46. With regard to the reporting requirements of donors (mentioned in paragraph 44 above), and in the interest of efficiency, it is also important to harmonize donor reporting requirements, bringing these, as far as is practicable, into line with the United Nations' financial cycle, as defined by the UN Financial Regulations and Rules. Notwithstanding the fact that donors provide project or programme contributions throughout the year, UNCTAD maintains an annual project financial reporting cycle. With respect to audit reports, the official Financial Statements of the United Nations and the report of the Board of Auditors thereon are submitted to the General Assembly biennially. The audited financial statements are the only audit reports available to donors. Where donors insist on financial and audit reports on an annual or even six-monthly basis, in addition to reports provided as part of the annual financial reporting cycle, they are imposing an additional transaction cost on UNCTAD's administrative and technical cooperation services. UNCTAD urges donors to be mindful of the administrative conditions they attach to their voluntary contributions and to accept the UN Financial Regulations and Rules and other relevant decisions of the General Assembly.

47. Another issue of particular significance for LDCs is to seek ways and means to enhance the substantive (or developmental) impact of technical cooperation and capacity-building projects and programmes on their institutions and economies. LDCs should be encouraged to engage in constant dialogue with their development partners and international institutions to maximize the impact of programmes and projects implemented in their favour. Experience has also shown that active involvement of beneficiary countries in the design and implementation of programmes and projects is crucial for ensuring successful outcomes. It is equally important that requests from LDCs for technical cooperation and capacity-building programmes/projects be based on the critical assessment of domestic gaps and needs so that, upon completion, the relevance and impact of projects/programmes can be judged based not only on the effectiveness of their implementation but also on their concrete contributions to addressing local problems and constraints. Ongoing efforts to enhance the ownership capacities of LDCs and make technical cooperation programmes demand driven, not donor or process driven, should be continued. Independent assessment, with the involvement of LDCs and their development partners, of the operational activities undertaken in LDCs and their funding is critical in ensuring the predictability and sustainability of such activities and in improving their contribution to the trade and development prospects of the LDCs.