

United Nations Conference on Trade and Development
Ad Hoc Expert Meeting in preparation for the Mid-term Review of the
Programme of Action for the Least Developed Countries
for the Decade 2001-2010

Chairperson's summary

1. The Ad Hoc Expert Meeting took place in Geneva on 29 and 30 May 2006. Discussions focused on the question of progress, over the last five years, in the implementation of the Programme of Action. There was an extensive exchange of views on the basis of selected country case studies, with presentations by national consultants (from Bangladesh, Burkina Faso, Cape Verde, Ethiopia, Nepal and Uganda) and invited representatives from Benin, Rwanda, Samoa and Vanuatu. In concluding its deliberations, the Expert Meeting unanimously adopted this Chairpersons' summary and requested Benin, in its capacity as a coordinator of the LDCs' group, to transmit the outcome to the Ministerial Meeting of LDCs due to take place in Cotonou, Benin, from 5 to 8 September 2006".

2. The meeting underscored the importance of the shared responsibility of least developed countries (LDCs) and their development partners in the implementation of the Brussels Programme of Action. The country presentations highlighted the difficulties in assessing progress made in the implementation of the Programme of Action. Besides the statistical limitations prevalent in most LDCs, a major cause of the difficulties in the assessment of progress was the loose conceptual and factual relationship between the socio-economic goals pursued (such as poverty reduction) and the action envisaged under the various commitments in the Programme of Action. Ideally, there would be a need to establish in each LDC a quantitative and qualitative monitoring framework based on the country-specific causality between Programme of Action commitments and the development objectives pursued. It is doubtful, from the discussions held, whether LDC Governments will be desirous of developing such a framework since most of them already have to cope with problems of congestion in processes as beneficiaries of various international initiatives. The work undertaken by UNCTAD under this project revealed the lack of awareness, in LDCs, not only of the

Programme of Action as a tool for international cooperation, but also of the value and implications of LDC status as a basis for targeted international action.

3. The Ad Hoc Expert Meeting provided an opportunity to (i) reflect on the progress made towards the development objectives of the Programme of Action; and (ii) draw policy-related lessons from the first half-decade of implementation of the Programme of Action, with a view to delineating the most desirable approach to the continued implementation of the Programme of Action.

Assessment of progress toward fulfilling the Programme of Action's goals

4. Several LDCs have made significant progress over the last five years towards achieving the 7 per cent growth target, but only a few have managed to reduce the proportion of their people living in extreme poverty. The latter progress was observed mainly in urban areas, while rural areas tend to suffer more poverty. Given the vulnerability of most LDCs to the risk of frequent external shocks beyond domestic control, and considering the structural disadvantages with which their economies are faced, the durability of LDCs' growth performance is questionable. Therefore, the challenge of poverty reduction remains immense and will require special efforts by the LDCs and their development partners.

5. The prospects for reducing extreme poverty by half among LDCs by 2015 are poor. In some of these countries, the poverty trap is maintained by the conjunction of geographical handicaps that are major causes of supply constraints, and combined national and international factors such as HIV/AIDS, civil conflict, exposure to natural hazards, lack of domestic financial resources and skilled human resources, lack of investment, declining terms of trade and prolonged indebtedness. LDCs in such situations have little or no scope for seizing the numerous economic opportunities that result from globalization.

6. With regard to human development targets (under the Programme of Action and in the light of the Millennium Development Goals), some LDCs have made concrete progress in some areas, notably in reducing child mortality and improving access to safe water, as well as in introducing universal primary education and promoting adult literacy. There has also been some progress in reducing gender disparities. However, maternal and child malnutrition remains high in LDCs, where the proportion of births attended by skilled health personnel is

still far below the 50 per cent target. The high incidence of HIV/AIDS, malaria, tuberculosis and other infectious diseases continues to defeat the goal of human development progress in a number of LDCs.

7. As regards governance, few LDCs have free and fair elections; similarly, few have made improvements in the area of human rights and freedom of expression, few have multiparty politics, and few have carried out political or economic decentralization. Some of the country studies highlighted corruption as a serious obstacle to socio-economic progress. The meeting underlined good governance at national and international levels as sources of significant benefits for all peoples.

8. Most LDCs have pursued wide-ranging economic reforms and adjustment programmes, notably aimed at trade liberalization, over the last two decades. However, their share of world trade remains marginal, accounting for an average of 0.5 per cent of world exports and 0.7 per cent of world imports in 2000–2003. It was generally recognized throughout the discussions that in order to facilitate poverty reduction, trade liberalization has to be gradual and essentially linked to the development of supply capacities. This implies revisiting the role of the State in dealing with domestic economic issues, given the importance of offering private operators a favourable investment climate and a sound macroeconomic environment.

9. Progress has been made towards improving preferential market access conditions for LDCs since the adoption of the Programme of Action. The meeting welcomed the decision on duty-free, quota-free market access for LDCs, contained in the Hong Kong Ministerial Declaration (Hong Kong, China, December 2005), which puts these preferential market access conditions on a more predictable basis for all products. Further improvements regarding rules of origin, as well as a reduction of non-tariff barriers, could allow LDCs to better utilize new trading opportunities.

10. The LDCs are currently attracting greater inflows of foreign direct investment (FDI) than in the past. FDI in those countries, however, was equivalent to less than 2 per cent of world FDI in 2004. Inflows are largely concentrated in natural-resource-rich LDCs: half of the increase in FDI inflows into all LDCs between 2002 and 2004 took place in four oil-exporting LDCs. If the mineral-exporting LDCs were added to the oil-exporting LDCs, the combined set of countries would account for 70 per cent of total FDI inflows into LDCs. Further efforts are

required in order to ensure that FDI in LDCs genuinely contributes to economic welfare and development through backward and forward linkages in recipient countries.

11. With regard to international support measures in favour of LDCs, eight Development Co-operation Directorate (DAC) countries met the Programme of Action target of making official development assistance (ODA) disbursements equivalent to 0.20 per cent of gross national income (GNI) in 2003 and 2004. Another country reached 0.18 per cent, and another one the 0.15 per cent target in 2004. It is encouraging to note that net real-term ODA disbursements from DAC members to LDCs almost doubled in 2004 as compared with 2001. Moreover, the untying of aid to LDCs has been proceeding, and there seems to be a consensus that this process has contributed to the effectiveness of aid.

12. Of 30 LDCs that are potentially eligible to receive debt relief under the HIPC Initiative, 22 have reached decision point. However, despite this and other initiatives to alleviate the debt burden of LDCs, external debt remains a major problem for most of these countries. Further debt reduction efforts are deemed essential to the objective of poverty reduction. Financing the development of supply-side capacities remains a problem in highly indebted poor countries (HIPC) that have reached completion point, as their access to loans is limited. This problem needs to be addressed with urgency.

Policy lessons and implications for the further implementation of the Programme of Action

13. 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.

14. The case studies revealed an overload in most LDCs, as Governments strive to implement different international frameworks of cooperation in parallel with their national development policies and strategies. The objectives and priorities of the various frameworks are often viewed as competing with, not complementing, each other. Most LDCs had 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

frameworks and 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 Assistance to LDCs (IF) and the Joint Integrated Technical Assistance Programme for African and Selected Least Developed Countries (JITAP). Combined with national development policies and sectoral strategies, these have often resulted in institutional bottlenecks, in which the LDC agenda tends to receive relatively low-priority attention. The meeting stressed the urgent necessity to coordinate the different initiatives, at country level as well as internationally. This calls for better ownership, within LDCs, of development policies and strategies.

15. The PRSP process was introduced in the context of the Enhanced HIPC Initiative, with the aim of ensuring that savings from debt relief would be channelled towards poverty reduction programmes. There was a general impression that trade is not sufficiently integrated within PRSPs, although trade issues now occupy a more central place in them. The problem is how trade is dealt with in the PRSPs: strategic goals are only loosely related to public action. Furthermore, the PRSPs do not have a methodology for linking trade with growth and poverty reduction.

16. Alleviating poverty through direct action on social sectors is regarded as important. However, the primacy of enhancing productive capacities as an avenue for durable poverty reduction is increasingly recognized as paramount. This implies maintaining or improving the international competitiveness of traditional economic sectors (notably agriculture, which remains the economic pillar of most LDCs), and promoting durable economic diversification. Diversification not only broadens the scope for employment creation, but also increases a country's economic resilience to external shocks beyond domestic control, thereby making income more stable and predictable. International support measures should therefore put greater emphasis on developing productive capacities in the LDCs.

17. At the national level, development strategies should always place the development of physical infrastructure and human resources at the heart of priorities, in view of the catalytic impact of these two areas of action on the scope for durable diversification. Development

partners are invited to enhance their support to LDCs so as to develop agricultural productivity and remove infrastructural bottlenecks in those countries.

18. Given the adverse impact of the recent oil shocks among LDCs, particularly in the light of poverty trends, there should be greater efforts to develop renewable energy sources, including through exchanges of experience and South–South cooperation.

19. It is widely agreed that new economic opportunities exist for LDCs, notably in areas of specialization that rely on valuable assets such as environmental beauty and cultural wealth, including traditional knowledge. Economic specialization in such sectors as organic agriculture, international tourism and cultural industries is often regarded as desirable progress, involving meaningful economic linkages. Such developments call for targeted efforts in the context of which maximum use ought to be made of the range of concessions already available to LDCs.

20. At the international level, the fact that a country is recognized by the United Nations as an LDC should always imply maximum consideration for it within the existing framework of special international measures, whether these measures are granted by virtue of LDC status (special and differential treatment, Integrated Framework, etc.) or under initiatives outside the scope of LDC treatment (e.g. debt relief for HIPCs). Revisiting the nature of rules of origin in relation to trade preferences and increasing the capacity of LDCs to meet international standards that constitute non-tariff barriers stand out as one of the most important lessons from the experience of many LDCs. Making the best possible use of the existing concessions in favour of LDCs in the multilateral trading system and creating a favourable investment climate in those countries are regarded as vitally important, as are efforts to identify new potential economic opportunities in the light of the evolving international demand. Coherence between international obligations and the national constraints faced by LDCs should always be aimed at in the framework of international cooperation.

21. Supply-side strategy based on sound economic specialization may imply preserving or restoring the competitiveness of traditional sectors as well as paving the way for the development of dynamic new sectors of goods or services. To that end, LDCs should make the best possible use of the flexibility of international trade rules, including special measures such as safeguards and other remedial measures.

22. In the framework of international support to LDCs, there should be a rebalancing of priorities between human development targets and production-related issues, with greater emphasis on the latter. This implies greater efforts, in the context of aid, aimed at physical infrastructure and technological development, as these two factors are important catalysts of productivity progress and competitiveness. To improve the transport and communication infrastructure of LDCs, public investment remains essential, despite the growing importance of private sector involvement.

23. A new approach to aid policies is highly desirable if LDCs are to achieve greater ownership of public expenditure. This implies adherence to the internationally prescribed new harmonization and transparency procedures, which are increasingly regarded as an important factor in the legitimacy of national development plans and in national support for public investment programmes.

24. In view of the serious statistical deficiencies prevalent in most LDCs and the importance of steady and reliable statistical data for proper monitoring of progress in the implementation of the Programme of Action, there is an urgent need for international initiatives aimed at enhancing national capacities in this area.

25. In the light of the economic importance to a number of LDCs of remittances from nationals living and working abroad, there is a need for greater and coordinated efforts by the international community to promote channels, mechanisms and international policies to reduce the transaction costs that hamper the use of remittances as a source of development financing in relevant countries. Intensifying or redirecting remittances towards productive investment schemes is a desirable policy objective, for which international support to LDCs should be organized.

26. The Integrated Framework for Trade-related Technical Assistance to LDCs (IF) is recognized as a key instrument to strengthen the institutional capacities of LDCs with a view to enhancing their productive potential. The most important lesson learned from the IF process is that strong country ownership is critical to the success of the IF, which is an important part of the broader Aid for Trade initiative in the context of the implementation of the Doha Development Agenda.

27. The concerns of countries that are called to prepare for eventual graduation from LDC status should also be taken into consideration, in keeping with the principle of "smooth transition" as accepted by the General Assembly. This implies a commitment by development partners to do justice to the permanent or long-term needs that a graduating country may continue to be facing, in view of the risk of frequent economic, environmental or natural shocks beyond domestic control. There is also a growing concern about the need to pay greater attention to the economic vulnerability of some LDCs that are expected to graduate in the near future. It is hoped that environmental and disaster-related vulnerabilities will be given due consideration in the discussions concerning graduation, as well as support for "smooth transition".

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