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**2001-2005 UNCTAD-WIDE ACTIVITIES IN IMPLEMENTING THE  
PROGRAMME OF ACTION FOR LDCs FOR THE DECADE 2001-2010\***

**Executive summary**

The Third United Nations Conference on the Least Developed Countries (LDCs) invited organizations of the UN system and their executive bodies, within their respective mandates, “to organize sectoral appraisals of the Programme of Action [for the LDCs] at regular intervals, in their respective areas of competence, and make available the outcomes of such appraisals to the annual global reviews” (paragraph 97). Accordingly, the Trade and Development Board has been consistently reviewing UNCTAD's implementation-related activities since the adoption of the Programme of Action in May 2001. The deliberations of the Board have been facilitated by periodic reports<sup>1</sup> of the secretariat on the subject. The present report, highlighting UNCTAD-wide implementation activities over the last five years was prepared to assist the Board in its consideration of this item. It also provides member States with comprehensive information on the scale and intensity of the work of UNCTAD for the benefit of LDCs. In an attempt to set the stage for a constructive debate on the way forward, the report discusses the challenges and prospects for economic progress in LDCs, and the lessons learned from the implementation experience of UNCTAD over the last five years.

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\* This document was submitted on the above-mentioned date as a result of processing delays.

<sup>1</sup> The Trade and Development Board at its annual sessions examined UNCTAD-wide implementation activities in favour of LDCs on the basis of background reports of the secretariat as contained in documents TD/B/48/16, TD/B/49/6, TD/B/50/3 and TD/B/52/3.

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## I. Introduction

1. UNCTAD has carried out extensive activities in favour of LDCs at the institutional, intergovernmental, substantive and technical levels since the adoption of the Programme of Action for LDCs (PoA) in Brussels in May 2001. In accordance with paragraph 113 of the PoA, UNCTAD has mainstreamed several of the commitments contained in the PoA into its work programmes and in the work of its intergovernmental machinery. The Trade and Development Board, at its regular and executive sessions, has dealt with issues of critical importance for the development of LDCs, and has reviewed the progress in the implementation of the PoA in all areas within the mandate and competence of UNCTAD.

2. UNCTAD's substantive and technical implementation of the commitments contained in the PoA has focused on research and policy analysis and technical cooperation for capacity-building. The secretariat's work on research and policy analysis has mainly focused on macroeconomic, sectoral and thematic issues of interest to LDCs, with special emphasis on the goal of poverty reduction and the development of productive capacities, issues of vulnerability; smooth transition strategies for countries nearing graduation from LDC status; and the question of the effective impact of the LDC regime, notably in the area of preferential market access. The overall objective of the research and policy analysis activities of UNCTAD in relation to LDCs is to contribute to the relevant global debate and consensus-building on ways and means of beneficially integrating LDCs into the global economy.

3. The technical cooperation and capacity-building activities of the secretariat, especially through the implementation of the Integrated Framework (IF) for Trade-related Technical Assistance to LDCs, have aimed at developing policy-making capacities with a view to enabling these countries to use globalization forces beneficially. This has been achieved through policy advice, human resource development and institutional capacity-building, notably toward trade negotiations, investment promotion and enterprise development, customs modernization, maritime transport efficiency (cargo information), and debt management.

## II. Research and policy analysis

### The Least Developed Countries Reports

4. The 2002 and 2004 Least Developed Countries Reports reflected a large part of UNCTAD's work of research and analysis on LDCs since the adoption of the PoA. They cast light on some of the main development challenges LDCs have been facing. The 2002 Report, *Escaping the Poverty Trap*, developed a dataset on poverty in LDCs, which combined national accounts and household survey statistics and examined the nature, dynamics and specificities of poverty in these countries to analyse the complex relationship between economic growth and poverty reduction, and the influence international trade has on this relationship. It provided a detailed profile of poverty in LDCs, with particular reference to the link between commodity dependence and poverty. The results of this analysis were used in the Report to discuss poverty reduction strategies.

5. The 2004 Least Developed Countries Report amplified the work accomplished for the 2002 Report by examining the link between international trade and poverty reduction, and discussing the most desirable national and international policies to bring to fruition the aim of reducing poverty through trade development. The Report examined the extent and depth of poverty in the LDCs. It found that half of the population of these countries live on less than a dollar a day and 80 per cent on less than two dollars a day, and noted that the number of people living on less than a dollar a day in the LDCs is likely to increase substantially by 2015. Most LDCs will therefore be unable to meet the Millennium Development Goals (MDGs). The Report found, for example, that only 11 of the 49 LDCs for which data were available are expected to meet the MDG of reducing under-five mortality by two-thirds between 1990 and 2015.

6. The main policy conclusions that emerged from the above-mentioned analytical work were as follows: (i) the challenge of poverty reduction in the LDCs remains immense and implies special efforts if the depth and persistence of underdevelopment and poverty is to be tackled in these countries; (ii) most current national and international policies are inadequate answers to the challenge of development and poverty reduction in the LDCs; and (iii) policy alternatives are possible to make international trade a more effective engine of development and poverty reduction in the LDCs. The 2004 Report advocates a three-tier approach to this relationship. First, poverty reduction implies balanced development, based on agricultural productivity growth, export-led industrialization and diversification based on employment-intensive technology and the development of international services. Secondly, certain reforms in the international economic environment of LDCs are crucial for the exports of these countries. Such reforms include the phasing-out of agricultural support measures in developed countries, initiatives to ensure greater international transparency in the use of revenue from mineral exploitation in LDCs, international support measures to reduce the vulnerability of LDCs to international price fluctuations, and measures to improve the quality of development aid. Thirdly, the Report stresses the urgency of providing financial and technical support to develop productive capacities in the LDCs.

7. UNCTAD's work of research and analysis on LDC issues also touched on the effective impact of LDC status; the erosion in market access preferences; and the vulnerability and needs of countries nearing graduation from LDC status.

### **The effective impact of LDC status**

8. A study on "*Least Developed Country status: effective benefits and the perspective of graduation*" examined the effective impact of the LDC regime and the international support measures granted to these countries. This work highlighted the importance of making better use of LDC status and focused on the particular situation of countries near graduation from LDC status, which are keen on identifying the degree of special support or special treatment they may continue to need after they have lost LDC status. Relevant substantive contributions to the work of the Committee for Development Policy were made in this connection, with conceptual, methodological and statistical inputs to the 2005 revision of the LDC criteria and consideration of the graduation cases of Cape Verde, Maldives and Samoa.

## Market access and preference erosion

9. A study on the “*Expected impact of recent initiatives in favour of LDCs in the area of preferential market access*” was prepared in response to a Board request at its 49<sup>th</sup> session. It reviewed the main market access initiatives in favour of LDCs on the part of Quad countries (Canada, the European Union, Japan and the United States). The study highlighted the low level of utilization of market access preferences by LDCs and the benefits that could be drawn from an enhanced utilization of such preferences. It also discussed some of the main constraints that should be overcome, or removed, if the effectiveness of market access preferences was to be enhanced. The study identified as obstacles to the use of market access preferences the relative unpredictability of preferences, the inflexibility of rules of origin, non-tariff barriers to trade, the persistence of agricultural subsidies in developed countries and weaknesses in the supply capacities of most LDCs. A study on “*Duty and quota-free access for LDCs: further evidence for computable general equilibrium modelling (CGEM)*” was published as part of UNCTAD's series on Policy Issues in International Trade. In addition, UNCTAD, in collaboration with FAO under a project financed by the Government of the United Kingdom, developed a partial equilibrium model, the “Agriculture Trade Policy Simulation Model” (ATPSM 2002). These studies and the model offer detailed qualitative and quantitative inputs that have been of particular interest to LDCs in the context of their participation in relevant WTO negotiations.

10. In response to another request by the Trade and Development Board,<sup>2</sup> the secretariat prepared another study on “*Erosion of preferences for the Least Developed Countries: assessment of effects and mitigating options*”. This study assessed the value of trade preferences and the magnitude of erosion of these preferences as a result of MFN tariff reduction. It highlighted the countries and products that have been benefiting most from recent preferential market access initiatives in favour of LDCs on the part of the European Union, Japan and the United States. While underlining the growing role of international trade in services and diminishing dependence on preferential market access for goods in several LDCs, the study pointed out that nearly 20 primary commodities of great importance to LDCs (accounting for 59.5 per cent of their total exports of goods and services) have been exported to the relevant three major markets without enjoying preferential treatment, i.e. on an MFN duty-free basis (or for some of these products, with a very low MFN tariff). On the other hand, about 18 products, from fresh fish to automobile parts, have been exported by LDCs under significant preferential margins on the same markets. Nearly half of all exports of goods from LDCs under market access preference originated in 11 countries and related to 17 product categories in 2003. The study also provided an insight into possible measures to mitigate the adverse effects of preference erosion, including measures such as deepening of existing preferences, financial compensation for the countries most severely affected by the erosion phenomenon and enhancing productive capacities.

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<sup>2</sup> The 50<sup>th</sup> session of the Trade and Development Board in its agreed conclusions, 476/L (2003), requested that UNCTAD undertake “research and analysis concerning the consequences for LDCs of the possible erosion of trade preferences resulting from further trade liberalization, and as appropriate, recommend measures to assist the LDCs to mitigate the adverse consequences”.

11. The Board deliberated on the content and recommendations of the study. Notwithstanding differences of views and opinions among member States, the Board acknowledged "that some of the LDCs could be affected by the erosion of preferences involving certain products of export interest to them and [called] for intensified international support measures to enable LDCs to enhance their productive capacities, diversify their economies into non-preference-dependent activities, and improve their utilization of the market access preferences made available to them". The Board also stated that "such international support measures could also aim at addressing any adverse effect of further multilateral trade liberalization on LDCs". This issue was discussed at the WTO Ministerial Conference in Hong Kong, has been an important element of the Doha Development Agenda.

### **Landlocked and small island LDCs and African LDCs**

12. UNCTAD has been playing an active role in system-wide efforts the development efforts of landlocked developing countries (LLDCs) and small island developing States (SIDS). Although UNCTAD's mandates with regard to these two categories are distinct from the mandate to support the implementation of the Brussels Programme of Action for LDCs, a significant part of UNCTAD's work in favour of LLDCs and SIDS has benefited LLDCs and SIDS, which also happen to be LDCs. This work, which is relevant to the PoA includes, *inter alia*, special technical assistance to least-developed LLDCs in Africa and Asia, and to least-developed SIDS nearing graduation thresholds which have called for assistance to ensure a "smooth transition" when they eventually lose their LDC status.

13. Further work of research and policy analysis of interest to several LDCs was produced by the secretariat through its 2004 Report on Africa entitled *Debt sustainability: oasis or mirage?* This report examined the depth and extent of the external indebtedness of African countries in the light of the Millennium Development Goals. It recommended a complete debt write-off for the poorest countries of the continent, or the application of alternative debt sustainability criteria that would provide lasting solutions to the debt overhang of these countries. The Report also drew attention to the fact that the continent's debt problems and its resource requirements are inextricably linked to the lack of capacity of many African countries to achieve capital accumulation and economic growth. In this context, the recent G-8 decision to cancel the entire multilateral debt of the poorest countries was a step in the right direction. The 2004 Report on Africa also reiterated the need to double the volume of ODA to the continent, a call that was echoed by recent reports of the UN Millennium Project and the UN Economic Commission for Africa. The EU's intention to double its ODA to poor countries is also in line with UNCTAD's recommendations.

### **III. Technical cooperation and capacity-building activities of UNCTAD in LDCs**

14. Since the adoption of the Brussels Programme of Action in May 2001, important technical cooperation and capacity-building activities have been carried out in LDCs. In the design and delivery of such activities, particular emphasis has been placed on policy advice, institutional capacity-building and human resource development. Most of this action has taken place in the policy areas of trade, investment, technology and enterprise development and debt management.

## Trade and related areas

15. The secretariat has played a substantial role of technical assistance in support of the implementation of Commitment 5 of the PoA relating to trade development. This notably involves (i) action under the Integrated Framework (IF); (ii) support to commodity diversification; (iii) assistance in the areas of commercial diplomacy, trade negotiations, competition policy and trade and the environment; and (iv) action under the Joint Integrated Technical Assistance Programme for Africa and selected least developed countries (JITAP).

16. The IF is a multi-agency and multi-donor initiative that has been an important vehicle for the coordinated delivery of trade-related technical assistance toward institutional capacity- building in LDCs. Currently, 28 countries<sup>3</sup> benefit from the IF. Diagnostic Trade Integration Studies (DTIS) have been completed in 13 countries, and DTIS validation workshops have been held in 14 countries. In addition, implementation-related meetings with the donor community have been held in six LDCs (Burundi, Cambodia, Madagascar, Mauritania, Nepal and Senegal). Diagnostic studies are currently in progress in 11 LDCs. UNCTAD's participation in the DTIS process has involved important substantive contributions on investment and trade facilitation in the following countries: Benin, Chad, Lao PDR and Rwanda. UNCTAD has also, with financial support from the Government of Finland, contributed to building domestic ownership of the IF process through active local participation in national preparations, notably through the DTIS process. This included a regional pre-DTIS workshop organized by UNCTAD in Kigali (Rwanda) on 18-21 October 2004, which was followed by a growing demand for country-specific pre-DTIS support.

17. Two national pre-DTIS workshops were subsequently organized in Sierra Leone and Niger, in close cooperation with other IF agencies and the IF national focal points. These highly successful workshops generated useful discussions on the link between trade and poverty, and on mainstreaming trade policy into development strategies. During the workshop case studies were presented, which illustrated the experience of other LDCs in implementing the IF. Other LDCs that are starting the IF process are requesting similar support. The secretariat assisted the Ministry of Commerce of Mali in organizing a roundtable to bring together the Government of Mali and its development partners under the IF.

18. The secretariat, in 2005, with financial support from the governments of Finland and the United Kingdom and UNDP, also produced an *IF Manual* (UNCTAD/LDC/2005/2). This manual has already proved useful to IF beneficiaries and relevant stakeholders under the IF process. It exists in English and French (a Portuguese language version will also soon be available) and has been disseminated among all IF partners.

19. Activities have also been undertaken to develop and diversify productive capacities in the area of primary commodities in LDCs, and in promoting commodity risk management (especially in the oil and gas sector) and improving the quality and

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<sup>3</sup> Angola, Benin, Burkina Faso, Burundi, Cambodia, Chad, Djibouti, Ethiopia, The Gambia, Guinea, Lao PDR, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, United Republic of Tanzania, Uganda, Yemen and Zambia.

competitiveness of commodity exports from these countries. This has involved capacity-building activities aimed at promoting horizontal, vertical and geographical diversification of production and trade. These activities have supported policymakers' capacities to promote positive linkages between the commodity sector and the rest of the economy, and enhanced the ability of relevant enterprises to understand the implications for business strategies of multilateral trade rules. A project to improve the sustainability of cotton production and income in West and Central Africa has benefited cotton producers and exporters in Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Mali and Togo. In addition to enhancing production and working towards poverty reduction in the relevant countries, the project also facilitated policymaking on the interplay between cotton production and environmental protection. The secretariat, in close collaboration with the Common Fund for Commodities, has also developed a project on "Quality assurance and enhancing export competitiveness of tropical fruits in African LDCs". Its objective is to enhance the export structure of these countries through diversification among or into tropical fruits, essentially by improving the quality and quantity of tropical fruit exports. The project is expected to help African LDCs, through horizontal and vertical diversification, and take advantage of the significant trading opportunities in the area of tropical fruits, notably by building local capacities to meet international standards in processing and packaging, including through demonstration centres. Efforts are currently underway to mobilize financial resources to implement this project.

20. In the area of commercial diplomacy and trade negotiations, several LDCs have benefited from UNCTAD's assistance on subjects or issues such as: the Doha Work Programme; trade negotiations among developing countries and between ACP countries and the EU; trade preferences (GSP and others); negotiations on trade in services; WTO accession; and dispute settlement. Ten LDCs<sup>4</sup> benefited from UNCTAD's capacity-building activities under the JITAP<sup>5</sup> programme. These activities included support to national institutions in assessing the implications of WTO's "July Package" (2005) and preparing for expected detailed negotiations. Bhutan, Cape Verde, Ethiopia, Laos, Sudan and Yemen were assisted in their accession to the WTO. This included advisory services on substantive and procedural matters, including through simulation exercises in anticipation of meetings of the Working Party on Accessions; training of officials on WTO-related issues (including intensive training in Geneva and in capitals for members of the negotiating teams on WTO Working Party on Accessions); procurement of information and communication equipment; and the provision of consultants to assist national negotiating teams in specific areas. LDCs have also benefited from focused support on trade in services. This included work relevant to trends in trade in services; emergency safeguard measures and subsidies; and the ongoing international debate on GATS negotiations on Mode 4 of Service Supply (temporary movements of natural persons supplying services).

21. Further assistance was provided to Benin, Cambodia, Guinea, Lao PDR and Mali through training courses, seminars and workshops, and through distance learning on subjects such as agriculture (including domestic support to agriculture in the context of WTO trade negotiations), trade in services and the "July Package". UNCTAD modelling

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<sup>4</sup> Benin, Burkina Faso, Malawi, Mali, Mozambique, Mauritania, Senegal, United Republic of Tanzania, Uganda and Zambia.

<sup>5</sup> JITAP is executed jointly by ITC, UNCTAD and WTO.



tools such as TRAINS/WITS (Trade Analysis and Information System/World Integrated Trade Solution) and the ATPSM (Agricultural Trade Policy Simulation Model) are also useful to LDCs. The ATPSM is a simulation model which can be used for assessing the economic impact of changes in agricultural trade policy. It involves detailed trade data for 43 of the 50 LDCs. Various studies analysing the impact of different WTO proposals have been conducted. In this regard, 17 LDCs<sup>6</sup> have benefited from the ATPSM: trade officials and experts from these countries have been trained on how to use the model. These activities aimed at (a) highlighting the main WTO negotiations issues of national or regional interest to the relevant countries; (b) helping countries understand the modalities and time frame of negotiations; (c) assisting national committees dealing with WTO-related questions in order to assist them to draw appropriate plans of action to meet the challenges of negotiating deadlines; and (d) exposing participants to negotiation methods such as the “request/offer approach” adopted by the Council on Services in relevant negotiations. The workshops offered an opportunity for participants to understand negotiating issues and enabled national committees to develop their schedules for future negotiations. In a West African (ECOWAS) workshop, participants were able to compare best practices, identify national and regional interests in the light of ongoing WTO negotiations and to formulate joint negotiating positions. The format of these national and regional workshops is regarded as particularly appropriate for UNCTAD’s activities in favour of LDCs and other special groups of countries that seek to enhance their participation in WTO negotiations.

22. Meetings of LDC ministers responsible for trade have offered precious opportunities to develop a common vision and position on issues related to the multilateral trading system. Since the Third UN Conference on the LDCs, three meetings of this type have been organized: in Zanzibar (United Republic of Tanzania) in 2001; in Dhaka (Bangladesh) in 2003; and in Lusaka (Zambia) in 2005, preceding the fourth, fifth and sixth sessions of the WTO’s Ministerial Conference, respectively. UNCTAD has provided considerable substantive and technical support to these LDC Trade Ministers’ meetings, including background studies on key issues of interest to LDCs in WTO negotiations. Such studies facilitated the deliberations of Ministers and senior officials by highlighting their development concerns and interests and formulating harmonized negotiating positions. UNCTAD also provided substantive support to the Ministerial Meeting of Landlocked Developing Countries, which was held in Asuncion (Paraguay) in August 2005 in anticipation of the sixth session of the WTO’s Ministerial Conference in Hong Kong.

23. UNCTAD has implemented a capacity-building programme on competition law and policy that is tailored to the needs of LDCs. Beneficiaries have included, *inter alia*, Angola, Benin, Burkina Faso, the Central African Republic, Chad, Guinea, Malawi, Madagascar, Mali, Mauritania, Sudan, the United Republic of Tanzania and Zambia. On issues related to trade and the environment, UNCTAD and UNEP have jointly prepared a capacity-building programme that also addresses the needs of LDCs. This will be implemented within the framework of the UNEP-UNCTAD Capacity-Building Task Force on Trade, Environment

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<sup>6</sup> Bangladesh, Benin, Bhutan, Cambodia, Cape Verde, Ethiopia, Lao PDR, Malawi, Nepal, Samoa, Senegal, Sudan, United Republic of Tanzania, Uganda, Vanuatu and Zambia and Yemen.

and Development (CBTF). The programme designed for LDCs will have several regional components (including regional policy dialogues), and will also involve country-specific training workshops and research projects. A CBTF workshop was held in Brussels (21-22 February 2002) to discuss policy options to promote production and trading opportunities for organic agricultural products. Seven LDCs participated in this workshop (Cambodia, Ethiopia, Haiti, Mozambique, Senegal, Uganda and Zambia).

24. The first phase of JITAP was concluded in December 2002. Benin, Burkina Faso, the United Republic of Tanzania and Uganda were among the beneficiary countries of this JITAP phase. The evaluation of the programme clearly indicated that JITAP had successfully reached its objectives. Its success was substantiated by the establishment or operationalization of: (i) interdepartmental committees that act as national advisory bodies on issues relating to trade policy and WTO negotiations; (ii) multilateral trading system (MTS) reference centres, including at the African Union, to facilitate access to information on the MTS by officials, business communities and academia; (iii) National Enquiry Points; and (iv) export strategies for priority sectors. A second phase of the JITAP was launched in January 2003 for four years (up to 2006), with eight beneficiaries, six of which are LDCs: Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia. This phase has been focusing on capacity-building in: trade negotiations; implementation of WTO agreements and its implications for trade policy formulation; national awareness of MTS issues; productive capacities; and market knowledge of exporting and export-ready enterprises.

### **Services infrastructure for development and trade efficiency**

25. In the area of trade facilitation, UNCTAD's technical cooperation and capacity-building activities have continued to benefit several LDCs. Particular emphasis has been placed on Customs modernization (ASYCUDA), improvement of transit and transport systems (Advanced Cargo Information System/ACIS), and human resource development. Recent activities in the area of Customs modernization have involved migration to ASYCUDA++. After the Third UN Conference on LDCs, new ASYCUDA projects were launched in Benin, Burkina Faso, Cape Verde, Mali, Mauritania, Niger, Togo, Uganda and Zambia. Most of these projects were financed by national governments from their national budget, with the exception of projects in Cape Verde, which received funding from Luxemburg, and Niger which received funds from the World Bank. ASYCUDA is a computerized Customs management system which covers the entire clearance process from (and prior to) the arrival of goods to their ultimate release after the payment of duties and taxes. The system assists in managing all procedures (export and import) and Customs regimes, including transit and warehousing. It provides traders with a module that facilitates customs declarations, as well as electronic data exchanges between Customs authorities and approved third parties such as banks, traders and other government agencies.

26. In the area of transit transport facilitation, UNCTAD has contributed to the practical implementation by LDCs of trade facilitation and transport modalities through the Advance Cargo Information System (ACIS). This system tracks cargo and transport equipment in all modes of transport and provides reliable and up-to-date information and statistics on transit flows. The system has been functioning in Tanzania, Uganda and Zambia resulting in

savings on wagon hire charges and generating additional revenue for regional railways from increased carrying capacity.

27. Several UNCTAD training packages were developed by the TrainforTrade programme whose activities are aimed at strengthening training capacities in the field of international trade. This programme, which has benefited several LDCs, covers the following subjects: multimodal transport and logistics; competition law and policy; trade and the environment; and investment targeting and promotion. Training materials for these activities and distance-learning courses include: participants' manuals, users' guides, CD-ROMs with multimedia presentations and videos and case studies adapted to local situations. Thirty high-level officials (10 from Benin, 10 from Burkina Faso and 10 from Mali) were trained on competition law and policy through distance learning, and several of them have in turn acted as trainers since 2001. Trainees are provided with a CD-ROM, a users' guide, a participant's manual, videos, and a comprehensive working plan. Further support was provided in LDCs to trade-supporting institutions in areas, such as electronic commerce and the use of the Internet for trade efficiency. Policy advice on ICT and e-business was also brought to governments and regional integration groupings.

### **Investment and enterprise development**

28. In the field of investment, several LDCs have benefited from UNCTAD's technical cooperation and capacity-building activities. The latter have contributed to creating an enabling national environment for investment, improving investment regimes and regulatory frameworks, promoting entrepreneurship and the development of the private sector, and building institutional and human resource capabilities. The objective of these activities in LDCs is to help recipient countries to attract foreign direct investment and build a vibrant and competitive enterprise sector. The main activities have been investment policy reviews, projects to promote good governance in the area of investment, investment guides, action to promote a better public-private sector dialogue, support to the establishment of investment advisory councils at national levels and promotion of enterprise development (through the EMPRETEC programme).

29. The Investment Policy Review (IPR) exercise has helped several LDCs to improve their investment policy framework, notably by adapting to the changing international environment. It has assisted beneficiaries in identifying institutional and policy gaps. IPRs have been conducted in the following LDCs: Benin, Ethiopia, Lesotho, Nepal, Rwanda, Mauritania, Tanzania, Uganda and Zambia. In 2002, UNCTAD, with financial support from the Government of Sweden, started a project to assist LDCs in their efforts to promote good governance in investment promotion and facilitation. The project was also designed to streamline investment procedures and assist in introducing client-oriented, transparent investment administration systems to encourage national and foreign enterprises to invest. The pilot phase involved five LDCs: Ethiopia, Lesotho, Maldives, Mali and Tanzania. Moreover, nine LDCs<sup>7</sup> have benefited from a project on "Investment guides and capacity-building for LDCs". This project, a joint initiative between UNCTAD and the International

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<sup>7</sup> Bangladesh, Cambodia, Ethiopia, Mali, Mauritania, Mozambique, Nepal, United Republic of Tanzania and Uganda.

Chamber of Commerce (ICC), is aimed at helping LDCs attract foreign direct investment. In addition to the above core activities, UNCTAD organized a number of training seminars for LDCs on bilateral investment treaties, double taxation treaties and related investment issues.

30. Important activities have also been implemented in a number of LDCs to promote enterprise development and build technology-related capacities. UNCTAD's Linkage Promotion Programme (with special attention given to female entrepreneurs) has enabled "Enterprise Uganda" to forge an alliance with a venture capital firm. This assistance to small and medium-sized enterprises (SMEs) involving finance and business links aims at enhancing productive capacities and international competitiveness, and therefore answers a paramount need of LDCs. "Enterprise Uganda", a joint undertaking of UNCTAD's EMPRETEC programme and the Enterprise Africa Initiative, has raised \$1.5 million from UNDP and other sources since it was officially launched in December 2001.

### **Technical solutions for debt management (DMFAS)**

31. UNCTAD has developed effective and durable debt management solutions that are of great interest to LDCs. The Debt Management and Financial Analysis System (DMFAS) programme makes these solutions possible through technical assistance: installation of specialized debt management software, including the latest version of DMFAS (e.g. in Burkina Faso and the Democratic Republic of the Congo), and technical training on the use of this product. 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-using countries and assistance in debt analysis and the development of debt management strategies. DMFAS started a new project in Chad in 2001, and follow-up projects have been agreed upon with the governments of Angola, Bangladesh, Burundi, Djibouti, Ethiopia and Togo. An important feature of the DMFAS software has been its interface with the World Bank's Debt Sustainability Model Plus (DSM+), an analytical tool designed to assist country officials in formulating debt strategies – incorporating debt relief and new borrowing alternatives – that are cost-effective and consistent with long-term macroeconomic policies. DMFAS has also enabled debt officers to establish complete and up-to-date debt databases, and to produce accurate and timely debt statistics. The DMFAS programme is currently collaborating with 28 institutions, including ministries of finance, economic planning departments and central banks, in 21 of the 50 LDCs.<sup>8</sup>

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<sup>8</sup> 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.

#### IV. Policy conclusions, challenges and lessons learned

33. UNCTAD has shown that several LDCs made progress toward achieving the 7 per cent growth target envisaged by the PoA, but only a few have managed to reduce the proportion of their people living in extreme poverty. Even in those countries where extreme poverty has decreased, the progress has often been confined to urban areas, while rural areas remained in situations of poverty. This has raised concerns over the quality of growth in LDCs. A recent UNCTAD Ad Hoc Expert Meeting on the Implementation of the PoA<sup>9</sup> concluded that “while economic growth is generally considered to be important for the achievement of poverty reduction objectives, the quality of growth, notably with regard to employment creation, reduction of inequalities and preservation of the natural environment, is of paramount importance for a broad-based development process”. Given the vulnerability of most LDCs to the risk of frequent external shocks beyond domestic control, and considering the structural disadvantages their economies suffer from, the sustainability of the growth performance of LDCs is questionable. The challenge of poverty reduction therefore remains immense and requires continued efforts by LDCs and their development partners.

34. The lack of complete statistical information from LDCs tends to make the assessment of PoA implementation difficult. The statistical methods used for the collection of data at national levels often differ from the standards recommended for assessment purposes. Linked to this is the difficulty in identifying causal links between the policy interventions and subsequent changes in the socio-economic performance: what proportion of such changes can be attributed to domestic policies reflecting PoA commitments as opposed to external influences? Strengthening the statistical capacities of LDCs is widely recognized as an urgent necessity for any meaningful assessment of the implementation of the PoA.

35. Studies sponsored by UNCTAD in selected countries in the context of the mid-term review of implementation of the PoA<sup>10</sup> has revealed an overload in most LDCs as governments strive to implement different international schemes of cooperation in parallel with their national development policies. The objectives and priorities of the various cooperation frameworks are often viewed as competing with, not complementing, each other. Most LDCs underwent structural adjustment programmes in the 1980s and the 1990s, and several of these countries are now supported in the light of a Poverty Reduction Strategy Paper (PRSP). There are also coordination mechanisms at country level, such as the Common Country Assessment Framework (CCAF), the United Nations Development Assistance Framework (UNDAF), the Integrated Framework for Trade-related Technical

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<sup>9</sup> The UNCTAD Ad Hoc Expert Meeting in preparation for the Mid-term Global Review of Progress in Implementing the Programme of Action for LDCs for the Decade 2001-2010 took place in Geneva on 29-30 May 2006. The meeting which was convened in the context of the project (see footnote 10), adopted chairperson's summary as contained in UNCTAD/Misc./2006/10.

<sup>10</sup> Pursuant to the decision of the 52<sup>nd</sup> session of the Trade and Development UNCTAD designed and implemented a project on the "Mid-term Review of Progress in Implementation of the Programme of Action for LDCs for the Decade 2001-2010 (INT/OT/5BP). The project was jointly financed by the Governments of Austria and Norway.

Assistance to LDCs (IF), and the Joint Integrated Technical Assistance Programme for African and Selected Least Developed Countries (JITAP). The importance of strengthening the coordination of these mechanisms nationally and internationally has been widely recognized.

36. The above summary of activities indicates that LDCs have continued to benefit from the multi-faceted activities of the UNCTAD secretariat. Beneficiaries themselves and their development partners have consistently expressed their appreciation of the value of UNCTAD's analytical and technical cooperation activities. The work of research and policy analysis has been instrumental in drawing the attention of the international community to the great challenge of poverty reduction in LDCs, and in justifying additional and special efforts, at national and international levels, to tackle underdevelopment and mass poverty in these countries. The recent G8 proposal and subsequent decision by the World Bank and IMF to cancel the multilateral debt of the poorest countries was in line with UNCTAD's longstanding call for debt cancellation with regard to LDCs. UNCTAD has consistently highlighted the fact that an increasing share of the external debt of LDCs has been toward multilateral institutions, and has stressed the importance of including the issue of multilateral debt in debt reduction initiatives. Furthermore, the recent increase in the quality and quantity of aid to LDCs can be seen as a response to some of the major recommendations contained in UNCTAD's LDC Reports.

37. Four major findings and conclusions arise from UNCTAD's analytical work since the adoption of the PoA. First, most LDCs are off-target with respect to the Millennium Development Goals and the goals of the Brussels Programme of Action. Therefore, international cooperation should, as a matter of priority, be responsive to the circumstances and conditions surrounding the development of the LDCs. The issue of "jobless growth" and the paramount objective of productive capacity development more than ever appear as deserving the priority attention of the international community. This implies strengthened efforts, notably on the part of the donor community, to rebalance aid flows toward productive capacity programmes in LDCs. Secondly, every LDC government should strive to translate the commitments agreed upon in the PoA into concrete measures within the framework of its national development strategy. Thirdly, the development problems LDCs are faced with are so complex and multifaceted that their effective resolution requires concerted efforts on the part of the LDCs themselves and the international community. Fourthly, although growth has been significant in LDCs over the past five years, it remains fragile because most of these countries are still heavily dependent on climatic conditions, the evolution of commodities prices, preferential market access for manufactured goods, and ODA and FDI flows.

38. UNCTAD's experience of technical assistance to LDCs has revealed that building development capacities in countries such as the LDCs, which are structurally disadvantaged, is very complex. Institutional and human resource development in these countries should therefore be seen from a long-term perspective. As demand for UNCTAD's technical assistance has risen steadily in recent years, efforts have been made by the secretariat and development partners to respond to such requests. However, the gap between the widening need for technical assistance and the resources available to the secretariat has continued to effectively and quickly respond to the needs of beneficiary countries has continued to undermine the sustainability and long-term impact of technical cooperation programmes.

UNCTAD's technical cooperation with LDCs is largely financed from extrabudgetary resources. While the generous funding efforts made by several donors toward LDC-specific activities has been encouraging, the lack of predictability of extrabudgetary resources tends to reduce the developmental impact of projects and programmes at national levels. Multi-year programming is increasingly regarded as the most desirable solution to this problem in the future.

39. Another important lesson is that regional and subregional projects and programmes often are valuable opportunities for exchanges of experience and generally remain cost-effective. However, they cannot replace national projects when specific problems at national level require country-specific solutions. Regional and national technical cooperation and capacity-building activities are therefore seen as complementary. Moreover, sound cooperation between recipient institutions, donors and UNCTAD as the executing agency will always enhance the implementation of technical cooperation projects and programmes. The availability of committed and competent national counterpart persons that are prepared to take an active part in the long-term implementation of a project and show interest in acquiring new skills is generally regarded by UNCTAD as an essential condition for successful technical cooperation. Also important for the success of capacity-building programmes is the effectiveness of interagency cooperation. There has always been close collaboration between UNCTAD and the various organizations and programmes of the UN system, and between them and regional organizations, subregional groupings and the private sector, for the benefit of several LDCs.

40. An objective of particular importance to LDCs is enhance the developmental impact of capacity-building programmes on relevant economies. LDCs are encouraged to remain in constant dialogue with their development partners and international institutions to maximize the impact of programmes and projects at country level. UNCTAD's experience also shows that an active involvement of beneficiaries in the design and implementation of programmes is important for a successful outcome of a technical cooperation project. It is also important that LDCs' requests for technical cooperation is based on a critical assessment of domestic gaps and needs; the latter will make it possible to assess the impact of programmes, both with regard to the effectiveness of the implementation, but also in the light of the impact of these programmes on local constraints and problems. To that end, ongoing efforts to enhance the LDCs' ownership of technical cooperation should be continued. Independent assessments of the operational activities undertaken by UNCTAD in LDCs are important in this regard.