

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**REPORT OF THE TRADE AND DEVELOPMENT BOARD
ON ITS FORTY-SEVENTH SESSION**

held at the Palais des Nations, Geneva,
from 9 to 20 October 2000

Volume II

Summary of proceedings

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Preface

This volume (volume II) of the report of the Trade and Development Board on its forty-seventh session contains the summaries of statements made during the session.

All other matters relating to the forty-seventh session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly*. These include action take by the Board, procedural and institutional matters, and diverse annexes.

* See TD/B/47/11 (Vol.I).

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* The proceedings of the Board's segment for high-level participation on "regional integration and the global economy" (agenda item 2) will be the subject of a separate publication to be issued under the symbol TD/B/47/12.

INTRODUCTION

1. The outgoing **President of the Board at its forty-sixth session** said that, during his term of office, he had felt involved in the struggle for development and had had the impression of participating in an in-depth dialogue on development. UNCTAD X had provided an opportunity to give that dialogue form and had made it possible to leave behind the pessimism generated by Seattle. The Conference had helped “allow a convergence of views on development” and thus provide the basis for actions aimed at promoting development and reducing poverty. Useful work had been done, and it was to be hoped that others would benefit from it.
2. The **Secretary-General of UNCTAD** paid tribute to the contribution made by the outgoing President of the Board, without whom no convergence of views would have been possible at UNCTAD X. The President’s words would help others in the continuing struggle for greater justice.
3. The incoming **President** said UNCTAD X had clearly demonstrated that, when the political will was there, consensus could be achieved on complex issues. UNCTAD had emerged stronger from the Conference, and the multilateral system had regained its confidence and respectability. The Bangkok Plan of Action must now be implemented quickly and fully, and concrete results obtained. In that connection, he would in particular be seeking to ensure the implementation of the capacity-building activities provided for in paragraph 166 of the Plan of Action (TD/386). The Conference had also allowed an in-depth examination of globalization and the asymmetries that it created, and it was important to recognize the scale of the challenges ahead and the need to place the human being at the centre of economic development.
4. UNCTAD had already demonstrated its vision by warning against exaggerated expectations with regard to the benefits of globalization, liberalization and privatization, and it had produced important reports drawing lessons from the recent financial crises. Its innovative programmes in the field of sustainable development, for example the BIOTRADE initiative and the greenhouse gas emission trading rights programme, could sow the seeds of a future development model featuring economic growth compatible with life, human values and nature.
5. One particular challenge that lay ahead was the Third United Nations Conference on the Least Developed Countries, and he urged all members of the Board to contribute actively and generously to the success of that Conference.
6. UNCTAD was a profoundly democratic international forum, and it should be further strengthened as a place of open dialogue that would help countries achieve “quality” integration into the global economy. Every effort should be made to transform the institution into a truly knowledge-based organization.

7. In its ongoing dialogue, UNCTAD should tackle such questions as the contribution it could make to eliminating the disequilibria in the international system, its role in eradicating poverty and the gaps between North and South, the best national policies in the current economic situation, and the role of regional integration. Concerning the role of the state, UNCTAD could contribute greatly in terms of helping countries to resolve the apparent paradox between the need for a small but strong and effective state and to determine the necessary links between the public and private sectors.

8. Finally, UNCTAD X had referred to the need for policy coherence, cooperation and coordination, and those concepts should also apply within UNCTAD.

9. The **Secretary-General of UNCTAD** said that, in 1999, the world economy had made a welcome turnaround, but today's world economy seemed to have two faces, with on the one hand the promise of a new Golden Age of more rapid growth and on the other the phantoms of unsolved problems inherited from the past. Such problems included macroeconomic imbalances among the three major economies, stock market fluctuations and fears about what sort of landing the United States economy would make, and developments in the oil markets.

10. The unexpected rise of oil prices has created serious concerns about the prospects of the world economy. Everybody had consistently underrated the still strategic potential of oil to disrupt everyday life. There was little doubt that a decade of depressed prices had helped stoke demand for oil, and it had discouraged new investment in production and refining and delayed moves to alternative sources of energy and more environment-friendly technologies. At the same time, crude prices were having a much smaller influence on the cost of oil to the final consumer, with a corresponding increase in the influence of fiscal considerations. The volatile market meant that the terms of the debate on oil were shifting to the need for stability in the interest of producers and consumers alike. Commodities in general, unfortunately, had not attracted the same reaction, despite the fact that their prices had been depressed for many years now. The immediate responsibility lay with policy makers in the stronger economies, and appropriate policy responses should include fiscal measures, when necessary. For oil-importing developing countries, compensatory financing from multilateral institutions on soft terms should be considered, and the World Bank's willingness to make structural loans and other forms of emergency funding available to oil-importing countries was welcome. Such funding should in fact be offered to all developing countries according to their payments position. Over the longer term, the challenge remained to create a truly global and participatory approach to managing the world's non-renewable resources.

11. Underlying the immediate concern over oil prices were the global macroeconomic imbalances and systemic weaknesses exposed by the Asian crisis, and failure to resolve economic imbalances in an orderly manner would be most damaging to growth in developing countries. The recent call by industrial countries for coordinated international policy action in the face of rising oil prices was to be welcomed, but it contrasted sharply with the indifference to similar calls from the developing world when faced with the devastating consequences of falling commodity prices. Developing countries got the worst of both

worlds: they paid more for imported oil, but were still getting low prices for their commodity exports.

12. In past weeks coordinated action had been employed to correct currency misalignments. However, if intervention in support of the euro proved inadequate, the credibility of the pan-European monetary framework might be damaged. If, on the other hand, such intervention proved excessive, then a stronger-than-expected impact on the dollar could precipitate renewed instability in the dollar-based economies, particularly the United States. The European Central Bank had recently acted to raise interest rates in Europe, and there had also been 20-to-25 per cent fluctuations in the relative value of the euro and the dollar over a one-year period. It was thus clear that major imbalances remained among the three largest industrial economies, and that these imbalances were still threatening the world economy.

13. The vulnerability of developing countries to any abrupt policy shifts in the major industrial countries would depend on their current state of economic health. The picture since the beginning of 1999 offered a measure of hope, but biases and asymmetries persisted in the trading system, and structural uncertainty and volatility continued to characterize the financial system. This meant that growth in many countries remained dependent on unstable capital flows.

14. Despite a heavy-handed response to the threat of financial contagion which had tipped some Latin American economies into recession in 1999, the region as a whole had registered positive growth, in large part thanks to the unexpectedly strong performance of Brazil. Recovery was now under way, and strong growth was again expected for Central America, Mexico and the Caribbean. Nonetheless, the situation in some countries remained quite fragile, and the main policy issue remained how to break free from an excessive dependence on external resources.

15. The problems facing much of Africa were of a different order. The continent's savings and investment levels were too low to allow for sustained robust growth, and the basic policy challenge was to find a way to overcome savings and foreign-exchange constraints and raise investment to the minimum necessary for an annual growth rate of at least 6 per cent, as identified by UN-NADAF. The current level of private capital inflows was too low to fill the resource gap but still high enough to make many African economies vulnerable to the arbitrage arithmetic of short-term capital flows. This also meant a steadily growing dependence on official flows. But in recent years these had barely compensated for resource losses, due to unfavourable trading conditions. There was only one way to end Africa's aid dependence, namely to launch a massive aid programme and to sustain rapid growth for long enough to allow domestic savings and external private flows gradually to replace official flows.

16. The pace of recovery of East Asia over the past year had been encouraging. However, there were reasons for concern. First, recovery had been accompanied by only limited corporate restructuring, and the health of the financial system continued to rely on public intervention in the credit mechanism. Second, exports were unlikely to continue at their

recent pace, and public deficits and debt had been on the rise in most countries seriously hit by the crisis. Finally, the recovery has so far been supported by highly favourable conditions in the world economy, and those conditions could change.

17. The least developed countries were facing the greatest challenge of the present times – eradicating poverty through sustained development. That challenge by its very nature must also be addressed by the international community. In the last decade, long-term capital flows to LDCs had declined by about 40 per cent in real per capita terms, and the majority of LDCs were currently exposed to a double squeeze of high oil prices on the one hand and low and volatile primary commodity prices on the other. The deterioration of the terms of trade had further exacerbated the liquidity shortage, and this in turn discouraged much-needed investments in the economic and social infrastructure. Moreover, almost two-thirds of the LDCs had an unsustainable external debt burden that was undermining aid effectiveness and creating a kind of “aid-and-debt trap”. The HIPC Initiative was important, but current expectations regarding the benefits of the Initiative were unrealistic, since the magnitude of assistance was quite simply too little. A bolder approach was therefore required.

18. The new Programme of Action for the LDCs must aim for concrete and action-oriented solutions. The *Least Developed Countries 2000 Report* raised a central question: the diagnosis of poverty-related problems was changing, but was the new diagnosis correct? A courageous and innovative approach would be required in the preparations for the Third United Nations Conference on the LDCs.

19. On the secretariat side, much progress had been made in those preparations. A new management team had been fully operational for some time, and the post of Special Coordinator for the LDCs was in the process of being filled. Every effort was being made not only to ensure the best programme of action in the negotiations, but also to obtain voluntary non-“negotiated” contributions in trade, investment, ODA and the improvement of transportation infrastructure. The Conference should create a powerful momentum in terms of encouraging the LDCs in their own development efforts. The secretariat’s efforts were all geared towards achieving an outcome commensurate with the ethical imperative of greater solidarity with the weakest and most vulnerable countries of our planet — the LDCs.

20. Concerning the Bangkok Plan of Action, the secretariat would spare no effort to implement the Plan’s provisions in full and ensure that the main areas of UNCTAD’s activities were better integrated and contributed even more to the understanding and promotion of development dynamics. To this end, UNCTAD should integrate its work in two ways: by integrating its analysis, research, deliberations and consensus-building with practical applications in the field; and by integrating the different subjects it dealt with among themselves. It must therefore redouble its efforts on the positive agenda; commercial diplomacy; and investment capacity-building, including negotiations on bilateral and regional agreements. There were also new initiatives requiring effort, such as dispute settlement procedures and work on trade negotiations and public policy. Above all, work on trade policies and initiatives in investment, enterprise development, technology and services infrastructure must be made mutually reinforcing, in an integrated and harmonious way.

21. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China**, said that the implementation of the mandate provided at UNCTAD X was of the utmost importance. The Heads of State and Government of the Group, at their first ever summit in Havana in April 2000, had given their full support to that mandate and had requested all countries to support UNCTAD in its efforts to contribute to the promotion of the developmental dimensions of the world economy. It was hoped that the Board's session would serve as an opportunity to reinforce the momentum created at Bangkok.

22. The discussions on regional integration at the high-level segment would undoubtedly shed more light on its different aspects. Concerning agenda item 3, the world had become more interdependent than ever before, and the Board's discussions would enable States to examine interdependence from a development perspective. With regard to item 4, his Group attached great importance to the Third United Nations Conference on the Least Developed Countries, and it expected the Board's discussions to have a direct bearing on the preparatory process and the Conference itself. With respect to item 5, his Group regarded UNCTAD's work on Africa as an invaluable contribution to global efforts to help Africa achieve viable and sustainable development. Finally, on technical cooperation, his Group expected the Board to arrive at concrete outcomes that would expedite the full implementation of the Bangkok Plan of Action as it related to technical cooperation and capacity building.

23. The representative of **Belgium**, speaking on behalf of the **European Union**, emphasized the importance that the European Union attached to the Board's session. One of the main tasks ahead would be to build on what had been achieved at Bangkok and to help the secretariat implement the Bangkok Plan of Action.

24. The representative of the **United States of America** said that the most important task ahead was the reduction of poverty in LDCs. The Third LDC Conference and the preparations for it should focus on how LDCs could implement appropriate policies to achieve sustainable development and how the international community could complement the LDCs' efforts. The business community and NGOs should be involved as much as possible, since private sector trade and investment were the driving forces behind global economic growth. While international efforts could create conducive conditions for economic development, the primary responsibility for a nation's development lay with its Government and people, and discussions on financing growth the development should focus on how to help LDCs mobilize domestic financial resources and attract external resources.

25. Conflicts and the HIV epidemic were the most serious threats to Africa's economic future. Recent United States initiatives for Africa were designed to help African countries that were addressing policy reforms and to take advantage of the new global economic environment. UNCTAD had an important role to play in this connection by providing realistic advice on how to reshape domestic policies and institutions that hampered the private sector and foreign investment. The African Growth and Opportunities Act was the cornerstone of the United States' commitment to partnership with Africa.

26. The Board's discussion on recovery in emerging markets was timely. The United States and the international community as a whole were taking measures to strengthen the

international financial architecture in order to ensure a strong and stable flow of capital throughout the global economy. Finally, with regard to UNCTAD institutional matters, it was hoped that high-level vacancies would be filled with experienced managers, and also that future *Trade and Development Reports* would better reflect the priorities set at UNCTAD X.

27. The representative of **Bangladesh**, speaking on behalf of the **least developed countries**, said that events in Seattle and Prague had shown that support for the unfettered march of the market without a human face was over. The Washington consensus had been good for many, but a Geneva consensus was now emerging with a view to mainstreaming those who had been marginalized and making sure trade was seen not as an end in itself but as a means of improving the quality of life for everyone. It was increasingly recognized that too much state or too much market led to disequilibrium, and what was needed was an intricate balance between the two.

28. The targets set by the development conferences of the 1990s had not been met, but the Bangkok Plan of Action had set new objectives that could be attained. The poor and vulnerable must be empowered, and richer States must accept that the sorrows of some were the responsibility of all, while the poorer States must enhance their governance, transparency and democracy. Civil society and the private sector must join in the common endeavour.

29. Preparations for the Third LDC Conference had begun, and the early harvest concept was exciting. Proposals to improve market access for LDCs were encouraging, but what was needed was a comprehensive solution to the LDCs' problems. The Conference should seek to achieve concrete and action-oriented conclusions with a view to enabling the LDCs to participate fully in the global economy.

30. The representative of **Croatia**, speaking on behalf of **Group D**, said that the Plan of Action adopted at UNCTAD X had taken the interests of the countries with economies in transition genuinely into account for the first time. It was hoped that the Plan of Action would be properly implemented, including paragraph 166.

31. The representative of **Jamaica**, speaking on behalf of the **Latin American and Caribbean Group**, underscored the importance that his Group attached to the central role of UNCTAD as the United Nations body responsible for addressing the interrelated issues of trade, finance, investment, technology and development from a developmental perspective. The role of the organization was more relevant than ever before given the many uncertainties and apprehensions surrounding globalization and the concern of many developing countries that they might not be able to successfully take advantage of the opportunities that globalization afforded or effectively deal with its threats. The recent financial crisis and the stand-off in Seattle had highlighted the complexities of the process of globalization and demonstrated how crucially important it was for developing countries to understand its implications.

32. With regard to the Bangkok Plan of Action, his Group attached considerable importance to building capacity and improving competitiveness in order to take advantage of

opportunities in the global economy. The Plan of Action, including such important elements as paragraph 166, must be implemented with a due sense of urgency.

33. His Group attached special importance to the issue of regional cooperation and to the Board's discussion on crisis and recovery. Concerning the question of the timing of the cycles of UNCTAD Conferences and the UN programme budget, it would be important to ensure the shortest possible delay between the adoption of decisions at an UNCTAD Conference and the reflection of those decisions in the programme budget.

34. The representative of the **Republic of Korea** said that UNCTAD had a strong comparative advantage in addressing trade and development issues relating to LDCs, and it should continue to focus its resources and efforts on those issues. UNCTAD should also generate more active discussion on how developing countries should continue to carry out market-friendly reform, since developing countries had limited resources for conducting research into best practices and implementing reform. With regard to technical cooperation, UNCTAD should emphasize activities addressing specific needs of certain developing countries with structurally weak and vulnerable economies.

35. Concerning paragraph 166 of the Bangkok Plan of Action, his country supported the establishment of the advisory body referred to therein, while emphasizing the importance of avoiding any overlap between the body and the secretariat. With regard to the timing of UNCTAD conferences and the UN programme budget, detailed information should be provided as soon as possible.

36. His country had improved its market access for least developed countries and had been implementing training programmes on international trade for officials from developing countries. It had increased its ODA for LDCs, and it had contributed to the Poverty Reduction and Growth Facility of the World Bank. Its commitment to development remained strong.

Chapter I

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: CRISIS AND RECOVERY IN EMERGING MARKETS

(Agenda item 3)

37. For its consideration of this agenda item, the Trade and Development Board had before it the following documentation:

Trade and Development Report 2000 (UNCTAD/TDR/2000 and Overview).

38. The **Acting Director of the Division on Globalization and Development Strategies**, introducing the item, said that a number of lessons could be drawn from an examination of the recovery process in the emerging markets. Monetary tightening had aggravated the impact of the currency crisis and served to depress production and employment further without bringing stability. The hike in interest rates had been much more damaging than declines in currencies, while the subsequent stabilization had been a result not of increases in interest rates but of the build-up of reserves due to massive import cuts and the reduction in foreign claims resulting from debt rescheduling. Provision of adequate international liquidity at an early stage, together with temporary and selective exchange controls, debt standstill and maturity rollover, would have been much more effective than the policy of high interest rates. The imposition of capital controls had been successful in Malaysia. The speed of the subsequent recovery suggested that initial policies had created an unnecessarily tight squeeze. The economies had bounced back rapidly when that policy had been reversed. This policy reversal had not been a component part of a carefully sequenced policy package. Rather, it had been brought about by the deepening of the crisis and widespread criticisms of the initial policy approach. The present recovery in emerging markets was highly fragile, because structural weaknesses continued to pervade. These weaknesses had been further aggravated by the initial interest rate hike. Moreover, the recovery had so far been supported by relatively favourable conditions in the world economy, but these were expected to change. Continued increases in foreign interest rates could pose a serious dilemma: attracting foreign capital would call for a reversal of the easy monetary stance, which in turn could stifle growth by blocking the domestic forces of recovery. Although in most East Asian countries affected by the crisis per capita incomes were now above or close to pre-crisis levels, income appeared to be less equally distributed than before. Employment and labour earnings were lagging behind aggregate income, and poverty remained considerably above prior levels. This was a confirmation of the general observation that boom-bust-recovery cycles in emerging markets tended to be regressive in terms of income distribution and poverty. A fundamental lesson to be drawn from the crisis must be that excessive reliance on foreign resources and markets increased a country's vulnerability to external shocks. Policy makers in emerging markets had rightly rejected a retreat into protectionist solutions, but it would be just as wrong to allow global market forces to dictate future growth and development. Regional economic ties were likely to remain significant and should be strengthened.

39. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China** said that the central challenges before the international community were to ensure that the development dimension was taken into account in the process of globalization, to redress the asymmetries and imbalances in international economic relations, and to counter the widening of the income gap between North and South. This required urgent action through more transparent, inclusive and broad-based mechanisms. While the world economy had picked up in 1999 and the developing world as a whole had improved its performance, there were considerable variations in growth among the developing countries. In many cases there was little leverage for policy makers to influence future prospects. Despite considerable efforts by developing countries to become full participants in an increasingly interdependent world economy, their progress had been hindered by systemic biases and asymmetries in the global economy. The reluctance to move towards a new round of multilateral trade negotiations that gave priority to the development needs of the poorest countries had become apparent in Seattle. Without greater trade opportunities and better market access, growth in developing countries was more dependent than ever on capital flows, a situation that was aggravated by the debt problem, especially in least developed countries. While policy makers in the small number of emerging market economies had been alerted to the dangers of volatility by the recent events in East Asia, for the vast majority of developing countries official flows remained instrumental to growth. These flows had been on a downward trend for much of the past decade, barely compensating for adverse shifts in the terms of trade.

40. The reaction in many industrial countries to the rise in oil prices was an indication of the double standards that characterized the international policy dialogue. For a long time, the Group of 77 and China had been asking for concerted international efforts to stabilize primary commodity prices. Today, higher oil prices, by themselves, were unlikely to repeat the dislocations of the past since adjustment in the industrial countries was much easier today. It was also important to recognize that the price to be paid by the final consumer was not only determined by the producers but also influenced by speculation, corporate margins and taxation. There was a need at this juncture for prudent macroeconomic adjustment in the North to ensure that this temporary shock did not spiral into inflation or deflation. In addition, oil-importing developing countries, many of whom were caught between a rising import bill and declining prices for their own export commodities, needed compensatory financing through the multilateral financial institutions.

41. The health of the world economy depended very much on correcting the persistent macroeconomic imbalances among the world's richest economies. Disparities in growth rates within the industrialized world had resulted in growing and unsustainable trade imbalances, while technological and financial innovations had aggravated the underlying fragility of current financial and trade flows. The risk of another episode of global economic turbulence resulting from this situation was an obvious concern of the developing countries, who would be the biggest losers in such a scenario. The analysis contained in the *Trade and Development 2000* of the recovery in East Asia showed the extent of the social damage that could result from fighting crises with the wrong medicine. The persistence of that damage, even with the strong growth across the region in 1999, was a reminder of how difficult it was even for the strongest developing economies to cope with the downside risks of globalization. The

ongoing vulnerability of these economies to policy shifts in the North only highlighted the urgent need for better policy dialogue and coordination at the international level.

42. The representative of **Jamaica**, speaking on behalf of the **Latin American and Caribbean Group** said that development in the countries of Latin America and the Caribbean relied heavily on a favourable external environment. The East Asian financial crisis had been transmitted to the region. It had led to rapid capital outflows and currency attacks, and had caused major Latin American stock indices to fall by over 40 per cent between October 1997 and March 1999. The financial effect had been somewhat dampened by the fact that two-thirds of the capital inflows to the region were accounted for by long-term capital and relatively stable flows of foreign direct investment. The financial crisis had also affected Latin America and the Caribbean through its impact on trade and commodity prices. Consumption and investment had both fallen, and there had been a steep decline in the value of intra-regional trade. Many countries in the region had felt the impact of the financial crisis even though they had quite strong and improving fundamentals in the form of declining fiscal deficits and inflation and in many cases an improving debt profile. Far-reaching structural reforms had also been undertaken, but in an interdependent global economy shocks and disequilibria reverberated easily and were quickly transmitted. Even the more advanced developing economies were vulnerable in that respect. If the current global imbalances were not addressed or were corrected too abruptly, this would pose a serious new threat to the growth prospects of developing countries.

43. The international community must attach higher priority to identifying and implementing measures to correct these imbalances. A key priority should be the establishment of an appropriate mechanism to regulate financial flows, and UNCTAD could make an important contribution in this regard. It was also important to ensure that the multilateral trading system was fair, equitable and free from protectionism. The World Trade Organization had to be strengthened, and the link between trade and development as well as the specific needs and concerns of the developing countries had to be taken into account in the design of the multilateral trading system.

44. The effects of the financial crisis had not been felt uniformly across the Latin American and Caribbean region. Mexico and some Central American and Caribbean economies had been insulated somewhat by their stronger links in some sectors with the United States economy. 1999 had been one of the most difficult years for the economies of Latin America and the Caribbean, but there were now signs of some improvement in the economic situation. Much would depend, however, on the external environment and on appropriate demand management. The region continued to face a number of challenges, such as reducing its dependence on external resources, increasing productivity and competitiveness, improving income distribution and reducing poverty. In the face of these challenges, a better international environment was essential. This required strengthened international cooperation to attain greater stability of financial flows, improved market access in the developed world for exports from the region, a strengthened multilateral trading system, and an easier transfer of technology, which was increasingly important for productivity growth and wealth creation. The technological advances and the globalization of trade, finance and productive activity had contributed to the creation of unprecedented wealth

in the developed countries, but so far it had not had the same impact in the developing world. The unprecedented prosperity in the North must not lead to complacency. Rather, it should be taken as an opportunity for reshaping international economic relations and wealth creation in the interest of all countries.

45. The representative of **France**, speaking on behalf of the **European Union**, said that the general tone of the *Trade and Development Report 2000* was less alarmist than that of previous issues. Many disequilibria persisted in the world economy, but global economic growth and trade expansion remained strong. Not only the economies in South-East Asia, but also several countries in Central and Eastern Europe had made remarkable progress. In its analysis of recent trends in the world economy, the *Report* showed some convergence with the reports of other international institutions, while preserving the specificity of its perspective. The search for strong and non-inflationary growth was always difficult in both developing and developed countries, but the capacity of the world economy to resist crises had been quite remarkable. The rapid and almost general recovery in South-East Asia was a good example of that. Paradoxically, some observers attributed the recovery to orthodox policies, while for others it was due to more “heterodox” policies. In any case, there were indications that the cycles of overheating, recession and recovery tended to aggravate income inequality and poverty. It should be recognized that mistakes had certainly been made in the diagnosis of this unconventional crisis, and the policy recommendations had not always been optimal. Economic history showed that most of the time one knew quite well how to deal with the last crisis, but much less was usually known about the right remedy for any new crisis.

46. It was regrettable that the *Trade and Development Report 2000* did not deal in greater detail with trade issues. The World Trade Organization was of universal importance, and the Uruguay Round Agreements were not without consequences for international trade flows. The multilateral trading system had helped many developing countries to integrate successfully into the world economy. The importance of the multilateral trading system for the developing world was obvious from the fact that the great majority of WTO members were developing countries. The recently approved Cotonou Convention between the European Union and 71 ACP countries, which succeeded the Lomé Convention, was also important for world trade in general and for many developing countries and least developed countries in particular. The *Trade and Development Report* should regularly contain a section on the evolution of the institutional framework for international trade, which would make it possible to draw conclusions with regard to the positive effects of multilateralism.

47. The representative of the **European Community** said that the economic prospects of the European Union were more positive than suggested in the *Trade and Development Report 2000*. Growth was expected to exceed 3.5 per cent in 2000, unemployment was falling and core inflation was at a historical low. The recent evolution of oil prices was a handicap for the European economy, but it was above all a problem for the oil-importing developing countries. It was in the interests of all countries, producers and consumers alike, that oil prices be stabilized at a reasonable level.

48. The political will existed inside the European Union to further strengthen policy coordination, which had already improved as a result of the establishment of monetary union. The euro was protecting economic agents from exchange rate variations among the members of the monetary union, thereby facilitating trade among the members of the euro zone. Bond floatings in the new currency were rising rapidly, and the link between the euro and the African Financial Community had also had positive effects for the developing countries. The recently signed Cotonou Convention represented another important contribution of the EU to development. The agreement was a new approach to strengthening the trading capacity of ACP countries, as well as their ability to attract foreign direct investment. The EU also supported the Southern African Development Community, and the creation of a free-trade zone was envisaged with the EU's 12 Mediterranean neighbours. Complex negotiations were going on with MERCOSUR, and a dialogue at the ministerial level was about to start with ASEAN. A number of economies in transition, many of which were also benefiting from EU support, had recently attained very satisfactory growth rates, to a large extent thanks to increased exports to the EU. Trade was certainly not a panacea for the problems of development and poverty, but its expansion could make an important contribution to economic growth if accompanied by appropriate domestic policies and supported by external aid.

49. The representative of **Japan** said that rapid globalization of the world economy had brought both unprecedented opportunities and new risks to national economies, as witnessed by the recent events in East Asia. An urgent task was therefore to map out effective strategies to maximize the opportunities and minimize the risks of globalization. As competition among national economies had intensified, more attention had to be paid in all countries to strengthening the basis of their competitiveness. In the East Asian economies, further structural reforms were required, particularly in the financial sector, so as to enhance credibility and confidence. It was also imperative to improve the international framework in order to adequately safeguard national economies from the devastating effects of short-term capital flows. In this regard Japan, together with neighboring countries, had agreed to reinforce cooperation among their monetary authorities.

50. Globalization had expanded the opportunities for foreign direct investment, something that could help reduce constraints resulting from a shortage of domestic savings. FDI could also be a vehicle for the acquisition of new technology, know-how and management methods, apart from providing employment opportunities. Stable and transparent policies and a legal framework conducive to FDI inflows was essential for attracting such capital inflows. On the other hand, adequate social policies and a social safety net were necessary for those social groups that were adversely affected by globalization.

51. Japan had not only provided support of various kinds to the East Asian economies that had been affected by the crisis and were now on their way to recovery, but it was also committed to contributing to the sound development of the world economy by revitalizing its own economy and assisting developing countries.

52. The representative of **Ethiopia**, speaking on behalf of the **African Group** said that the *Trade and Development Report 2000* clearly showed the difficulties facing developing

countries in general and African countries in particular in benefiting from growing global interdependence. For Africa as a whole, globalization was equated with marginalization and further isolation. Developing regions in general, and Africa in particular, had little control or influence on factors that determined their destiny. African countries had been the hardest hit by financial crises, the vagaries of global commodity markets, the sharp increase in oil prices and other external shocks that were compromising the growth and development prospects of the region. Africa's share in global trade continued to be negligible. The pronounced decline in non-oil commodity prices for three successive years had seriously affected the growth performance of most countries in the region. The international community should put in place appropriate mechanism to compensate African countries for their losses and to fill the foreign exchange gap resulting from depressed commodity prices. African countries also needed assistance from donor countries and international institutions in their efforts to diversify their economies.

53. While external financing was essential for achieving the rates of growth required to attain a marked improvement in living standards and a significant reduction of poverty in Africa, the inflow of foreign direct investment to the region was still very low, and Africa suffered from volatility in capital flows, as well as exchange rate instability and misalignment resulting from rapid liberalization of the capital account. African countries were also victims of a growing digital divide. In order to extricate the continent from its deep-rooted socioeconomic problems, domestic policy reforms had to be accompanied by concerted action at the global level, including measures designed to achieve an expeditious resolution of the debt crisis, enhanced productive capacity, improved and expanded market access, increased official development assistance and a more generous transfer of technology. Africa should not be considered as a region that did not pose any threat or systemic risk for the global economy and for the major economies. In the long run, such an assumption could have enormous implications with disastrous consequences. Most African countries had not yet seen the benefits of globalization. It was an ethical and moral imperative for the international community to take urgent measures to reverse the continued marginalization of African countries in an increasingly globalizing world economy.

54. Carefully designed, properly timed and well sequenced state intervention could help attain greater stability in the global economy. Recent economic shocks and turbulence indicated that market forces should not be left unchecked if the world economy was to enjoy healthy growth and development. Dancing to the tune of globalization could not guarantee economic prosperity for African countries. Greater openness and liberalization were not a panacea for all socioeconomic problems. The process of globalization must be tamed so that sufficient room was left for national development policies and strategies if the fight against poverty was to be effective and the gap with more advanced countries narrowed. It was the primary responsibility of industrialized countries to reduce financial fragility and global imbalances, as their policies were the major causes of price volatility and the global economic downturn. There was a need for more policy dialogue and co-ordination at the international level to avoid the recurrence of global economic crises and the resulting adverse effect on vulnerable regions and countries as those in Africa.

55. The representative of **Switzerland** said that the general tone of the *Trade and Development Report 2000* was overly pessimistic in its assessment of recent trends in the world economy, but it was true that the opening-up of markets, flexible exchange rates and even the adoption of currency-board systems had not reduced the possibility of financial crises, which today were of a different nature than in the past. Increased private capital flows to developing countries were welcome as such, but short-term flows could have serious consequences. Financial liberalization, while implying a reduction of government control over capital flows and the distortions resulting therefrom, had also increased the potential for instability in cases of excessive indebtedness, inadequate maturity structures, unsustainable exchange rates, lack of management of external savings, or speculative behaviour of financial market participants.

56. It was important to recognize that the multilateral trading system had functioned satisfactorily in the recent period characterized by a sudden change in the pattern of international competitiveness resulting from major exchange rate adjustments. As a consequence there had been a swing in the current-account balance of the East Asian countries affected by the financial crisis from a deficit of 5 per cent of GDP in 1996 to a surplus of 9 per cent in 1998. This would not have been possible without the maintenance of open export markets, and it showed the importance of the WTO agreements.

57. The mobilization of domestic savings in developing countries had to be improved in order to achieve a better balance between domestic and external financing. A more subtle management of the different types of external capital flows, by both Governments and the private sector, also appeared desirable.

58. The representative of the **Philippines**, speaking on behalf of the **Asian Group and China** said that, while economic growth in Asia had picked up, the speed and nature of the recovery varied considerably throughout the region. The recovery in East Asia had been spectacular, but it had become clear from the policy responses and the sharp swings in economic performances in the region that the orthodox diagnosis and policy prescriptions by the international financial institutions had limitations. The *Trade and Development Report 2000* had highlighted the problems resulting from the fact that the task of adjustment to global economic imbalances was falling on monetary policy alone. This was indeed a cause for concern. Better policy coordination and coordination among the major industrial countries was required to correct their large imbalances in external payments and capital flows. Otherwise, current global imbalances could lead to a systemic breakdown and hard landings, something that would be most damaging to growth in developing countries. There was now a strong need for reform of the international financial architecture. In this context, UNCTAD should further analyse strategic options for developing countries to strengthen their participation in the reform process and to make a meaningful contribution to the reform itself.

59. For many developing countries, economic growth remained constrained by low levels of saving and investment and by a foreign exchange gap. Debt relief could play an important role in accelerating growth in many developing countries. Some progress had been made over the past year in the context of the HIPC Initiative, but even if the enhanced Initiative was fully and rapidly implemented, its impact would be limited. The "everything-but-arms"

initiative by the European Union was a welcome step to enhance trade opportunities for developing countries.

60. Policy measures to level off oil prices and interest rates could help developing countries to reap the promised fruits of globalization through increased trade, private capital inflows and better access to new technologies. A lesson from the recovery after the financial crisis was that much closer integration with the world economy had to be combined with institutional changes aimed at reducing the risks associated with globalization. Development strategies had to be adapted to the more open world trade environment. This required better macroeconomic policies, sustained productivity growth, improved resource allocation, a more efficient infrastructure and a higher rate of technological absorption and adaptation.

61. The concerted efforts by developing countries to become full participants in the new global economy continued to be stymied by biases and asymmetries in the international trading and financial system. Developing countries still had to struggle for better market access for their exports and continued to be vulnerable to highly volatile capital flows. The external debt burden was in many cases a hindrance in the fight against poverty. It was also necessary to review some of the Uruguay Round Agreements in order to allow developing countries greater flexibility in responding to the challenges posed by globalization. Their freedom to shape domestic economic policy was increasingly constrained by the rules-based multilateral trading system and by the external economic environment. But developing countries needed autonomy in determining their policy responses to globalization and trade liberalization, setting their own priorities, and adopting a sequence and pace of reform in line with their own needs and aspirations.

62. The representative of the **Russian Federation** said that, thanks to its universal character, UNCTAD was the appropriate forum for the discussion of, and search for consensus on, problems and solutions in international trade, finance and investment; competition policies; and trade-related environmental issues. UNCTAD's experience in analysis, research, organization of symposiums, and technical cooperation could be very useful for the preparation of a new round of multilateral trade negotiations within the framework of the World Trade Organization. UNCTAD's technical assistance to developing countries and countries with economies in transition had produced tangible results that had helped these countries in their integration into the world economy, in their accession to WTO, and in their participation in multilateral trade negotiations. UNCTAD should intensify its cooperation and coordination with other international institutions, in particular WTO, ITC, UNIDO, the Bretton Woods institutions, and the European Bank for Reconstruction and Development.

63. The recent financial crises had demonstrated, once again, that the international financial system was ill equipped to react adequately to such events. The analysis of the consequences of financial crisis on trade, investment and development contained in the *Trade and Development Report 2000* was timely and a useful contribution to the international discussion on mechanisms for the prevention and management of financial crises. UNCTAD's pragmatic and balanced assessment of the globalization process and its possible consequences for developing countries and the world economy as a whole was important and

should be continued, but the potential of the secretariat should also be used for the elaboration of concrete recommendations for preventing and overcoming the possible negative consequences of the globalization.

64. The representative of **Pakistan** said that the East Asian crisis should not be considered as a minor blip on the global economic scene. It was important to draw the right lessons from the crisis and its management and to recognize the persistence of many structural factors that contributed to the vulnerability of developing countries, including the more relatively advanced ones. The crisis had shown the inability of the international financial system to harness the forces of globalization. The astounding mobility of capital, the spread of production and distribution networks and the rapid expansion of trade in goods and services had not been accompanied by the development of appropriate institutions to govern the process. In order to avoid a recurrence of such crisis, it was necessary to ensure that the international trade regime furthered the interests of all countries. For developing countries, this meant having greater access to developed-country markets and being given more time and flexibility to open their own markets. It was also necessary to ensure that, in discussions about rectifying the shortcomings of the international financial system, developing countries' interests were better taken into account than in the past. Greater transparency and surveillance might be useful, but it was also necessary to address the volatility of short-term capital flows; to aim at a more effective management of financial crisis by the provision of standstill measures and orderly debt workout procedures; to create an international lender of last resort; and to provide for more space and autonomy for developing countries in their response to such crises and to their approach to capital account liberalization, which should be gradual and sequenced. Moreover, the United Nations should urgently consider mechanisms for an effective governance of globalization, including a developmental dimension and the democratization of international economic decision-making. More generally, a fundamental reappraisal of the nature of the international economy was required in order for all countries and social groups to benefit from the global economy and to ensure a just and sustainable pattern of growth.

65. The representative of **China** said that in 2000 growth in the world economy had been unbalanced and fragile. There were still numerous uncertainties resulting from, *inter alia*, financial bubbles in the emerging markets and over-expansion caused by cross-border mergers and acquisitions. Many developing countries, in particular the least developed and African countries, were suffering from lack of capital, a heavy debt burden and deteriorating terms of trade. And the fragility of the external environment was an additional threat for the economies of developing countries. The experience of crisis-stricken countries of East Asia had shown that developing countries should first and foremost persist in their own road toward development. They should formulate suitable monetary, fiscal, trade and other macroeconomic policies in line with their respective national conditions, and follow a gradual approach to market opening. Collective efforts should be made to counter the risks resulting from the instability of the global economy. A number of structural problems were yet to be resolved, including unsustainability of export growth, unemployment, and lack of a favourable international environment. Flaws in the international economic system had indeed been one of the causes of the financial crisis and had to be corrected. In the 1990s, the UNCTAD secretariat made correct early warnings of the financial crises of some developing

countries. The secretariat should continue to develop its comparative advantages in this field and focus its work on helping the developing countries to design policies that helped to avoid similar crises. There was also need for a fair, secure, non-discriminatory and predictable multilateral trading system. So far, the design of the trading system had followed too closely the sway of the developed countries and transnational corporations, while the voice and interests of the developing countries had been neglected. A new round of multilateral trade negotiations must take into consideration the balance of interests of countries with different levels of development.

66. The representative of **India** said that globalization had opened new opportunities and contributed to remarkable growth in the world economy, but it had also resulted in the marginalization of a number of countries. In spite of the great potential that globalization was offering, 1.2 billion people were still living on less than one dollar per day. There was an urgent need to address the imbalances and biases of the multilateral trading system and the shortcomings of the Uruguay Round Agreements and their implementation. Industrialized and developing countries needed to form a partnership to ensure that the gains of globalization were shared more equally. Strong and sustained growth was necessary for poverty reduction. Foreign direct investment could play an important role in economic development, but issues such as the declining level of aid and the stagnation of other official flows needed to be high on the global economic agenda. The decline in the World Bank's non-concessional lending was worrisome, and the increased use of social principles in the conditionality of the Bretton Woods institutions was unacceptable. The East Asian crisis had led the international community to focus on how to reform the international financial institutions and how to meet the challenges of crisis prevention and resolution in a world of increasingly integrated financial markets. But this should not divert attention from other crucial policy areas, including exchange-rate policies, external debt, and capital-account liberalization. It had to be recognized that there was no uniform approach to policy reform in developing countries. Capital-account liberalization needed to be correctly sequenced and carefully calibrated and should be adopted only when strong macroeconomic fundamentals and a sound financial system were in place. Prudential norms and a strong supervisory capacity were also required to reduce the volatility of capital flows.

67. The representative of **Bangladesh**, speaking on behalf of the **least developed countries**, said that economic interdependence was a matter of utmost importance for the developing countries, and their interests had to be recognized and reflected in the reform of the international financial system. Interdependence had also manifested itself in the East Asian crisis. Policy prescriptions during and after the crisis had been diverse, and it was not clear which had been the right ones; the Republic of Korea and Malaysia had both achieved significant recovery although their policy responses had been different. While the East Asian financial crisis could perhaps be explained as a phenomenon of recurring economic cycles, the problem of endemic poverty from which one fifth of humanity was suffering was more complex. The least developed countries continued to be marginalized and were becoming poorer day by day despite decades of efforts by themselves and the international community to improve their situation. Against the background of increasing interdependence in the world economy, a number of steps had to be taken to give the least developed countries a better chance to integrate into the global trade and development stream: all markets must be opened

completely and immediately to all exports from LDCs; a special programme for trade-related capacity building in the LDCs, as provided for in the Integrated Framework, must be implemented; bilateral assistance through ODA must be increased; all debts of LDCs must be written off, with conditions relating to good governance, economic reforms and increased social investment; and the LDCs as a group must be given a voice in the restructuring and management of international financial and trade institutions, proportionate to their population. The recent EU initiative for full market access for all LDCs and ACP countries was a step in the right direction. Other developed countries should emulate this initiative.

68. The representative of **South Africa** said that his country had not been immune from the financial crisis, which had hit mainly ordinary people and small and medium-size enterprises. The present improved outlook was partly a result of the fundamental reforms undertaken in developing countries. These needed to be matched by similar reforms in developed countries. Despite the positive outlook, one should not lose sight of the remaining risks to sustainable growth. The growth prospects of developing countries would be seriously compromised if developed countries continued to set their policies without regard to their repercussions on international trade and capital flows. There was a need for structural reforms to reduce vulnerability. Developing countries had to make additional efforts to raise their levels of savings and investment, implement policies designed to create jobs and overcome poverty, improve their human resource capacities and take measures to bridge the digital divide. Globalization had been accompanied by rising poverty, and it would fail if its benefits were not shared more widely and if the majority of the people of the world continued to be marginalized. In order to counter the unequal distribution of income and wealth, the most advanced economies had to take bold steps to ensure sustained growth and to strengthen the weak and the vulnerable. In a highly interdependent world economy, growth in the developing countries was not only determined by their own efforts. Many developing countries were unable to attain the rates of growth required to reduce poverty and to narrow the gap in living standards as long as their external debt burden remained. Developing countries had liberalized their own trade regimes, and it was now up to the developed countries to undertake the reforms necessary to allow developing country exporters better market access. Given the substantial saving gaps in many developing countries, there was also a need for an increase in official development assistance.

69. The representative of the **United States of America** said the East Asian crisis had shown that, in the new global economy, weaknesses in national policies and institutions could be punished much more quickly and severely by international markets than in the past, and inadequate risk assessment by investors could have serious repercussions. While most of the hardest hit East Asian countries were now recovering faster than initially forecast, important questions remained as to how to avoid such upheavals in the future and how the international community could best react when such upheaval occurred. Inadequate institutions and weak policy frameworks in many developing countries, combined with faulty risk assessment on the part of investors and banks from the industrial countries, had made these economies excessively vulnerable. The international community's response had not been ideal in some respects, but it had been modified as new information was gained, and eventually it had produced the recovery. The task now was for all countries to design a route toward sustainable growth that did not outrun the regulatory capacity of growing economies.

Market-based economic systems and global capital flows offered the best route to sustainable growth for both industrialized and developing countries. The international community had an obligation to cooperate in reducing the disruptions and consequent hardship that could occur in such a system. Industrial countries needed to improve risk assessment. The IMF should adapt its policy recommendations to the particular characteristics of each individual case, ensuring that fiscal reforms would not cut disproportionately into core social programmes, but the greatest impact on vulnerability to, and recovery from, financial crisis would come from the actions of national Governments. Bank supervision and securities market regulation needed to be made more consistent, and there was a continuing need for restructuring in the financial and corporate sectors. Each country could choose the exchange-rate regime it considered most appropriate, but sound economic and financial policies were essential under any regime. Since short-term capital controls were difficult to administer and their effectiveness declined over time, such controls could only be transitional; they were not a substitute for fundamental financial reform. Greater reliance on long-term rather than short-term borrowing and the development of domestic debt markets would in general be a better way to insulate countries from market volatility.

70. The representative of **Norway** said that developing countries, which were already suffering from falling commodity prices, debt problems and insufficient ODA flows, were particularly vulnerable to a slowdown in economic growth in the developed countries. The current prospects for the least developed countries in Africa were a particular cause of concern. The primary reason for poor growth prospects in Africa was the stronger-than-anticipated impact of the East Asian crisis, declining aid flows, a lack of foreign direct investment, and the effects of the HIV/AIDS epidemic. However, forecasts for some sub-Saharan countries which had implemented reform programmes were relatively good, with expected growth rates in excess of 5 per cent. Key to this relative success were development strategies built on improved economic and social policies, poverty reduction and good governance. However, these domestic efforts could only bear fruit if they were supported by adequate external financing. Norway would not only increase its ODA to a level of more than 0.9 per cent of GDP, but would also support the new plan of action which could be expected from the forthcoming Third United Nations Conference on the Least Developed Countries.

71. Regarding the recent financial crisis and recovery in East Asia, it was important to recognize the positive role of the rules-based multilateral trading system, which had kept countries from resorting to protectionist measures in the face of increasing competition from the developing countries recovering from the crisis. The system had indeed proved extremely valuable, as exports had been a key element of the recovery. While WTO rules and regulations had by now acquired a truly global dimension, there was still room for improvement, in particular with a view to the integration of the poorest trading partners.

72. The representative of the **International Confederation of Free Trade Unions** said that, although per capita income in East Asia had recovered to pre-crisis levels, income inequality and poverty were now far more acute than before the crisis. Given the social impact of the crisis and the continued vulnerability of East Asia to unregulated capital flows, the sustainability of the present recovery was far from certain. While foreign direct investment was a source of external financing for developing countries, it had to be

recognized that mergers and acquisitions did not systematically contribute to an increase in productive capacity.

73. A reorientation of development strategies with a view to strengthening economic security and stability was now imperative, and a number of measures should be taken to assure greater stability of the international financial system, including a strengthening of multilateral coordination of fiscal and monetary policies; capital account regulation by individual countries in line with macroeconomic requirements; involvement of the private sector in the solution of external financial and debt problems; the introduction of international standards for prudential regulation of financial markets; greater transparency in the banking system and information disclosure; an agreement regarding the right of developing countries to impose a temporary standstill on external debt payments in crisis situations; the development of an effective early-warning system; and the introduction of an international financial transaction tax aimed at reducing speculative financial flows.

Action by the Board

74. At its 917th plenary meeting, on 20 October 2000, the Trade and Development Board took note of the Chairman's summary on agenda item 3. (For the summary, see TD/B/47/11(Vol.I), section I. A.)

Chapter II

REVIEW OF THE PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR LEAST DEVELOPED COUNTRIES FOR THE 1990s

(Agenda item 4)

(a) The challenge of financing growth and development in least developed countries

75. For its consideration of this subitem, Sessional Committee I had before it the following documentation :

The Least Developed Countries 2000 Report (UNCTAD/LDC/2000 and Overview).

76. The representative of **the Office of the Special Coordinator for Least Developed Countries** introduced the *Least Developed Countries 2000 Report*, and referred to three fundamental questions which the Report attempted to answer: (a) How had the LDCs been doing during the 1990s? (b) Where would the LDCs be in 10-15 years' time? (c) What could be done to ensure that these countries would be in a better socio-economic position in 10-15 years' time? In responding to the latter question, the *Report* suggested that there were flaws in the generally accepted diagnosis of the problems of LDCs. It rejected the commonly-held view that the LDCs had generally demonstrated poor implementation of economic reforms. The international community's expectations from the Heavily Indebted Poor Countries (HIPC) Initiative had been unrealistic, and forecasts concerning trade growth had been over-optimistic. He emphasized the importance of enhancing productive capacities in any national strategy to reduce poverty.

77. He also analyzed the United Nation's proposal for a "global new deal" in favour of the LDCs and emphasized the importance of enhancing complementarity between national and international policies.

78. The representative of the **Islamic Republic of Iran**, speaking on behalf of **the Group of 77 and China**, commended UNCTAD for the *Least Developed Countries 2000 Report* and acknowledged the importance of its theme of aid, private capital flows and external debt. The analyses and recommendations contained in the *Report* would provide valuable inputs for the preparation of the Third United Nations Conference on LDCs.

79. He recalled his Group's concern, as expressed in April 2000 at the South Summit held in Havana, that, while globalization had engendered huge prosperity in the developed world, the marginalization of the LDCs had increased. Noting that this was the result of the non-fulfilment of many of the commitments undertaken under the Programme of Action for the 1990s, he appealed to DAC member countries to take the necessary action to redress this situation. He recognized the European Union's initiative to provide accelerated market access for LDC products, and called upon other trading partners to make similar moves. He also recommended that HIPC Initiative be fully funded and more easily accessible.

80. Reiterating the full support of the Group of 77 and China for the preparatory process for the Third United Nations Conference on Least Developed Countries, he recalled that his Group had supported the call for a new Programme of Action for LDCs. He hoped that the Conference would take into account certain negative developments in some of the LDCs, including civil strife, natural disasters and disease. He also hoped the Conference would provide an opportunity to highlight the great potential and rich cultural heritage of these countries, and that it would be a platform for launching a process of revitalizing their economic and social development.

81. In conclusion, he expressed strong hope that the Conference would facilitate the transition of the LDCs from a situation of external assistance to one of greater self-reliance, and the ability to attract international finance and investments.

82. The representative of **Haiti**, speaking on behalf of **the Latin American and Caribbean Group**, pointed out that the decade of the 1990s had been characterized as a period of continuing pauperization and increasing marginalization of the LDCs. The LDCs as a group had not benefited much from official development assistance (ODA), efficient aid, debt relief, or from the conditions necessary for private capital promotion for development. He pointed out that the implementation of structural adjustment programmes, in conjunction with insufficient investment flows and low prices for their primary commodities, had led to a slow down in the growth of their gross domestic product (GDP).

83. He stressed that LDCs continued to be dependent on ODA. In real per capital terms, net ODA to LDCs had dropped by 45 per cent since 1990 and was now back to the levels of the early 1970s. The share of aid to LDCs in the gross national product (GNP) of DAC donors had fallen from 0.09 per cent in 1990 to 0.05 per cent in 1998. That year, only Denmark, Luxembourg, the Netherlands, Norway and Sweden had met the targets of the Programme of Action. These declining aid flows were particular cause for concern as only a very restricted number of LDCs were able to attract limited inflows of capital. As a result, in real terms, per capita inflows had fallen by 39 per cent since 1990.

84. He underlined the seriousness of the debt problem for LDCs. He insisted that strengthening productive capacities and gaining full market access for LDCs' tradables through the Integrated Framework (IF) were the only way out from the vicious circle of the debt burden. In his view, debt-service payments could be used for financing activities to facilitate the genuine integration of LDCs into the world economy. In this context, at least a quarter of the LDCs' debt service obligations should be allocated in favour of trade-related technical assistance. He also proposed that the set of criteria for a country's eligibility for debt reduction be reconsidered.

85. Bearing in mind the high vulnerability of LDCs to external economic shocks, he supported a suggestion made by the representative of **Ethiopia**, speaking on behalf of the **African Group** during a previous discussion, to consider the creation of a compensatory mechanism to permit LDCs to better face such shocks.

86. Finally, he said that, while the international community needed to increase its support to LDCs, all small island, landlocked and structurally weak vulnerable developing countries merited special attention.

87. The representative of **Ethiopia**, speaking on behalf of the **African Group**, stressed the complex and daunting development challenges facing the LDCs and argued that the resolution of such challenges required a multi-dimensional approach encompassing increased development aid and outright debt cancellation, enhanced productive capacity and reduced supply constraints, improved market access, and a mutually supportive domestic and international policy environment. He noted that the long-standing international cooperation and solidarity in support of LDCs had fallen short of expectations. At the same time, LDCs' weak economic and institutional structures, coupled with an unfavourable external economic environment and natural disasters, hampered the ability of their Governments to cope with their development problems. Despite comprehensive economic and political reforms undertaken by several LDCs, socio-economic decline had continued, and the widening gap between the financial resources available and the needs of these countries had made the development process complex. The continued marginalization of the LDCs from the globalizing world economy was clear evidence of the collective failure — including that of the first two LDC Conferences and Programmes of Action — to improve the socio-economic situation of these countries. He recalled that between 1980 and 1998, the number of countries in the LDC group had increased by 23, and that more might join in the future unless new measures were taken. In order to improve living conditions in the LDCs, urgent concrete actions and shared partnerships were needed.

88. He commended the *Least Developed Countries 2000 Report* for its solid analysis and concrete recommendations. He underlined the *Report's* observation of a continuing decline of ODA in the LDCs, and the fact that the volatile nature of these flows had contributed to macroeconomic instability and a worsening of the socio-economic performance of these countries. He recognized that more aid was a precondition for it to be effective and that effective aid was necessary for economic growth, poverty reduction and sustainable development. Secondly, he agreed with the *Report* that the debt relief currently provided to the LDCs was coming too late and too slowly, that its magnitude was insufficient, and that the effectiveness of debt relief initiatives would be undermined if they were substituted for ODA. Thirdly, he agreed with the *Report* that, although national policies certainly mattered, aid effectiveness had been undermined by the nature of the international aid delivery system. Accordingly, he stressed the importance of aid policy coordination. Fourthly, he recognized that local ownership, which required not only a strategy but also effective control over the allocation of aid funds in a coherent and integrated budgetary process, was imperative for the design of adequate policies.

89. He shared the view of the secretariat that poverty reduction could not be addressed by focusing on national determinants alone but that it also needed to be treated as an international issue. He called upon the LDCs' development partners to provide substantial, unconditional and untied aid to the LDCs (commensurate with their development needs) and to take fast, deep and broad debt relief initiatives, including outright debt cancellation. In this regard, he said that the full and quick implementation of the Enhanced HIPC Initiative should

be given utmost priority. Also needed was enhanced investment in the physical infrastructure and institutional capacities, including through better implementation of the Integrated Framework for trade-related technical assistance. Furthermore, LDCs needed improved and unfettered market access to all their export products. In this context, he welcomed the encouraging steps taken by the EU and the United States in favour of the LDCs, and urged all development partners to implement fully and without further delay the market access commitments they had announced in 1997. Actions should be taken to enable the full and beneficial integration of the LDCs into the global trading system through full implementation of the special and differential measures contained in the various Uruguay Round Agreements.

90. He concluded by reiterating his country's firm commitment to the pursuit of its ongoing economic and political reform programmes.

91. The representative of the **Philippines**, speaking on behalf of **the Asian Group and China** pointed out that the LDCs also had an Asian face, and should also be supported in their efforts towards sustained economic growth and sustainable development. She called upon all development partners to extend assistance in response to LDCs' national needs and aspirations with a view to securing a place for these countries within the globalization process.

92. She noted that one of the major observations in *the Least Developed Countries 2000 Report* was the increasing marginalization of the LDCs from the mainstream of benefits in the liberalization process, and the diminishing inflows of financial resources to assist them in their development. UNCTAD's analysis of the structural difficulties related to the delivery of assistance to the LDCs in the 1990s was thought provoking and offered possible new solutions. She added that the debt relief initiative for HIPC's and the operationalization of the Programme of Action for the LDCs as a result of the 1997 High-Level Meeting on LDCs, Trade and Development, as well as the Joint ITC/UNCTAD/WTO Integrated Technical Assistance Programme in Selected Least Developed and other African Countries (JITAP), should remain priorities and should be implemented effectively.

93. In conclusion, she stressed that UNCTAD should continue its unified and relentless support for the LDCs. As a focal point for LDCs within the United Nations system, UNCTAD should continue to exercise leadership in harnessing resources by ensuring cooperation and commitment from a number of institutions within the United Nations family, the Bretton Woods institutions and other intergovernmental organizations and stakeholders in civil society, as well as the private sector. As the secretariat for the Third United Nations Conference on the Least Developed Countries, UNCTAD was well positioned to directly influence the international agenda for development assistance to the LDCs and to implement the future programme of action for those countries. The Asian Group and China fully supported the preparations for the Third United Nations Conference on the Least Developed Countries.

94. The representative of **China** stated that the LDCs had worked hard to undertake the economic reforms recommended by the Programme of Action for the 1990s, but as a group, had failed to reach most of their objectives. Various negative internal and external factors had

contributed to a steady deterioration in their economic and social conditions. These had widened their development gap with other countries and had exposed them to further marginalization in the process of globalization. Resource shortages had become a major constraint on the economic growth of those countries. The infusion of sufficient start-up capital was key to solving the economic and social developmental problems in the LDCs.

95. He noted that international assistance was an indispensable external condition for LDCs to develop. However, compared with the early 1990s, ODA, as the single most important source of external financing for the LDCs had fallen and was far short of the official target of 0.15 per cent of developed countries' GNP, as called for in the Programme of Action. Given that international assistance was indispensable for the development of LDCs, developed donor countries should work towards reaching their ODA targets by effectively increasing resource flows into LDCs. As for FDI, LDCs had been almost completely ignored by multinational corporations.

96. As the biggest beneficiaries of globalization in the world economy, developed countries needed to provide more financial and technical assistance to the LDCs and feasible assistance plans. Debt was another major impediment to the economic development of LDCs. It had taken a heavy toll on their resources for development. China welcomed recent international debt relief efforts in favour of the LDCs, and called on the major donor countries and international financial institutions to honour their commitments rapidly. The Chinese Government had always attached great importance to the problems facing the LDCs. Despite the challenges of poverty and development in its own economically underdeveloped regions, it had recently announced measures to cancel the debts owed to it by LDCs and HIPC in Africa.

97. The representative of **France**, speaking on behalf of the **European Union**, reiterated the EU's commitment to contributing to the success of the Third United Nations Conference on the Least Developed Countries. She confirmed EU support to the organizers of the Conference, and its approval of the format and proposed substantive agenda, with particular reference to the human and environmental dimensions that underpinned the declared notion of sustainable development of the LDCs. In this context, and recalling the consensus that had prevailed in the endorsement of this agenda, she requested that any further refinement of the agenda of the Conference by the secretariat be kept within reasonable limits, so that the preparatory process would not be unnecessarily complicated. She noted her own Government's support for a "bottom-up" approach and its implications in terms of UNCTAD's assistance to the LDCs in their national preparations. She inquired about the criteria which the secretariat intended to use in selecting the personalities who would be invited to participate in the interactive debates and urged the secretariat to establish a precise calendar of the various steps envisaged for the preparatory process.

98. Finally, she recognized the high quality of the Least Developed Countries 2000 Report as well as the merits of the theme of development finance. However, she regretted that the *Report* had not touched on some aspects of the problems of LDCs such as structural issues and the question of good governance.

99. The representative of **Bangladesh**, speaking on behalf of the **LDCs**, commended UNCTAD for the quality of the *Least Developed Countries 2000 Report*. He noted that the focus on aid, private capital flows and external debt, and on the challenge of financing development, would not only be an invaluable asset for the preparation of the Third United Nations Conference on the LDCs, but would also be a major input to the forthcoming "Financing for Development" high-level event.

100. In his view, the most interesting aspect of the *Report* was the diagnosis which he summarized in three main points: the poor implementation of some policy prescriptions reflected the impossibility of religiously enforcing conditionality; social policies in favour of the poor needed to be integrated with macroeconomic policies; and thirdly, aid effectiveness could be enhanced by improving coordination between the Bretton Woods institutions and bilateral donors.

101. He stressed that the problems of structural constraints, the lack of an adequate infrastructure, the lack of entrepreneurship and the capacities of the private sector needed to be fully addressed if the policy reform measures undertaken by the LDCs and donors were to yield maximum results. He also recommended effective aid policies to support viable country programmes. While agreeing with the *Report's* observation that aid levels and the quality of aid should be considered in tandem, he stressed the importance of ensuring national ownership of development programmes and a better integration of the aid delivery system into national economic and administrative structures. The lack of coordination of donor activities had, in the context of strict fiscal conditionality, eroded government capacities and undermined the possibility of national ownership.

102. Finally, he praised the dedication of the *Least Developed Countries 2000 Report* to the memory of the late Anthony Ngororano, who had substantially contributed to UNCTAD's vision in favour of the LDCs in general, and landlocked LDCs in particular.

103. The representative of **Madagascar** stated that it was unacceptable that the world population was divided into two categories, the rich and the poor, with the gap between the two widening. The persistence of this cleavage was a menace to world peace. To protect peace, the international community needed to take important measures, similar to those it had taken during the recent Asian crisis. He noted that the commitments in favour of the LDCs in the Programme of Action for the 1990s had not been fully respected. This failure largely explained the worsening of the socio-economic situation in the LDCs and their marginalization.

104. To stop this process, the international community needed to act rapidly and efficiently. In this context, Madagascar supported the commitments envisaged in the new Programme of Action for the LDCs in its part C entitled, "Financing Development". He indicated his delegation's support for debt cancellation rather than debt alleviation measures. Finally, he expressed concern about the delay in the implementation of the Integrated Framework for Trade-related Technical Assistance for the LDCs.

105. The representative of **Mauritania**, assessing the results of the Programme of Action for the LDCs in the 1990s, deplored the increased marginalization of the LDCs during the past decade despite their significant efforts at adopting policy reforms and structural adjustment programmes. The forces of liberalization and globalization had exacerbated the fragile situation of the LDCs and had not yielded the expected results. The failure was due to the fact that the reforms were mainly macroeconomic, and were implemented in an unfavourable international context of aid fatigue, deteriorating terms of trade and erosion of preferential market access. He urged the international community to enhance initiatives such as the HIPC, of which his country had been one of the first recipients. Debt relief, if combined with increased ODA, would offer LDCs greater resources for socio-economic development programmes. He advocated the stimulation of domestic savings in order to sustain economic growth, attract private capital and help LDCs integrate into the world economy. Essential prerequisites for such integration were enhanced productive capacities, diversification of the export base and increased market access. He called upon the international community to use the opportunity provided by the Third United Nations Conference on LDCs to renew the spirit of solidarity in its consideration of these issues.

106. The representative of **Norway** stated that the *Least Developed Countries 2000 Report* succeeded in highlighting the situation of the LDCs, although she recognized the existence of significant differences among these countries. Some LDCs had experienced more development than others, mainly as a result of better domestic policies. In general, LDCs that had undergone reform programmes and adopted good policies were better positioned to benefit from the globalization process.

107. She noted that ODA to the LDCs was well below needs, and that the 1990 Paris commitments in this regard had not been met. LDCs needed more but also better ODA. She stressed that international assistance had to be better coordinated and designed to meet the LDCs' own priorities, with more attention to the quality and effectiveness of aid provided. There had been some success in improving aid effectiveness. A shift in the allocation of ODA to countries with good policies was part of the reason why the impact of aid on poverty reduction had increased significantly in the 1990s. This demonstrated the importance of national policies in making efficient use of ODA. Increased confidence in the more effective use of aid could contribute to increasing overall ODA.

108. She stressed the need to attract private flows through FDI and to tackle the unsustainable debt burden on LDCs, including through better debt relief measures. In addition, trade had to be strengthened as an engine for resource mobilization. An improved international framework alone would not be sufficient to enable the LDCs to take off. Good governance, appropriate domestic policies and political stability remained very important factors of economic growth and sustainable development, as demonstrated by the success stories of some countries.

109. In conclusion, she expressed satisfaction about the increased convergence amongst different development actors in the private and public sectors, and stated that this was a highly desirable starting point in efforts to improve the situation of the LDCs in the coming decade.

110. The representative of the **United States of America** stated that assisting the LDCs to achieve sustainable development was a high priority of United States foreign policy. An important aim of the international community should be to seek sustainable financing sources for the development of these countries. While international efforts should help create a conducive environment for economic development, the primary responsibility for a nation's development ultimately rested with that nation's Government and people. In that regard, he believed that the discussions in this area should focus on how a country could productively mobilize domestic financial resources and attract external resources for development. For the LDCs, important relevant issues were: trade-led growth and diversification of exports; domestic private investment and entrepreneurship as a source of employment and income generation; foreign investment as a source of domestic capacity building; financial market development; and donor-recipient coordination, both in the provision of ODA and in its productive use.

111. Rapid growth in international private investment, lending and trade meant that private capital flows now exceeded ODA as the foremost source of external capital available to developing countries generally. In the long run, the private sector would also become the foremost source of external capital available for LDCs. However, to date private sector flows had not been evenly distributed among the LDCs. Discussions on development finance needed to focus on the reasons why some countries had received more private investment than others. In the past two decades, many developing countries had achieved unprecedented economic growth through entrepreneurship, private investment and international trade. In these countries, market-oriented policies had put the power of the private sector to work for the benefit of all.

112. In conclusion, he said that in an increasingly integrated economy, private investment and trade would become more important to sustainable development. It was therefore urgent that LDCs and the international community be encouraged to foster private entrepreneurship, create a domestic environment conducive to foreign investment and expand trade internally, regionally and to the world at large.

113. The representative of **Nepal** noted that, although the objectives of the Programme of Action for the LDCs in the 1990s had been to arrest further deterioration in the socio-economic situation of these countries, development had remained sluggish for most of them during the 1990s. In this context, the acceleration of globalization and liberalization, the conclusion of the WTO Agreements in 1994, the continuous decline in ODA flows and the high levels of LDCs' external indebtedness had become major challenges in realizing the objectives of the Programme of Action. He also stressed that, due to lack of capacity to seize new economic opportunities, most LDCs were facing serious risks of increased marginalization. Recalling the conclusions of the Third WTO Ministerial Conference in Seattle, he pointed out that the many domestic constraints in LDCs' capacity to implement the WTO Agreements had been exacerbated by some resistance from developed countries to opening up their markets to LDC products.

114. He noted Nepal's weak competitive position in the global economy owing to precarious socio-economic conditions and structural weaknesses. At the same time, its scarce financial resources had been diverted towards debt servicing rather than financing development programmes. With reference to the GATT/WTO provisions for special treatment for the LDCs, he strongly encouraged WTO members to better translate WTO provisions into action in favour of the LDCs.

115. The representative of the **Republic of Korea** recognized that financing development was a paramount issue for LDCs in general and African LDCs in particular. Reiterating the gratitude of his country for the aid it had received between 1945 and 1980 — during the crucial years of its economic development — he underlined the importance of some fundamental conditions for attracting aid and foreign investment in a developing country: respect for democracy and market principles; commitment to bringing socio-economic reforms to fruition; consistency in economic policies; and transparency and accountability in policy-making. He also emphasized the importance of human resource development and institution building to help LDCs in their development efforts. His country had a generous aid policy vis-à-vis several LDCs.

116. The representative of **Japan** commended the *Least Developed Countries 2000 Report*, and reminded the Board that Japan had been, for many years, one of the largest aid donors to the LDCs. Japanese policy recognized the principle of ownership of aid by recipient countries, and Japan provided considerable grant aid and technical cooperation. Priority targets in allocating ODA were: poverty reduction programmes; human resource development and capacity building; fostering private sector development towards increased economic independence; democratization; post-conflict reconstruction; and reduction of the debt burden.

117. Aware of the difficulties facing most LDCs in implementing the WTO Agreements, Japan had been contributing towards capacity building in this area through training programmes for LDCs. In addition, Japan had preferential schemes with some LDCs involving duty-free and quota-free access to the Japanese market for essentially all their products. Japan supported investment promotion initiatives in the LDCs, and he congratulated the UNCTAD secretariat for its work in facilitating the adoption of bilateral investment agreements. Concerning LDC debt, Japan had announced, within the framework of recent consultations on the HIPC Initiative, a substantial reduction of its claims on LDCs' non-aid debt.

118. The representative of the **Common Fund for Commodities** stated that, despite efforts and progress in the last decade, many LDCs continued to face difficulties in their economic and social development. This could widen the gap between the North and South and the rich and poor if immediate counter measures were not taken.

119. The international community recognized the importance of commodities in the sustainable development of developing countries in general and LDCs in particular. A large proportion of people were employed in agriculture and derived a significant part of their income from the production of export commodities. Given this continued commodity

dependence, the Common Fund had an important role to play in assisting LDCs to enhance their competitiveness, productivity and diversification, so that commodity producers could effectively function in the global economy. The Common Fund worked closely with a number of international commodity bodies and financed several projects involving commodities of importance to the LDCs. In its 10 years of operation, the Fund had made LDCs its prime target beneficiaries.

120. In conclusion, he said that, to improve the situation of commodity-dependent LDCs, the Fund would continue to collaborate with Governments, the private sector and international organizations, and would be pleased to cooperate with UNCTAD in the LDC III Conference, in particular, with regard to the meetings and special events.

(b) Review of the status of the preparatory process for the Third United Nations Conference on the Least Developed Countries

121. For its consideration of this subitem, Sessional Committee I had before it the following documentation :

State of preparations for the Third United Nations Conference on the Least Developed Countries - Report of the Secretary-General (A/55/222)

Report of the Intergovernmental Preparatory Committee for the Third United Nations Conference on the Least Developed Countries on its first session (A/CONF.191/2)

Draft annotated outline of the new Programme of Action for the least developed countries (TD/B/47/CRP.2)

Financial situation of the preparatory process for the Conference (TD/B/47/CRP.3)

Declaration adopted by the Tenth Annual Ministerial Meeting of the Least Developed Countries, held during the fifty-fifth session of the United Nations General Assembly (TD/B/47/CRP.4)

Preliminary report of the High-level Panel on the review of progress in the implementation of the programme of action for the LDCs for the 1990s (TD/B/47/CRP.5)

122. The **Chairman of the Intergovernmental Preparatory Committee (IPC)** for the Third United Nations Conference on LDCs opened a joint meeting of the members of the IPC and the members of the WTO Sub-Committee on LDCs.

123. The **Chairman of the WTO Sub-Committee on Least Developed Countries** expressed his appreciation for the invitation to the first ever joint meeting of the IPC and the WTO Sub-Committee on LDCs. This signified real progress in achieving closer cooperation between UNCTAD and WTO, two organizations that had much in common. It was also

evidence of the constructive efforts made by the Secretary-General of UNCTAD and the Director-General of WTO to do what was best, not only for their two organizations but also for developing countries and the least developed amongst them. He expressed the hope that such cooperative endeavours would continue in the months leading to LDC III. The Conference would provide a unique opportunity for a number of international organizations to combine their efforts, and come up with clear results-oriented solutions to the problems faced by LDCs. The Director-General of the WTO had taken a direct personal interest in LDC issues and was consulting with developed and developing countries on ways to improve market access for LDC exports. He was also actively engaged in the review process of the Integrated Framework. He expressed the hope that all actions taken by the international community — from debt relief to improved market access for LDCs — would assist and accelerate the integration of these countries into the multilateral trading system and the global economy, and hence contribute to reversing their marginalization.

124. The **Chairman of the IPC** briefed the joint meeting on the outcome of the first session of the IPC, held in New York from 24 to 28 July 2000. At that session, substantive and organizational aspects of the preparatory process for the Conference had been considered. In particular, the IPC had agreed to recommend to the Conference a draft provisional agenda and the provisional rules of procedure for the Conference. It had also proposed that the members of the Bureau of the IPC namely Benin, Haiti, Japan, Norway, Lao People's Democratic Republic, Suriname, the United Republic of Tanzania and Belgium, be represented in the Bureau of the Conference and that the *ex officio* members of the Bureau — that is the European Union (EU), the President of the Trade and Development Board, and the Coordinator of the LDCs — be associated with the work of the Bureau of the Conference.

125. The drafting of the new Programme of Action would be completed under his authority by the end of November 2000 and would subsequently be circulated to all Member States. The first formal consideration of the draft Programme of Action would be undertaken at the end of January 2001. He would hold informal open-ended meetings in February and March with a view to advancing consensus on the text. The final session of the Preparatory Committee would further review the draft with a view to recommending the text to the Conference. He spoke of the need to proceed on two tracks: first of all, to continue to elaborate the draft Programme of Action under the direction of the Bureau of the IPC; and second, to intensify consultations on concrete deliverables that could enrich and give tangible content to the Programme of Action. He also emphasized the participation of the non-governmental actors in the parallel events as part of the contributions they could make to the process.

126. The **Executive Secretary of the Conference** made a comprehensive presentation on the progress made in the preparations for the LDC III Conference. He stressed the fact that, as it was a United Nations system-wide Conference, the system as a whole needed to find ways to provide LDCs with the resources and commitments necessary to reduce human suffering and deprivation. To this end, he presented a partnership approach to consolidate ongoing development efforts for strengthening the development objectives of LDCs and for attaining the international development targets set by various United Nations conferences. He identified UNCTAD's role as one of shepherding the process through to the end, with various

agencies taking the lead in their respective LDC programmes. He outlined the main points concerning the status of the preparations:

- At the national level, all ongoing activities were being aggregated into one coherent whole by the National Preparatory Committees in conjunction with the United Nations Resident Coordinators. They were consolidating efforts of all the key players, including civil society.
- The agenda of the Conference and the different tracks had been completed. The importance of consistency between the global Programme of Action (PoA), the country programmes and the broad set of objectives set by various United Nations conferences was stressed.
- The completion target for the preparatory process at country level had been set for 31 December 2000. This would permit analysis of the country programmes to determine particular international actions needed before the start of the intergovernmental drafting process early next year.
- The draft Programme of Action would be completed on 30 November 2000, assuming that the national country programmes of action (CPA) as developed by Governments and their development partners became available. The draft would take account of the global goals already agreed through various United Nations conferences. Attention was drawn to the risk associated with working simultaneously, rather than sequentially, with the country programmes and the global Programme of Action.
- The thematic areas and examples of the relevant agencies taking the lead in their coverage were presented: governance, led by the United Nations Development Programme (UNDP); agriculture by the Food and Agriculture Organization (FAO); health by the World Health Organization (WHO); trade by WTO and UNCTAD; and aid and debt, by the Organisation for Economic Co-operation and Development (OECD) and the World Bank. The World Bank and the regional development banks would take the lead on infrastructure, and the International Labour Organization (ILO) would spearhead the work on human resource development and employment. These partner organizations would be expected to arrive at the Conference with a set of deliverables. In addition, the active engagement of Ministers from both North and South was expected to ensure deliverables at the political level.
- There might also be deliverables in the form of unilateral or multilateral initiatives — involving one or several countries — or multilateral action; for example, EU market access schemes and China's writing off of debts were mentioned.

127. The NGO and civil society tracks at the Conference would provide direct inputs in the elaboration and preparation of programmes to strengthen LDCs' development efforts. The business sector, which drove economic activity and thus growth and development, would also be actively involved. The NGO Forum aimed to provide an opportunity for these vital actors to express their concerns about development policy issues. These would be fed directly into the LDC Conference process.

128. Finally, he stressed that, since his appointment in September, he had dedicated almost all his time to the preparatory process for the Conference and would continue to do so. He

also informed the meeting of the persons who would be responsible for the national preparatory process and the process of preparation of the global Programme of Action.

129. The representative of **Bangladesh**, speaking on behalf of **LDCs**, briefed the Board on the declaration of the Tenth Annual Ministerial meeting of the LDCs in New York in September (TD/B/47/CRP.4). The two most important substantive items on the agenda of the Ministerial Meeting had been the review of the implementation of the Programme of Action for the LDCs for the 1990s and the Third United Nations Conference on LDCs 2001. He stressed the importance of the meeting, since it would be the last of its kind to take place at the ministerial level before the Brussels Conference.

130. The Secretary-General of the United Nations, who had attended the meeting, had called upon Governments, regional organizations, private corporations and civil society to work together in support of LDCs. He had pledged that the United Nations would spare no effort in this endeavour. Ministers and senior representatives from the LDCs had focused on the preparations for, and expected outcome of, LDC III. He believed that the Declaration, as the voice of LDCs, would provide major guidance to the preparatory process of the Conference, particularly its central mission, the Programme of Action for the current decade.

131. The representative of **Sudan**, speaking on behalf of the **African group**, expressed concern regarding the problems of certain African countries in obtaining EU funding which had been offered for country level preparations. He called upon the Conference secretariat to facilitate the expeditious transfer of these funds with a view to facilitating early completion by these countries of their programmes of action. He noted with satisfaction the two expert-level regional meetings held for African LDCs in Addis Ababa and Niamey in the first quarter of 2000 and the upcoming meeting to be organized by the Economic Commission for Africa (ECA) in Addis Ababa in November. These meetings were an effective means of acquainting Ministers and senior officials with the status of preparations for LDC III. They also provided a unique opportunity for African countries to exchange views and share ideas on the expected outcomes of the Conference. He called upon the Secretary-General of the Organization for African Unity (OAU), in consultation and cooperation with all the regional economic commissions, UNCTAD and other United Nations bodies, to assist LDCs in their preparation for the Conference. He recollected how the first session of the Intergovernmental Preparatory Committee had advanced the preparatory process in terms of organizational and substantive matters. As a preliminary feedback from the African Group on the new Programme of Action for the least developed countries it was felt that the objectives, measures and implementation mechanism in the outline were not specific to the problems of LDCs. He cautioned against replicating the two previous plans of action without due consideration to the changing global socio-economic realities, and expressed concern regarding the absence of quantifiable, measurable, tangible and implementable targets that would be needed for LDC III to become a conference of deliverables. While good governance was essential at the national level, it also required a supportive international environment. He expressed the African Group's apprehensions that the promises of partnership and solidarity might absolve development partners from concrete actions that the poor people living in LDCs desperately needed. It was important to take stock of what had gone wrong at the previous two conferences, and he called on the international community to

seriously consider innovative and results-oriented approaches to help LDCs break out of the vicious and miserable cycle of poverty, exclusion and marginalization. Finally, on behalf of the African Group, he expressed deep appreciation to the outgoing Special Coordinator for LDCs and Executive Secretary of the Conference. He urged the Secretary-General of UNCTAD to ensure her rapid replacement on a full-time basis, and given that Africa was host to many LDCs, to consider including an African in the top management team of the LDC III secretariat.

132. The representative of **France**, speaking on behalf of the **European Union**, requested a written document outlining and clarifying the organizational and substantial aspects of the Conference. She expressed concern that the important issue of environment had not been addressed explicitly in the planned interactive thematic sessions. She also requested additional information on the nature of the regional thematic round tables, which were to be held in conjunction with selected interactive thematic sessions. She further requested clarification as to whether the logo "A Global New Deal" had been formally agreed upon. She pointed out that the health issue had a broader function than the enhancement of productive capacities, as presented in the outline.

133. The **Chairman**, referring to the apparent omission of environment as a theme, explained that this was considered a cross-cutting issue and would therefore be discussed in all relevant debates.

134. The **Executive Secretary of the Conference** provided further explanations regarding the round tables, their linkage with the interactive debates, and the consideration of regional and national dimensions with the aim of producing deliverables. Quantifiable, measurable concrete outputs would need to be identified jointly with countries.

135. The representative of the **United States of America** urged the UNCTAD secretariat to consult on a regular basis with member States throughout the preparatory process in order to ensure a productive and fruitful Conference. It was important for UNCTAD to contribute to building consensus on a results-oriented agenda. The United States placed great importance on sustainable development of the LDCs, and on bringing the benefits of the global economy of the twenty-first century to all peoples. A principal focus of the Conference should be on determining viable, concrete LDC strategies to enable them to seize opportunities successfully and cope with the multiple challenges they faced. He noted that the Paris Declaration of 10 years earlier still rang true today, namely that development "will rest on the effectiveness of national policies, a favourable international economic climate, and a strengthened partnership based on mutual commitment". He warned that neglecting to improve governance through institutional, political and structural reforms could and would slow economic progress. Past experience had shown that developing countries which pursued policies encouraging private investment, trade, and entrepreneurship, along with appropriate social investment, had achieved remarkable economic growth in a short span of time. Past experience had also shown that foreign assistance was most effective in countries that adopted sound economic and political policies and institutions. He therefore stressed that the preparatory process and the Conference itself should focus on options to assist LDCs in implementing appropriate policies to achieve sustainable development. It should also

consider how the international community could complement LDCs' national efforts. He encouraged the Preparatory Committee to make appropriate arrangements to interact with the private sector and NGOs and to make them effective partners. The United States considered it essential for private sector energy to contribute to LDC development efforts.

136. The representative of the **OAU** confirmed his organization's support for the concerns raised by the representative of Sudan. He pointed out that a large proportion of LDCs were in Africa and that they should participate fully in the Conference preparations. The OAU was determined to support the preparatory process and to work closely with the EU.

137. In response to a concern expressed by the OAU and other representatives, the **Executive Secretary of the Conference**, said that he expected no major changes in the personnel structure of the Office of the Special Coordinator for LDCs before the Conference.

138. A representative for the **European Community** emphasized the close links between its development agencies and its member States and the African, Caribbean and Pacific (ACP) Group of States — most of which were LDCs — and other developing countries. The EC had provided substantial development aid in the past and was willing to do so in the future. He also welcomed close cooperation with United Nations agencies. He emphasized the importance of the thematic session on governance, peace and social stability and indicated that the European Parliament had agreed to coordinate this session during the Conference in Brussels. European cities were looking forward to active participation in the Conference and to cooperating with cities of LDCs to achieve tangible results during their meetings.

139. The representative of **Belgium** noted that it would be the first time ever that a conference of an international organization would be hosted by another international body rather than a State. This introduced some logistical challenges which were being dealt with. Since Belgium was the location of the European Commission, which would be hosting the Conference, his country would assume full responsibility for the security, privileges, and immunities of delegates. In addition, Belgium would make appropriate arrangements to ensure that the Conference got maximum visibility.

140. The representative of **Haiti** asked for clarifications concerning the thematic session on governance, peace and social stability. He wondered whether this topic also concerned the provision of social services. He also encouraged the forthcoming Conference to review recent discussions at a substantive session of the Economic and Social Council on sustainable energy use. He asked whether other agencies such as the International Telecommunications Union (ITU), the International Trade Centre of UNCTAD/WTO (ITC) and the World Intellectual Property Organization (WIPO) would also be actively participating in the Conference.

141. The **Chairman** responded that the discussion on social stability would not be included among the issues related to social services. He confirmed that all United Nations agencies had been invited to participate in and contribute to the Conference, including those mentioned by the representative of Haiti.

142. The representative of **Switzerland** raised three questions concerning, first, the commitments expected to emerge from the civil society track, in particular from NGOs; second the lack of coverage of issues related to the informal sector; and finally, the follow-up mechanisms and how they would be organized.

143. The **Executive Secretary of the Conference** expressed the hope that the informal sector would be covered on the fifth day during the session on “Enhancing productive capacities: the role of investment and enterprise development”.

144. The representative of **Norway** fully supported the view expressed by the Executive Secretary of the Conference that the organization of the Third United Nations Conference on LDCs was a United Nations system-wide activity. The preparatory process should therefore involve all United Nations agencies and other relevant international organizations. In particular, the WTO should play a lead role on issues related to international trade — both market access and trade-related technical assistance. Her Government planned to organize a pre-conference meeting on “Investment, enterprise development and technology: the role of the private sector in the development of LDCs”, in Oslo in January 2001. The meeting was designed to contribute to the preparatory process of the Conference.

145. The representative of **Canada** emphasized the importance of the participation of civil society in the preparatory process and in the framework of the Conference. In this connection, she sought clarifications as to how civil society participation would be linked with the Conference and its parallel events. She also emphasized the role of the digital economy in the development of LDCs.

146. The representative of **Italy** requested clarification about the NGO forum and wished to know how many mayors would be invited to attend the City-to-City event of the Conference aimed at helping LDCs.

147. The **Executive Secretary of the Conference** said that the NGOs were actively involved in the preparation process and he hoped that, through this process, NGOs' concerns would be addressed and their positions reflected in the most constructive manner at the Conference. Following the General Assembly resolution to involve civil society, the secretariat had built on its successful experience at UNCTAD X and was aiming to ensure maximum participation of civil society representatives at the Conference. In addition to the NGO Forum, NGOs would be able to participate and contribute to all the debates.

148. The representative of **China** expressed his appreciation for the high quality of the *Least Developed Countries 2000 Report*. He expressed concern at the limited high-level participation of LDC delegations at the Intergovernmental Preparatory Committee meetings. He called upon the international community to intensify its efforts to mobilize and sensitize the public at large about the plight of the LDCs. He also urged the secretariat and the donors to make the most effective use of resources so as to make a true difference in the lives of the poorest.

149. The representative of **Benin** pointed out that all the LDCs had been represented at the first session of the Preparatory Committee and recommended that the second session be held in New York. He recalled that 12 ministerial delegations had participated in the Ministerial Meeting in New York.

150. The **Chairman of the WTO Sub-Committee on LDCs** reiterated his Organization's commitment to fully participate in and contribute to the Conference and beyond.

Report of the High-level Panel (TD/B/47/CRP.5)

151. The **Chairman** requested the High-level Panel to finalize its report as soon as possible, and in any case by the end of October.

Financial situation of the preparatory process for the Conference (TD/B/47/CRP.3)

152. The **Head of the Resources Management Service** of UNCTAD briefed member States on the financial situation regarding the preparatory process of the Conference. He described the regular and extrabudgetary resources available, and thanked the various bilateral and multilateral donors and organizations involved in financing the preparations for the event. He confirmed that sufficient resources were presently available to enable the secretariat to cover all costs, with the exception of those relevant to activities relating to gender issues and to travel expenses for delegates to a possible third session of the Intergovernmental Preparatory Committee. He also said that a Host Country Agreement with the European Union was in the making.

Informal meetings

153. The Sessional Committee pursued its consideration of agenda item 4 in informal meetings.

Presentation of the report of Sessional Committee I to the Board

154. The representative of **Belgium**, speaking in his capacity as Chairman of the Intergovernmental Preparatory Committee for the Third UN Conference on LDCs and introducing the report of Sessional Committee I, said that all efforts had to be oriented towards a momentous LDC Conference with a realistic outcome far removed from the "think tank" approach of many conferences. So far, there had been too many analyses, diagnoses and intellectual debates on the root causes and sources of poverty and on the economic conditions in LDCs, but the urgency of the situation required concrete and rapid solutions to the problems of LDCs. At the outset of the third millenium, in a world shared by people throughout the world, the means to solve those problems were available. The Brussels Conference had already begun, and everyone should embark on the venture with determination and a renewed sense of commitment. The challenge was great, but it could be met.

Action by the Board

155. At its 917th plenary meeting, on 20 October 2000, the Trade and Development Board took note of the report of Sessional Committee I (TD/B/47/SC.1/L1 and Add.1-2) and adopted agreed conclusions 459 (XLVII). (For the agreed conclusions, see TD/B/47/11 (Vol.I), section I. B.)

Chapter III

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: CAPITAL FLOWS IN AFRICA

(Agenda item 5)

156. For its consideration of item 5, Sessional Committee II had before it the following documentation:

Capital Flows and Growth in Africa (UNCTAD/GDS/MDPB/7).

157. In her opening remarks, the **Chairperson** said that consideration of the item before the meeting was indeed timely. After three decades of stagnation and decline, the peoples of Africa were entitled to aspire to a new start in the twenty-first century, one that would set them on the path to growth and prosperity. Of the 48 least developed countries in the world, 33 were in Africa. Over the past decade efforts had been made by Africa and the international community to address the problems facing the continent. However, the many initiatives and programmes put in place had not achieved the expected results. In consequence, African countries were now endeavouring to identify where those initiatives and programmes had gone wrong and why, and to draw lessons from the success achieved in other regions. Studies showed the crucial role played by finance in the process of development, and identified the lack of adequate financing and the debt overhang in many African countries as the principal factors preventing their economies from improving on a sustainable basis.

158. She hoped that the Committee's deliberations would shed more light on some of the challenges facing Africa and on practical ways to address them. Among the questions that needed to be considered were how Africa could generate adequate levels of domestic resources for investment and growth, and why official development assistance was falling sharply at a time when African countries' policies were clearly moving towards more efficient use of those resources.

159. The **Secretary-General of UNCTAD** said that the basic policy challenges for achieving satisfactory growth in Africa remained the same as a decade ago, with little improvement in overall growth rates and a further deepening of poverty in the region. Added to the woes of the continent was the HIV/AIDS pandemic. Africa was just too poor, and the external obstacles facing it were too great, to break out of the vicious circle of low growth and poverty. African countries remained vulnerable to the vicissitudes of climate and commodity markets, and many suffered from a crippling debt burden. But it was not impossible to solve these problems. African countries must be given the resources that would enable them to substantially increase investment over the next decade in order to achieve the growth target of 6 per cent per annum set by the United Nations New Agenda for the Development of Africa in the 1990s. Private capital flows could not be relied on to fill the gap until growth was well under way. African countries needed to overcome their aid dependence, but for them to do so current levels of official financing must be doubled and

maintained over a decade in order to allow domestic savings and external private flows gradually to replace official aid. Moreover, the debt overhang of African countries needed to be dealt with swiftly and effectively. The current approach was not likely to succeed in removing the debt overhang of the poorest countries. Additional measures were required, such as the establishment of an independent panel of experts which would assess debt sustainability, eligibility for debt reduction, conditionality and financing. Pending the recommendations of such a panel and agreement on the reduction of those countries' debts, there should be an immediate suspension of the debt-service payments of the heavily indebted poor countries, with no additional interest obligations being incurred in consequence. The international community had come to the conclusion that the adjustment policies of the previous 15 years would need to be reviewed. There was a need for a greater role for Governments than that allowed under adjustment programmes. While the international community must attach a greater sense of urgency and commitment to African development, this had to be matched by an equal sense of responsibility on the part of the African countries and policy makers, including with regard to the peaceful resolution of conflicts.

160. The **Special Coordinator for Africa** said that savings and foreign exchange gaps in Africa had tended to widen since the beginning of the 1980s owing to a combination of adverse movements in the terms of trade and sharp increases in the import content of growth brought about by rapid trade liberalization. At the same time, the region had been unable to attract sufficient private flows despite wide-ranging efforts to create the necessary conditions for foreign direct investment, including greater openness in both trade and the capital account. The net effect of liberalization had been greater volatility and exchange rate instability and misalignments. For African countries to be able to accumulate sufficient savings and to invest sufficiently in human and physical infrastructure, an annual growth rate of at least 6 per cent was required. Africa could not rely solely on national savings, nor could it rely on private inflows to fill the resource gap. Investment would need to rise by at least 8 per cent of gross domestic product for sufficient growth to be achieved. If official flows were doubled and maintained at a level of about \$20 billion over a decade or so, domestic savings could rise faster than output, thereby increasing total investable resources. In the longer term, sustained growth would attract private capital as a substitute for official financing, thereby lowering aid dependence and allowing for a reduction of poverty. The price to pay was a mere 5 cents for every \$100 spent annually by consumers in the countries of the Organisation for Economic Co-operation and Development. Debt relief for African countries would help but not suffice. A major injection of capital was an essential element, and it had to be combined with judicious domestic policies, including appropriate regulation of the capital account. The shortcomings in the design and implementation of past adjustment programmes had been recognized. It should also be recognized that such programmes had generally been underfinanced. There was a need for a greater role for the market than allowed under the policy regimes of the post-colonial period, and for a more active government role than permitted under adjustment programmes. Also, there was a need to build and strengthen institutions, both public and private.

161. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China** said that action was needed at the international level to assist African

countries in their attempts to accelerate economic growth. There was a strong case for a substantial increase in official development assistance (ODA) to Africa at a time when official flows were at historically low levels, i.e. less than one third of internationally agreed targets. The dramatic decline in ODA had occurred at a time of unprecedented affluence in donor countries. Budget deficits could no longer be used as a pretext for a lack of solidarity and low aid flows.

162. The debt service payments of heavily indebted poor countries (HIPCs) should be suspended, without accruing additional interest obligations, until such time as the amount of HIPCs' debt reduction had been determined. The Group of 77 and China supported the UNCTAD secretariat's suggestion that an independent panel of experts be established to assess debt sustainability, eligibility for debt reduction, conditionality and financing. Such a panel could be established concurrently with the processes under way in the context of the Enhanced HIPC Initiative. The recommendation made by UNCTAD X, inviting the international community to consider ways and means of identifying the portion of the debt assessed as unpayable for possible action by creditors, should be implemented without further delay. Moreover, the international community must make every effort to ensure the success of the United Nations High-level Event on Financing for Development, to be held in 2001. The UNCTAD secretariat's report entitled *Capital Flows and Growth in Africa* should be considered as an important contribution to the preparatory process for this event. The reduction of poverty by half by the year 2015 was a serious undertaking to which all Heads of State and Government had committed themselves. The international community now had to put in place the mechanisms and practical modalities for giving effect to this commitment. The Group of 77 and China would do their share and expected other countries to give effect to their commitment without further delay.

163. The representative of **South Africa**, speaking on behalf of the **African Group** said that the marginalization of Africa in the world economy continued to stunt the region's growth prospects and had led to unprecedented levels of poverty. For Africa to develop faster and fully integrate into the world economy it was important that bold initiatives be undertaken to address the problems of declining resource flows, low levels of domestic savings and investment, the external debt burden, market access, and declining terms of trade for primary commodities. African countries had not been able to generate sufficient domestic savings for investment in human and physical infrastructure, which was important for their development. The deteriorating terms of trade for primary commodities exacerbated Africa's problems. Most African countries depended for more than half of their export earnings on one or two commodities. Financial flows to Africa had, so far, failed to compensate for the decline in the terms of trade. ODA, which had always been an important source of finance for African countries, had consistently been in decline. Paradoxically, this decline had occurred despite evidence of the better utilization of ODA by African countries and at a time of unprecedented affluence in donor countries.

164. The HIV/AIDS pandemic had become a nightmare for African countries. The spread of HIV/AIDS and other infectious diseases would further aggravate the vulnerability of African economies and increase poverty. Another major challenge facing African countries arose from the growing digital divide and the very low level of connectivity to the Internet.

In order to break out of the vicious circle of low growth and poverty, Africa needed adequate external financing. The investment levels required in order to initiate a process of sustained growth could be achieved only with increased and sustained inflows of external capital from official sources; otherwise, with increased poverty, the rate of savings and investment was unlikely to rise. An increase in official financial flows to Africa would trigger an increase in domestic savings, thereby attracting investment. Experience in other developing countries showed that private capital followed rather than led growth, and increased official financing would also contribute to reducing poverty by half by 2015. African countries were aware of the need to end their aid dependence and put their economies on a sustainable growth path. The events of the past few years provided convincing evidence that, with enough political will, it was possible for the international community to generate the amount of resources needed.

165. There was a need for a greater role to be played by the State, particularly in refocusing investment and improving the administrative capacities of the public sector. The international community should recognize and support the policy reforms in African countries. There was now a general consensus that adjustment policies, which in the past had failed to recognize the realities of African economies, had to be revised.

166. The representative of **Cuba**, speaking on behalf of the **Latin American and Caribbean Group** said that serious macroeconomic problems continued to afflict Africa, particularly sub-Saharan Africa, and the international community, together with Governments and the people concerned, had to act to resolve these problems. Africa was the region that had been hit most severely by adverse external and internal factors, such as the devastating debt crisis and the instability of primary commodity prices, which were at their lowest level for 30 years. More recently, the region had also been affected by the depreciation of the euro against the dollar. Furthermore, Africa had been suffering from internal conflicts, natural disasters and epidemics. Owing to all these factors, the growth rate for the region had fallen below 3 per cent. Against this background, the present level of ODA flows to Africa was insufficient. It had to be increased also to allow the region to achieve a substantial reduction in poverty. Because of the low level of income, many African countries were unable to generate the internal resources required in order to achieve satisfactory rates of investment and growth. An increase in private capital inflows could help to offset insufficient internal resources, but these inflows had decreased over the previous 10 years. Africa had not benefited from the increased private capital available to emerging countries since the early 1990s. The 48 least developed countries taken together had received only 1 per cent of total foreign direct investment. Furthermore, portfolio investment inflows had resulted in greater volatility, causing instability and maladjustments of exchange rates. Official capital inflows, on the other hand, had tended to decline, in spite of international efforts over the previous three decades to increase both multilateral and bilateral financing.

167. It was worrying that the international financial community had so far not attached much importance to the development crisis in Africa since its impact at the global level was considered to be limited. The developed countries, the International Monetary Fund, the World Bank, the Paris Club and other financial institutions must take action to contribute to solving the problems of financing development in Africa. The international community must

ensure a sustained transfer of official financial resources that was large enough to act as a catalyst for private capital inflows. This had to be accompanied by domestic policies which, while acknowledging the necessity of market-based incentives, took account of the important role that the State must play in strengthening institutions. This would enable African countries to increase their income levels, thereby raising the internal savings rate and gradually releasing them from their dependence on official assistance.

168. The representative of the **United States of America** said that conflict and HIV/AIDS were the most serious threats to Africa's economic future, and cause for great concern. The United States had recently undertaken a number of initiatives to address the AIDS epidemic and accelerate Africa's full integration into the global economy. However, the primary responsibility for devising and implementing a sustainable development strategy remained with each sovereign African nation. The well-documented fall in net capital flows to sub-Saharan Africa in recent years was a reflection of the unfavourable environment in many of the region's countries for the efficient use of capital. It was vital that the African countries make additional efforts to put in place an appropriate institutional framework to increase the efficiency of official assistance and private capital in efforts to combat poverty and achieve sustainable development. Such a framework must include sound financial supervisory mechanisms and transparent financial disclosure practices; private-sector trade and investment must be encouraged, and regional trade facilitated. UNCTAD should provide developing countries in Africa and elsewhere with advice on reshaping domestic policies and institutions. The African Growth and Opportunity Act, the cornerstone of the United States commitment to partnership with Africa, provided for liberal access to the United States for exports from 34 African countries. It also established a high-level dialogue on trade and investment. Since 1998, the United States Agency for International Development had begun more than 40 projects to improve the trade and investment environment in 11 countries and three regions of Africa. In addition, the United States had joined other industrialized nations in implementing the Enhanced HIPC Initiative. It was committed to forgiving 100 per cent of the debt owed by countries eligible under the Initiative, most of them in Africa. Savings from debt relief were to be used by beneficiary countries to fund poverty alleviation programmes. Moreover, in 1999 the United States had launched the Internet for Economic Development (IED) initiative to empower developing countries' use of advanced information technology.

169. The representative of **France**, speaking on behalf of the **European Union (EU)**, welcomed the preparation of an annual report on UNCTAD's activities regarding Africa but suggested that it refer more specifically to the outcomes of those activities. The main sectoral issues were covered by programmes which were of great interest to the African countries. In the area of international trade, the EU attached particular importance to the Joint Integrated Technical Assistance Programme for Selected Least Developed and Other African Countries (JITAP). This programme was a good example of what inter-agency cooperation could achieve, although there were a number of implementation problems, and the EU was looking forward to the results of the current evaluation of the programme. The activities covered a wide range of areas and came close to exhausting UNCTAD's areas of competence. This might lead to a certain dispersion of activities, but the requests by the beneficiaries would indicate which of these activities were the best and most useful ones.

170. Experience over the past 20 years in both sub-Saharan and North Africa with respect to external financing from official sources, mainly in the form of aid, and the sharp decline in private capital inflows differed from the experience in other regions. The low level of private inflows, which was the result of decisions of individual agents, was particularly regrettable in the light of the role of the private sector as an engine for development. Africa's financing needs were considerable, and unfortunately could not be covered by domestic savings. The solution put forward in the report by the UNCTAD secretariat entitled *Capital Flows and Growth in Africa* appeared bold and somewhat paradoxical as it was based on the idea that a doubling of aid inflows would eventually allow the beneficiaries to maintain an annual rate of growth of 6 to 7 per cent without their requiring further aid. Aside from the problem of funding a doubling of ODA to Africa in the context of reduced budgetary spending by the donor countries, the scenario appeared risky for several reasons. It was based on an econometric model which was not explained in the document. Moreover, the usefulness of such a model would lie in a quantitative illustration of real-life experience, but the reality was that sub-Saharan Africa had not been able to achieve more rapid growth despite massive aid inflows over the past 40 years. It had always been difficult to make efficient use of additional financial resources, as shown also by the difficulties faced by fuel-exporting countries during periods of strong growth in oil rents. In addition, it was important to take into account the fact that economic growth depended on numerous exogenous factors. For example, growth in commodity-producing countries greatly depended on conditions in world markets and on commodity prices, which were subject to volatility and secular decline; and difficult climatic conditions added another element of uncertainty. Finally, given the diversity among African countries, it was difficult to adopt, as the report had done, a uniform approach to the entire continent.

171. There was no doubt that, in order to accelerate development, the debt problem had to be addressed. An increase in investment was needed, which required a higher level of domestic savings and, where the latter proved insufficient, foreign direct investment. Not only was it necessary to attract the latter, but also it was imperative to prevent the flight of capital. This should be achieved through incentives, rather than constraints, by offering attractive domestic investment opportunities in an environment shaped by good governance, and respect for human rights and democracy. An adequate level of ODA was an absolute necessity for the African countries and the EU was ready to assume its responsibilities in this regard. However, the proposal put forward by the UNCTAD secretariat was not the best solution for Africa.

172. The representative of **Sudan** said that Africa was increasingly marginalized owing to the fast pace of the globalization process, particularly in finance, trade and technology. If the region was to integrate into the world economy, bold and serious initiatives had to be taken by the international community, especially the industrialized countries, to address the problems of declining resource flows, insufficient investment, external debt and market access. It was unfortunate that Africa had entered the twenty-first century with nearly 300 million people living in extreme and abject poverty. The scandal of poverty remained entrenched in most parts of the continent, and epidemics such as HIV/AIDS and malaria were still rampant. The terms of trade, especially of commodity-dependent countries, continued to deteriorate. Foreign direct investment flows were concentrated in very few countries with

relatively high levels of economic growth. Africa still needed external financial support to overcome poverty. An increase in ODA flows to Africa would result in a rise in domestic savings, thus attracting investments which would eventually lead to sustained economic growth. Therefore, in order to reduce aid dependence in the long run, ODA had to be increased in the short run. It was also necessary to accelerate the integration into the multilateral trading system of the African countries still negotiating their accession to the WTO.

173. The representative of **Madagascar** said that 30 years after independence and despite sincere efforts by their Governments, growth in most African countries was still too low. In order to reduce poverty, more foreign capital had to be attracted. For Madagascar and other countries, agriculture remained an important source of income and a potential source of growth, but it was difficult to develop this sector without adequate investment. Substantial resources were drained by the debt problem and by the reconstruction of infrastructures damaged by natural catastrophes. The latter, together with the deterioration of the terms of trade, commodity price fluctuations and lack of access to new technologies, explained the low level of foreign direct investment inflow. The international community now seemed to be aware of this serious situation, but so far it had not responded appropriately to the new challenges. A division of the world's population into rich and poor had to be avoided if world peace was to be preserved. The rich countries should help the poor ones to solve their external debt problems and reverse the decline in official capital flows. Also, additional efforts were necessary in order to help Africa integrate into the multilateral trading system and to give African products free access to export markets. Such action must be accompanied at the national level by good governance and correct development policies. Economic analyses had shown that Africa could achieve excellent performances when sufficient resources were made available.

174. The representative of **Mauritania** said that in the previous decade results in poverty reduction had not been satisfying, particularly for Africa. Trade liberalization alone could not be the solution to African problems. Economic progress in the region depended on a number of other factors as well. Most countries exported only a single commodity, and the diversification of the production base was crucial for reducing vulnerability to fluctuations in commodity prices. Given the low level of domestic savings, an increase in the inflow of foreign direct investment could contribute to an acceleration of development. Although UNCTAD's research had shown that investment in Africa had a high rate of return, foreign direct investment was still insufficient, and official development assistance had also fallen to a very low level. Moreover, external debt service was absorbing a large part of export revenues. Progress under the HIPC Initiative was therefore very important. Some African countries had recently recorded faster growth, but for the region as a whole growth rates had to double if poverty was to be reduced by half by 2015. For most African countries this was impossible without additional external assistance. While the main responsibility for mobilizing resources for development lay with the African countries themselves, they could not do without the solidarity of the international community. This solidarity must include debt reduction, an increase in official aid, higher private capital flows, control of commodity price fluctuations, diversification of production capacities, elimination of barriers to African

exports, strengthening of African institutional capacities and easier access to new technologies.

175. The representative of **Gabon** said that development in most countries in sub-Saharan Africa was constrained by their external debt burden, structural adjustment programmes, the decline in external aid and epidemics. Despite an increasingly favourable investment climate, African countries still did not receive sufficient private capital inflows to bridge the resource gap. Foreign direct investment went mainly into the primary sector, particularly mining and minerals exploitation. Middle-income African countries were in a difficult situation because their development needs were largely neglected by the international community. Furthermore, many of the oil-exporting countries, which had recently benefited from higher oil prices, had experienced a serious economic downturn only a few years before, some of those in Africa having registered negative growth rates in 1995 and 1997. More generally, gross domestic product should not be taken as the only measure of development, the Human Development Index being another important indicator.

176. The representative of **Bangladesh** said that short-term prescriptions were inadequate to solve the problems of economic development. In contrast, it was worth pursuing programmes such as the United Nations New Agenda for the Development of Africa in the 1990s. The international community must address the causes of poverty in Africa and other developing regions within a global institutional framework because sectoral and partial approaches were insufficient to reduce poverty on a large scale. Foreign capital inflows were an important element in any development strategy, but it was essential that developing countries receive the right type of private capital inflow. A blind rush for foreign investment had often generated disappointing results. The inflow of ODA, which had been declining in recent years, had to be increased in order to address the systemic weaknesses in Africa and elsewhere. The developed countries should revise current strategies and bring their ODA up to the levels previously agreed in United Nations forums. Moreover, it was time for creditors to take a courageous step and write off all the debt of all least developed countries. Bilateral debt was relatively easy to cancel, and France had set a good example when it forgave the entire debt of the Central American countries affected by hurricane Mitch in 1999. The problem of debt owed to multilateral financial institutions was more difficult to solve since it required an international consensus. But this consensus appeared to have been reached now, and action could therefore follow. The HIPC Initiative had a number of shortcomings. Its approach was too bureaucratic, and many least developed countries found it difficult to fulfil its requirements for debt relief. It was necessary to attach clear and positive conditionalities to this relief, such as a commitment to economic reform, transparency and democracy, and greater social investment. The World Trade Organization, which regulated global trade in all its forms, was an example for an international institutional framework that should be aimed at for better regulation of the financial sector.

177. The representative of **China** said that the process of globalization increased the marginalization of Africa. One of the main obstacles to the region's development was the lack of financial resources. Slow growth, in turn, limited the countries' capacities to mobilize sufficient domestic savings and attract foreign direct investment. Therefore, official international assistance was indispensable for accelerating growth and development in many

African countries. It was to be hoped that the developed donor countries would effectively increase their aid to Africa in accordance with the targets set in the United Nations New Agenda for the Development in Africa in the 1990s. The heavy external debt burden was another major cause of Africa's capital shortfall. It not only blocked Africa's economic development but also caused severe social problems. The major developed creditor nations and international financial institutions should speedily honour their debt relief commitments. Additional efforts were necessary in order to accelerate, and find more effective means of, debt relief for the heavily indebted poor countries. China not only had a long record of technical cooperation with Africa, but also had announced at a recent ministerial conference on Chinese–African cooperation that it would reduce the debt owed by the heavily indebted poor countries and least developed countries in Africa by 10 billion renminbi. As a contribution to achieving the targets set in the United Nations New Agenda for the Development of Africa in the 1990s, China would also increase grants and interest-free loans to Africa and set up special funds to encourage Chinese enterprises to invest there and promote human resources development.

178. The representative of **Switzerland** said that the report by the UNCTAD secretariat entitled *Capital Flows and Growth in Africa*, with its call for a substantial increase in ODA, went against the current trend of tighter constraints on public expenditure in the developed countries. It also went against the strategies for development in Africa advocated by the World Bank. Moreover, it gave little indication on past official aid flows to Africa, which had not generated the results that donors had hoped for. The replacement of official flows by private flows would not follow automatically, contrary to what the report seemed to suggest. For that to happen, a sound institutional and policy framework had to be in place in the developing countries, and an economic climate had to be created that was more favourable to investment, both domestic and foreign. So far, these conditions had not been fulfilled in all the countries concerned. The external debt problem constituted a threat to medium-term economic development in most sub-Saharan countries. Switzerland strongly supported the HIPC Initiative and believed that international efforts to reduce the debt overhang should be further reinforced and accelerated. Trade liberalization among competing African economies would help to increase their productivity and reinforce their competitiveness. Regional integration could play an important role in this respect.

179. The representative of **Japan** said that although many countries in sub-Saharan Africa had pursued structural adjustment programmes in the 1980s, most had been left behind in the process of economic globalization. Since the early 1990s, civil war, ethnic strife, terrorism and massive refugee exoduses had undermined peace and stability in Africa. As a consequence, poverty was still widespread, and 40 per cent of the African population had a per capita income of less than one dollar per day. Alleviating poverty in Africa and integrating the region into the global economy were major challenges for the international community. Efforts to meet these challenges must be based on two principles: ownership by African countries to enhance their potential for growth and to take an initiative for their own development; and partnership with the international community to support the efforts of African countries. Japan's support focused on strengthening coordination among donors, enhancing regional cooperation within Africa and promoting South–South cooperation, in particular between Asia and Africa. Japan had been extending assistance through both

bilateral and multilateral channels. Japanese ODA flows to Africa had amounted to US\$ 950 million in 1998, and the Japanese contributions to the African Development Bank and the African Development Fund were among the highest. However, African countries had to make efforts themselves in order to increase domestic savings and to attract private external financing, including from more advanced developing countries. In order to do so, a solid financial system was required. Since 1998, Japan had implemented the programmes and projects adopted at the second Tokyo International Conference on African Development (TICAD II) at national, regional and international levels. As part of new follow-up activities, a ministerial meeting was envisaged for 2001, with the aim of reviewing the approaches to be adopted for African development, before the possible organization of TICAD III.

180. The representative of **Morocco** said that the economic situation in Africa was deeply worrying, as growth rates in many countries were too low to satisfy the needs of their people. The resource gap had to be addressed by concrete measures, but the problems were not only of a financial nature. The situation required a global approach. In order to enable the African economies to solve their complex problems of development, there was also a need for strengthening their productive capacities, for more liberal access for their exports to the markets of the developed countries, for better access to new information technologies, and for technical assistance with regard to their accession to the World Trade Organization and the implementation of trade agreements.

181. The representative of **Norway** said that African Governments had to continue to strengthen their efforts aimed at improving the welfare of their countries. The fight against corruption and the provision of investment incentives should be in the forefront. Political stability and the absence of conflict were also important elements to attract foreign investors and foster sustainable development. There was an urgent need to bridge the resource gap of many developing economies, but UNCTAD's report entitled *Capital Flows and Growth in Africa* underestimated the potential role of sources of finance other than foreign aid. While ODA was certainly needed, it was necessary to focus more on the role of the private sector. Many avenues could be explored to make foreign direct investment a motor for growth. In order to accelerate the development of the private sector and increase domestic savings an adequate national policy framework had to be put in place. External financing, such as ODA, should complement efforts at the national level, but it was not a magic solution. However, the current level of total ODA was unacceptably low, and it was imperative that all developed countries honour their commitments. Initiatives to alleviate the unsustainable debt burden through mechanisms such as the Enhanced HIPC Initiative would also contribute to reducing the resource gap in many African countries. The liberalization of trade and finance needed to be tempered by the development of capable and supportive supervisory institutions. In the absence of such institutions, trade shocks might have undesirable consequences and the recurrence of financial crises could not be ruled out.

182. The representative of the **Organization of African Unity** (OAU) said that the findings of the UNCTAD secretariat's study entitled *Capital Flows and Growth in Africa* were consistent with those of the *Economic Report on Africa, 1999*, prepared by the United Nations Economic Commission for Africa. That report concluded that for African countries to be able to attain the target of reducing poverty by half by 2015, set by the World Social

Summit in Copenhagen, an average annual gross domestic product (GDP) growth rate of around 7 per cent and an investment rate of around 33 per cent of GDP were required. With a current average domestic savings rate of 15 per cent of GDP and ODA inflows in the order of 9 per cent of GDP, there remained a resource gap of 9 per cent. Thus, a doubling of ODA flows was required. A study that was in progress at the OAU showed that in the 1990s most African countries had achieved favourable macroeconomic fundamentals thanks to the economic reforms of the 1980s and early 1990s. However, little progress had been achieved in terms of diversification and growth because the financial flows required in order to support the improved policy environment had not been forthcoming. This was paradoxical because the new policy context was ideal for official assistance to achieve maximum effectiveness. Conditions were now right in most countries for official assistance to make a major difference in addressing the well-known structural and supply-side bottlenecks in the region. The level of official flows had to be increased if African countries were to take advantage of improved market access conditions, as now provided by the United States and the European Union for a number of developing countries. Without an initial big push from official sources of finance, meaningful progress in poverty reduction could hardly be expected. Also, capacity building for human resource development, infrastructure and production was critical to diversification efforts in Africa.

183. The representative of **Uganda** proposed that the UNCTAD report entitled *Capital Flows and Growth in Africa* and a summary of the Board's discussions thereon should also serve as an input to the Third United Nations Conference on the Least Developed Countries, to be held in Brussels in 2001.

Informal meetings

184. The Sessional Committee pursued its consideration of agenda item 5 in informal meetings.

Presentation of the report of Sessional Committee II to the Board

185. The representative of **Egypt**, speaking in her capacity of Chairperson of Sessional Committee II and introducing the Committee's report, said that the way in which delegations had participated in the Committee's discussions and the Committee's agreed conclusions demonstrated once again the importance that all delegations attached to Africa's problems.

Action by the Board

186. At its 917th plenary meeting, on 20 October 2000, the Board took note of the report of Sessional Committee II (TD/B/47/SC.2/L.1 and Add. 1-2) and adopted agreed conclusions 460 (XLVII). (For the text of the agreed conclusions, see TD/B/47/11 (Vol.I), section I. C.)

Chapter IV

TECHNICAL COOPERATION ACTIVITIES

(Agenda item 6)

(a) Review of the technical cooperation activities of UNCTAD

187. For its consideration of this subitem, the Board had before it the following documentation:

“Overview of technical cooperation activities” (TD/B/47/2 and Add. 1 and 2);

“Indicative plan of UNCTAD’s technical cooperation programmes for 2001” (TD/B/47/8);

“Review of technical cooperation activities of UNCTAD and their financing - draft decision” (TD/B/47/L.1);

“Review of the financial sustainability of certain technical cooperation programmes and activities, pursuant to paragraph 164(vii) of the UNCTAD X Plan of Action, in order to ensure sufficient funding - draft decision” (TD/B/47/L.2);

“Implementation of paragraph 166 of UNCTAD X Plan of Action - draft decision” (TD/B/47/L.3);

“Evaluation of technical cooperation programmes - draft decision” (TD/B/47/L.4).

188. The **Chairperson of the Working Party on the Medium-term Plan and the Programme Budget at its thirty-sixth session** reported on the deliberations of the Working Party, which had culminated in the adoption of draft decisions TD/B/47/L.1-5; draft decision TD/B/47/L.5 would be discussed under agenda item 9, “Other business”. He recommended the adoption of the draft decisions by the Board.

189. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China**, said that the increase in the technical cooperation expenditures of UNCTAD, which had reached their highest-ever level in 1999, was a reflection of the importance that was attached to the technical cooperation activities of the organization. Such activities assisted developing countries in their development efforts, in developing their local capacity and in integrating into the global economy and the international trading system. His Group also noted with satisfaction the increased share of LDCs in total delivery of technical cooperation of UNCTAD and the contributions made to the LDC Trust Fund. It regretted, however, the decline in UNCTAD trust fund contributions and urged donors to increase their contributions, so that the momentum gained could be maintained and so that UNCTAD could continue to provide high-quality technical assistance.

190. The success of the Working Party's session was reflected in the five draft decisions which it had approved and which laid the basis for the implementation of the mandate given by UNCTAD X on technical-cooperation-related issues. The decisions were aimed at enhancing the delivery and effectiveness of UNCTAD's technical cooperation services, contributing to the process of capacity building in developing countries, and strengthening the process of integration of UNCTAD's technical cooperation activities with its analytical and deliberative work. He also expressed satisfaction with the results of the evaluation process in UNCTAD. His Group called for the adoption of the draft decisions by the Board and the early implementation of their recommendations.

191. The representative of **France**, speaking on behalf of the **European Union**, said that the European Union considered technical cooperation to be at the centre of the operational activities of UNCTAD and thus encouraged all member States with the necessary financial means, and in particular developed countries, to contribute to those UNCTAD activities which were financed through extrabudgetary resources. The requirements and needs of developing countries, in particular the least developed countries, and countries with economies in transition were so great and diverse that a positive response and adequate financial assistance were required. The European Union, both at the level of the Union and at the bilateral level, had always made financial contributions to the technical cooperation programmes of UNCTAD. He noted that expenditures on technical cooperation had increased in 1999 as compared with 1998, and expenditures in favour of least developed countries had increased in both nominal and relative terms. Finally, he highlighted the objectives of the five draft decisions agreed at the thirty-sixth session of the Working Party and called upon the Board to adopt them.

192. The representative of **Norway** said that his country had provided substantial financial contributions to UNCTAD's technical cooperation activities and looked forward to continued cooperation in that respect. UNCTAD's technical cooperation activities should be based on its mandate and its field of competence, and it should address the needs of developing countries and the issues raised in the intergovernmental machinery. An important recommendation of the UNCTAD X Plan of Action was contained in its paragraph 166, relating to strengthening UNCTAD's existing capacity building programmes. It was time to implement that paragraph and to agree on the role and composition of the Advisory Group envisaged therein.

193. He commended the secretariat for the preparation of the annual Indicative Plan. However, he favoured clustering activities and formulating umbrella projects as a step forward towards a programme-oriented approach which could enhance internal coordination, as well as coordination among donors.

194. He underlined the importance of capacity building for LDCs; cooperation in this respect should be provided through coordinated, well targeted technical assistance with a view to the LDCs' integration into the world economy. His country remained concerned, however, that contributions to the LDC Trust Fund had declined, and it would be important to mobilize potential new donors. Referring to the importance of inter-agency cooperation and coordination, he thought that the Integrated Framework and JITAP represented important

partnerships among agencies. Closer cooperation and coordination of activities with ITC and WTO and other relevant agencies were essential to avoid duplication and secure synergies. Continuation and strengthening of work on evaluation procedures could enhance UNCTAD's credibility as a development partner.

195. The representative of **China** commended the secretariat for the quality of its documentation. Technical cooperation was an important function of UNCTAD, and the Plan of Action adopted by UNCTAD X had made specific recommendations in that regard which needed to be implemented. He noted with satisfaction an increase of 16 per cent in the delivery of activities in 1999, while expressing concern over the decrease in trust fund contributions. Fluctuations in resources would in the long run undermine the capacity of UNCTAD to deliver its technical cooperation activities, and he called upon donors to increase their support. Referring to paragraph 166 of the Plan of Action, he asked the secretariat to ensure its full and rapid implementation. Finally, he stressed the excellent relationship between China and the UNCTAD secretariat which enabled his country to benefit from UNCTAD's technical cooperation and also to host a number of activities in the area of technical cooperation to the benefit of developing countries in the region.

196. The representative of the **United States of America** said that the focus of UNCTAD's technical cooperation on LDCs should continue to increase. He expressed concern at the inclusion of 32 additional requests for the establishment or strengthening of Trade Points in the Indicative Plan for 2001, which he believed was inconsistent with the decision on the future of the Trade Point Strategy.

197. The representative of **Jamaica**, speaking on behalf of the **Latin American and Caribbean Group**, reiterated the views of his Group to the effect that the technical cooperation of UNCTAD was a crucial area of activity and needed continuous attention. His Group remained concerned at the long-term effects of the low and declining share of its region in the overall technical cooperation activities of UNCTAD. The need of his Group for improved technical cooperation services from UNCTAD was increasing over time, in particular in the areas of development of a positive agenda for trade negotiations, promotion of sustainable trade and development in the field of biological resources, capacity building for trade negotiations, capacity building in the area of services infrastructure through such programmes as ASYCUDA, DMFAS and EMPRETEC, and Trade Points. Finally, referring to the draft decisions remitted by the Working Party to the Board, he expressed the hope that they could contribute to reversing the declining share of the countries of his Group in the overall technical cooperation activities of UNCTAD.

198. The representative of **Bangladesh**, speaking on behalf of the **least developed countries**, reaffirmed the importance of UNCTAD's technical cooperation and stressed that activities should be demand-driven and based on recipient needs and should ultimately aim at self-sustainability. Programmes should focus on capacity-building and training of trainers. He further stressed a number of priority sectors of particular interest to the least developed countries such as those linked to information technology. He finally expressed regret at the inability of the Integrated Framework for Trade-related Technical Assistance in favour of LDCs to start any meaningful activity since its launch.

199. The representative of **Switzerland** thanked the secretariat for its documentation. The UNCTAD X Plan of Action reflected a common vision of UNCTAD, and he stressed the importance of the implementation of paragraph 171 of the Plan of Action, which would also contribute to improved delivery of technical assistance. While recognizing the importance of an early implementation of paragraph 166, he said that other mandates included in the Plan of Action needed equal attention, in particular those included in paragraph 164 (viii) related to the financial sustainability of certain technical cooperation programmes and paragraph 109 (iv) on good governance.

200. The representative of **Romania** said that UNCTAD's technical cooperation was extremely valuable to his country. Romania was benefiting greatly from UNCTAD's support, and he expressed full satisfaction with the way the secretariat was implementing its technical cooperation activities, in particular those related to debt relief and TRAINFORTRADE, which corresponded to concrete needs in his country. He expressed gratitude to donors for their support for those activities.

201. The representative of **Croatia**, speaking on behalf of **Group D**, stressed the particular importance of the decision to be adopted by the Board in relation to the implementation of paragraph 166 of the Bangkok Plan of Action (TD/B/47/L.3).

202. The representative of **Uganda** said that his Government attached great importance to UNCTAD's technical cooperation. He expressed concern at the decline in overall trust fund contributions in 1999, which could affect the delivery of future activities. He further noted that the bulk of trust fund contributions came from a few donor countries and called for contributions from as many different donors as possible to ensure better planning and predictability of resources. In particular he would welcome multi-year commitments on the donor side. The LDC Trust Fund had surpassed its target but its replenishment was not assured and multi-year commitments would greatly facilitate programme planning. Resources at the country level were particularly needed for country-level preparation for the Third United Nations Conference on LDCs. With reference to the Integrated Framework for Trade-related Technical Assistance for the LDCs, he noted with satisfaction the recommendation of the heads of the six core participating agencies to establish a Trust Fund. He called upon donors' support in that respect and to the need to focus on ways to make the proposal operational.

203. The representative of **Nepal** associated himself with the views expressed by the spokesperson for the Group of 77 and China, Bangladesh and Uganda. He expressed gratitude to the UNCTAD secretariat for its technical cooperation and noted with satisfaction the increase in the share in favour of LDCs. UNCTAD's technical assistance should be demand-driven and sustainable. It should in particular address issues related to the multilateral trading system and support capacity-building activities in favour of universities and academic institutions.

204. The **Head of the Resources Management Service** said that the secretariat had already started implementation of the draft decisions approved by the Working Party, in particular with respect to the review of UNCTAD's technical cooperation activities and their

financing (TD/B/47/L.1). This entailed in particular the revision and reissuance of the Indicative Plan for 2001 in the light of comments made at the Working Party in an effort to cluster activities around well-defined programmes with a view to enhancing coordination within the secretariat and strengthening the links between technical cooperation activities and research, as well as increasing coordination among donors. The process of consultations with beneficiaries and donors would also be put in place, as recommended in the draft decision. Finally, the secretariat would work towards the standardization of project documents, following UNDP format, and progress reports. The secretariat took note of the comments on issues raised in relation to the Trade Point Programme and to the implementation of the Integrated Framework.

Action by the Trade and Development Board

205. At its 916th plenary meeting, on 11 October 2000, the Trade and Development Board adopted decisions 461 – 464 (XLVII). (For the text of the decisions, see TD/B/47/11 (Vol.I), section I. D.)

(b) Report on UNCTAD's assistance to the Palestinian people

206. For its consideration of this sub item, the Board had before it the following documentation:

“Report on UNCTAD's assistance to the Palestinian people” (TD/B/47/5).

207. The **Coordinator of the Assistance to the Palestinian People Unit** introduced the secretariat report on the item, which reviewed completed, ongoing and pending technical assistance activities and provided a brief account of recent aggregate Palestinian economic performance. He noted that UNCTAD's work-programme of assistance to the Palestinian people was guided by the United Nations medium-term plan for 1998-2001 and by the Bangkok Plan of Action, which welcomed this assistance and called for it to be intensified. In this respect, UNCTAD had met the expectations of the General Assembly and the Conference by providing sustained and concrete assistance to the Palestinian people.

208. UNCTAD's technical assistance activities currently drew upon the range of substantive competencies of the secretariat, grouped within four major substantive areas. Including recently approved projects, by the end of 2000 the secretariat would have secured around 50 per cent of the total funds required to implement all related UNCTAD technical assistance proposals prepared since 1997. Working in close consultation with Palestine, the secretariat had made a number of proposals for technical assistance which had been positively received by several donors. He highlighted progress in several projects relating to key areas of Palestinian capacity building and strategic economic development: national and multilateral trade policy; debt management; support for small and medium-size enterprise development; macroeconomic analysis and simulation; subregional cooperation in trade facilitation; and, strengthening operational capacities in customs administration.

209. The structural problems facing the Palestinian economy, while not insurmountable, spanned a wide range of sectoral and macroeconomic issues and needs. While the post-interim-period political and economic framework should permit a more systematic effort to reorient economic policies, the continued availability of external resources would remain crucial to sustaining the reconstruction and development programme over the coming decade. Enhanced management of external and domestic resources called for a sustained and vigorous commitment by the Palestinian Authority to its recently announced economic reform programme, which the international community had endorsed. He concluded by noting that many tasks remained and the cooperation of all concerned parties and agencies was required if the Palestinian economy was to succeed in breaking away from its adverse legacy. Even in the best of political and security circumstances, this would continue to engage the special attention of the international community for several years to come. UNCTAD could only hope to contribute selectively to the successful elaboration and implementation of the emerging Palestinian strategic development policy in those areas where the secretariat had established competencies and a successful track record. For this effort to proceed and succeed, and for UNCTAD's assistance to reach its target, the requisite stability on the ground and confidence in the prospects for peace and development must be restored.

210. The representative of **Palestine** said that he deeply appreciated the outstanding efforts of the UNCTAD secretariat in providing assistance to the Palestinian people, and he welcomed the report on UNCTAD's technical assistance projects in this regard. However, it was unfortunate that these efforts could be in vain as a result of the war waged by Israel against the Palestinian people in the occupied territory. During the assault of the last two weeks, in which tanks and heavy weapons had been used, more than 100 Palestinians had been killed and 2,000 injured. The continued military siege of Palestinian cities, villages and camps also besieged the economy and undermined its development and prosperity. Thus, Israel had aborted many UNCTAD projects that aimed to provide the foundation for a strong and independent Palestinian economy. If not halted, this vicious war would have a negative impact on UNCTAD's projects in the future.

211. The Board's session should have been an occasion on which the secretariat was congratulated on its efforts and engaged in a constructive dialogue. But the blow struck by Israel, the occupying power, against the peace process was also a blow against the Palestinian economy and infrastructure, which had suffered from 32 years of destructive Israeli policies. The Palestinian people were awaiting justice from the international community and were expecting solidarity with the martyrs who had been killed at the hands of Israeli soldiers and settlers who did not want prosperity, development, peace or stability. Occupation could not provide the conditions for development, but rather it increased anger, pain and destruction in the occupied homeland. The Palestinian people, in all their sectors and wherever they lived, were determined to resist, in order to regain their legitimate national rights, at the forefront of which was the right to self-determination and establishment of their independent state with Holy Jerusalem as its capital.

212. He concluded by stating that the memory of the Palestinian people was replete with tragedies and agonies, despite which they had hoped for a peace which restored their rights. However, the recent blow struck by Israel had dashed these hopes. Now, the sacrifices of the

Palestinian people and the martyrs of the Holy Aqsa had become signposts that lit the way from occupation to liberation, independence and the true and accurate application of international legitimacy so as to achieve a just, comprehensive and lasting solution of the question of Palestine.

213. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China**, noted that his Group, as the primary initiator of UNCTAD's work-programme on assistance to the Palestinian people, had followed closely the secretariat's progress in implementing this mandate. He was gratified that, despite many difficulties over the years, this work had matured into a fully operational programme of technical assistance activities, growing out of a solid base of research and analytical expertise. The Bangkok Plan of Action reflected a consensus at UNCTAD for the first time regarding the importance of this programme and calling for it to be intensified.

214. UNCTAD was now a full partner with the Palestinian Authority and international agencies active in providing assistance to the Palestinian people, providing a diverse package of UNCTAD technical assistance activities grouped under four programmes. This approach was not only well in line with UNCTAD's substantive and technical capacities, but also reflected the wide range of development assistance needs of the Palestinian people as they moved to build their economy after many years of occupation.

215. He warmly congratulated the secretariat on its persistence and innovation in making use of limited resources to deliver maximum benefits to the Palestinian people. In a number of critical areas for the development of the Palestinian economy, the secretariat was providing the Palestinian Authority with valuable advice and technical support which complemented and enhanced the other elements of international technical assistance in this area.

216. The report before the Board correctly noted that the Palestinian economy suffered from the adverse consequences of prolonged occupation and continued to feature a number of longstanding imbalances and structural weaknesses. While recent years had permitted a new policy framework to be adopted to allow for some improvement in economic conditions, the promises of the interim period were unmet, and it had taken several years for the economy to recover from the shocks of the mid-1990s. The Palestinian people still had a long way to go in rebuilding and developing their economy and breaking out of their isolation from regional and global trends. The support of UNCTAD and its continued commitment to assisting the Palestinian people would therefore be vital.

217. Nevertheless, real development could not occur under conditions of military occupation and constant strife. The recent tragic events in the occupied Palestinian territory and the dangers of a wider conflict only served to confirm that belief. Until the Palestinian people were able to establish the independent state of Palestine and exercise their right to self determination, the vicious cycle of violence and instability would only be reinforced and the prospects for peace and development would remain dim. As the world prayed for a peaceful resolution of the conflict, he too hoped that circumstances would soon improve so that UNCTAD was able to pursue its important activities of assistance to the Palestinian people. In conclusion, he expressed sincere appreciation for the significant extrabudgetary support

provided for the benefit of the Palestinian people by a number of donor States. He hoped that new donors would soon join them, so as to provide all the resources needed to implement the secretariat's programme of assistance.

218. The representative of the **Islamic Republic of Iran** considered it regrettable to have to consider UNCTAD's report on assistance to the Palestinian people while Palestinians were being killed by Israel. The declaration of the recent Millennium Summit of the United Nations stated that no nation should be deprived of its right to development. Yet today the Palestinian nation was not only being deprived of that right but was also being subjected to much brutality. UNCTAD's assistance to the Palestinian people was highly appreciated, and this was confirmed by the Bangkok Plan of Action, which provided further support for this programme. He expressed grave concern and condemnation of the atrocities being committed against the Palestinian people, which among other things would adversely affect the development-oriented activities of the UNCTAD secretariat in this area.

219. The representative of the **League of Arab States** welcomed the secretariat report on activities to assist the Palestinian people in building the economic, commercial and service structures required to improve living standards and eliminate the adverse impact of decades of occupation, which had deprived them of basic requirements, growth and development. The report also highlighted areas of cooperation between UNCTAD and the Palestinian Authority, in regard to which several observations were pertinent. In particular, he noted the special circumstances faced by the Palestinian economy, which had had to start from a weak position. It was emerging from an occupation that had sapped its vitality and deprived all walks of life of the opportunity for normal growth, creating unemployment, poverty and isolation from the external environment.

220. International trade required free movement of goods and services, and indeed globalization was considered by some to imply the erasure of borders through increased trade exchanges and the movement of capital. The European Union had recently reaffirmed the importance it attached to the establishment of a Euro-Mediterranean free trade area, and it was unacceptable that the Palestinian people should be excluded from benefiting from such developments. It was unrealistic to speak of Palestinian trade in such circumstances of isolation and restriction. In the face of such a contradiction between theory and practice, it was unthinkable that the Palestinian Authority could fulfil its trade commitments towards the European Union or be able to integrate into the global economy.

221. He appreciated the many technical cooperation projects that the secretariat report had reviewed, including studies, reports and advice on various issues. However, such assistance, while necessary in order to permit economic take-off, was insufficient if not followed up by concrete measures on the ground and realistic perspectives that would enable the Palestinian people to enjoy the freedom and dignity shared by all peoples. There was an organic link between security and peace on the one hand and development on the other. The Palestinian people and the region as a whole needed a real, balanced and lasting peace to be able to move forward towards social prosperity, harmony and mutual respect. The climate of tension resulting from dangerous Israeli actions, including killing of defenceless children, had impaired development activities and threatened the human resource base of present and future

Palestinian generations. Peace was the cornerstone for any development or any future assistance in support of the Palestinian people and the region.

222. The representative of **Egypt** said that this year's deliberations on this item were overshadowed by the bloody events witnessed in the occupied Palestinian territory and the brutal attacks against Palestinians. For two weeks, the Israeli occupation army had been killing the children and youth of Palestine who had risen up against irresponsible acts aimed at provoking Arabs and Muslims everywhere and thus demonstrated their willingness to die for their beliefs, their right to a homeland, their holy places and the establishment of their state. The brutal treatment of the Palestinian people cast doubt on the real value of the efforts that had been expended for the past decade to end the Palestinian bloodbath and to offer some future for the generation of Palestinians who had experienced nothing but harsh Israeli occupation. She saluted the Palestinian people, who once again had shown the world that they would not compromise on their legitimate rights.

223. She thanked the Assistance to Palestinian People Unit for the comprehensive and systematic report on its recent activities. The report showed that the features of Palestinian economic growth that had arisen under occupation still prevailed, despite the efforts exerted over the interim period. In this regard she highlighted a number of points mentioned in the report which reflected both longstanding structural problems as well as some recent marginal improvements. She agreed with the secretariat that the post-interim period would allow for a major reorientation of economic policies, while the tasks of reconstruction and development would still call for significant external resources.

224. She also commended the secretariat on its approach to programme implementation in this area through flexible delivery modalities, mobilization of support from substantive divisions, the serious steps taken to appoint a Coordinator for the programme, and the growing inter-agency cooperation. While she noted with appreciation the increased support of donors for this programme, she was alarmed that a large deficit remained between required expenditures and available resources. In conclusion, she stated that continued efforts were expected from UNCTAD to assist the Palestinian people in designing economic policies and establishing an effective national administration in the areas of trade, finance and related services. The experience gained in recent years had increased the capacity of the secretariat to intensify these efforts, a move that she strongly encouraged.

225. The representative of **France**, speaking on behalf of the **European Union**, said that the secretariat report was very instructive, as it made it possible to identify some progress. This was a source for hope, despite the scale of the difficulties the report mentioned. He hoped that the Palestinian economy, while still very vulnerable, could be restructured and that trade exchanges within the subregion could be developed. That would depend on the belief that there was a real possibility to arrive at a just, lasting and comprehensive peace in the Middle East on the basis of the principles established in Madrid, Oslo and the subsequent accords and in conformity with the pertinent United Nations resolutions.

226. Despite the current dramatic events, this work of UNCTAD, which was part of the broader efforts of United Nations agencies in support of the Palestinian people, had fully

maintained its usefulness. It was designed to train people, reinforce institutional capacities, improve the management of the macro economy, develop small and medium-size enterprises and support trade. In the areas of its competence, UNCTAD had initiated assistance that was carefully planned, well targeted and demand-driven. Such assistance could support the development of the local economy and help the Palestinian Authority to better serve its people. It thus prepared the ground for the peace that he believed was still possible.

227. The European Union had been the main donor for the Palestinian people since 1994, providing grants for basic needs and loans, and it was also the main extra-regional trade partner of the Palestinian Authority. In concluding, he noted that the Council of Europe had just reaffirmed that, for two peoples that had to coexist, there was no way forward except to resume peace negotiations, and in that connection the Israelis and Palestinians had recently overcome obstacles which had been considered insurmountable. In this critical period, every effort must be made to ensure that fear, hatred and violence did not prevail and that the dialogue for peace could resume.

228. The representative of **Sudan** said that dangerous developments had taken place in the occupied Palestinian territory in the form of barbaric attacks against the Palestinian people by the Israeli army. This could only reflect negatively on the Board's deliberations on the item this year. These developments demonstrated that the Israeli mentality had still not absorbed the lessons of history, and the Palestinian people's commitment to their land, holy places and right to an independent homeland could never justify such brutality and violence. He saluted the Palestinian people, who had again demonstrated the strength of their conviction concerning the justice of their cause and their determination to regain their rights.

229. The report before the Board showed that the economic situation in the occupied territory had not improved as promised and that it continued to suffer from the obstacles and imbalances caused by Israeli occupation. This deterioration confirmed the fact that there could be no social or economic development under occupation. He was confident that, once circumstances again permitted, the Palestinian economy would have the potential to develop independently, far from Israeli hegemony. The report clearly showed how well prepared the secretariat was to contribute to this effort, as it had undertaken a range of activities to help pave the way for the coming stage of Palestinian independence. The secretariat's programme of activities reflected a sound technical sense and represented a sensitive response to Palestinian development requirements. He appreciated the positive role of donor States so far, and he called for additional support for this programme.

230. The representative of **China** expressed appreciation for the report prepared by the secretariat in an important area of work of UNCTAD. The work of the secretariat over the year had promoted the trade and development of Palestine. Adverse conditions over a prolonged period had reduced the economic prospects of the Palestinian people, but he appreciated the unremitting efforts of the Palestinian people to develop their economy, with the support of the international community.

231. UNCTAD's assistance had evolved over the years, thus facilitating the process of regional and global integration of the Palestinian economy. UNCTAD's assistance in

developing the economic policy and regulatory framework had helped to keep economic development in line with the development of the Palestinian society as a whole. UNCTAD's projects were most useful and reflected the long-term efforts that were needed to address chronic problems. He regretted that it had not been possible for a number of projects to commence owing to budgetary limitations. He noted that, as recent events had again shown, the external environment was responsible for many of the remaining problems facing the Palestinian economy. In concluding he stressed that an independent Palestinian state was necessary to ensure development of the Palestinian economy, and the international community must provide the necessary support.

232. The representative of **Pakistan** said that the discussion on UNCTAD's assistance to the Palestinian people was taking place at a sombre time. The Palestinian's hopes to secure a modicum of development and growth and to realise modest benefits from the interim phase were again being brutally thwarted. The international community again watched with despair and shock the unravelling of painstaking efforts to assist the Palestinian people to embark upon a path of sustained development. The secretariat's report was extremely instructive, especially in that it clearly brought out the extremely difficult policy environment in which the Palestinian people sought to fulfil their developmental aspirations.

233. The report highlighted the fact that the Palestinian people were still locked into a situation where they could not rely upon their own capacities to develop because of an inhibiting environment. While recent years had seen some growth, the report correctly noted that such growth spurts had already been seen in the past, only to be followed by steep decline owing to the economy's vulnerability to external pressures and shocks. Tragically, once again the Palestinian economy was being subjected to a similar shock and thus the report's optimism regarding the prospects for a systematic effort to reorient macroeconomic policies would appear to be misplaced. In such a situation, the specific assistance activities by UNCTAD for the Palestinian people were laudable, but their effectiveness and durability were not certain. Recent events had borne out the need for a more unflinching assessment of the policy environment in which the Palestinian people sought to advance economically.

234. Finally, the international community needed to acknowledge the indivisibility of a just peace and meaningful development. It was unacceptable that the Palestinian people should have to pursue their efforts to develop in a situation where these efforts could be swept away by the arbitrary and callous actions of the occupying power. The international community needed to recognize that its efforts to assist the Palestinian people would lead nowhere if these efforts took place in an occupier-occupied framework. Discussions on technical assistance would appear farcical to the people of Palestine if they continued to take place in a context where children got shot and young people confronted death and incarceration.

235. The representative of **Israel** said that, in discussions on this agenda item in previous years, his delegation had always tried to focus on the matter at hand, despite attempts by others to use the opportunity to further political goals not directly related to UNCTAD. In light of the renewed introduction of political issues into the Board's deliberations and because of the gravity of the situation in the Middle East, he was obliged to outline briefly the

position of the Government of Israel regarding the Middle East peace process and the events of recent days.

236. Israel was committed to reaching a comprehensive peace in the Middle East and had done its utmost to further peace negotiations. In negotiations with the Palestinians, and especially during the Camp David Summit, Israel had made far-reaching proposals, making a supreme effort to move towards conclusion of the conflict. This position was fully appreciated by world leaders. The moment of truth had now arrived, and it was time for leaders of both parties to make bold and courageous decisions. However, the Palestinian side seemed to have chosen another route, that of violence.

237. Israel would not make further concessions as a result of violent pressure, and the only way to reach agreement with its Palestinian neighbours would be at the negotiating table. Despite repeated calls by Israel, a clear, unequivocal and authoritative Palestinian statement calling upon the Palestinians to cease hostilities had yet to be heard. Israeli security forces and civilians had been exposed to hundreds of attacks across the West Bank and Gaza, while instructions to Israeli forces had been unequivocal in insisting upon the minimum use of violence.

238. He was hopeful that wisdom and caution would prevail and that Israel's neighbours would issue clear instructions to calm the situation down and then return to the negotiating table. However, rather than calls for restoring calm, just the opposite had been witnessed so far. Nevertheless, he hoped that the violence would soon be left behind and that it would be possible to return to the negotiating table and renew the efforts, which had begun with the 1993 Oslo Accords and which had culminated at the Camp David Summit.

239. He went on to state that Israel welcomed the report prepared by the secretariat on this item. With a few exceptions, it was evident that the report was professional, and he congratulated the secretariat for this attitude, which he hoped would continue in the future. Israel strongly supported the strengthening of the Palestinian economy and infrastructure, and had been working together with the Palestinians to further this goal. He noted the different areas of economic cooperation between the parties, including through employment of Palestinians in Israel, significant trade flows between the partners, the creation of industrial parks, and training of Palestinian professionals in various fields.

240. In conclusion, he stated that even during the tragic events of the last few days, Israel had tried to allow the economic environment to function as normally as possible. The Secretary-General of the United Nations and other world leaders were working around the clock in order to get the peace process back on track. Only through negotiations and dialogue could a lasting, comprehensive peace be achieved, which would have a tremendous impact on the issue under discussion today, namely the economic development of the Palestinians.

241. The representative of the **United States of America** said that his delegation associated itself with the supportive comments made on UNCTAD's efforts to assist the Palestinian people. This was an endeavour that had the complete support of the United States of America, which had a complementary programme of assistance to the Palestinian people.

He also agreed with the statements by the League of Arab States and Egypt to the effect that real lasting peace was necessary for development. His country called upon all parties in the region to join in resuming the peace process with a view to achieving a real and lasting peace in the Middle East, and it would continue to do its best to contribute to the success of that process for the benefit of all peoples in the region. He hoped that the current efforts of the United Nations Secretary-General and other world leaders would soon lead to a solution that would offer continued economic growth for the Palestinian people and their neighbours.

242. The representative of **Cuba** voiced serious concern about the disparity between events in the occupied Palestinian territory and the picture drawn by the secretariat report. While the report did not give reason for much optimism, it showed that UNCTAD and the international community were making efforts for the development of the Palestinian people. There was a contradiction between the contents of the secretariat report and actual events on the ground. As long as the rights of the Palestinian people were not respected, and as long as the Palestinians continued to be denied justice and to be attacked, they would not be able to benefit from such efforts.

Action by the Trade and Development Board

243. At its 916th plenary meeting, on 11 October 2000, the Trade and Development Board took note of the secretariat's report on UNCTAD's assistance to the Palestinian people (TD/B/47/5) and of the statements made thereon and decided to submit the account of its discussion to the General Assembly in accordance with General Assembly decision 47/445.

Chapter V

OTHER BUSINESS

(Agenda item 9)

Financing of experts from developing countries and economies in transition when participating in UNCTAD meetings

244. For its consideration of this item, the Board had before it the following documentation:

Financing of experts from developing countries and economies in transition when participating in UNCTAD meetings - draft decision (TD/B/47/L.5).

245. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China**, reiterated the importance attached by his Group to the question of the financing of experts in UNCTAD expert meetings and the need for funding in that respect. The participation of experts from developing countries enhanced the complementarity between technical cooperation and analytical and deliberative work and helped in integrating these activities, as called for by UNCTAD X.

246. The representative of the **United States of America** said that, for the financing of experts participating in UNCTAD's meetings, extrabudgetary sources must be found to support this particular activity.

247. The representative of **Japan** said that, although his country regarded the participation of experts from developing countries and countries with economies in transition as important, it was only in a spirit of compromise that it had agreed to the last sentence in paragraph 4 of draft decision TD/B/47/L.5 relating to the programme budget. Since 1996, Japan had made known the difficulties it had with regard to financing such an activity from regular budget resources, and it therefore urged the secretariat to seek other sources of financing urgently.

248. The representative of **Germany** said that the question of financing the participation of experts from developing countries in UNCTAD expert meetings should be approached in the wider context of the United Nations and not simply within UNCTAD. He reminded the Board of his Government's position on this subject, as recently reiterated in the Working Party, and stated that his delegation could follow the proposed compromise, as it opened up a variety of options for the Secretary-General for a solution that would eventually have to be approved in Geneva and New York.

249. The representative of **Croatia**, speaking on behalf of **Group D**, underlined the importance of the decision on this issue.

250. The **Head of the Resources Management Service** said that the secretariat took note of the comments and suggestions made on this issue and the need to find sources of funding other than the regular budget to finance this activity.

Action by the Trade and Development Board

251. At its 916th plenary meeting, on 11 October 2000, the Trade and Development Board adopted decision 465 (XLVII). (For the text of the decision, see TD/B/47/(Vol.I), section I. E.)

Chapter VI

CLOSING STATEMENTS

252. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China**, said it was disappointing that no concrete results had been achieved for agenda item 3 on interdependence, and it was hoped that in future agreed conclusions would be adopted. With regard to agenda item 5, on Africa, the outcome of the Board's work showed that UNCTAD was among the best places to address the problems of Africa. Concerning agenda item 9(b) on paragraph 166 of the Bangkok Plan of Action implementation of paragraph 166 should be expedited.

253. The representative of **Jamaica**, speaking on behalf of **the Latin American and Caribbean Group**, said that his Group particularly welcomed the Board's decision on paragraph 166 of the Bangkok Plan of Action and hoped that the Advisory Body that had been established in that connection would become operational rapidly.

254. The representative of **France**, speaking on behalf of the **European Union**, welcomed the progress made on the draft programme of action for the Third UN Conference on the LDCs.

255. The representative of the **United States of America** said it was hoped that it would be possible to work with partner agencies in order to achieve the objectives of the Third UN Conference on LDCs. The main objective of the Conference should be to substantially reduce poverty in LDCs, and if everyone worked together, progress could be made.

Annex

ATTENDANCE *

1. The following States members of UNCTAD, members of the Board, were represented at the session:

Albania	Guinea
Algeria	Haiti
Angola	Honduras
Argentina	India
Australia	Indonesia
Austria	Iran (Islamic Republic of)
Azerbaijan	Ireland
Bangladesh	Israel
Barbados	Italy
Belarus	Jamaica
Belgium	Japan
Bhutan	Kenya
Brazil	Latvia
Bulgaria	Lebanon
Burundi	Libyan Arab Jamahiriya
Cameroon	Luxembourg
Canada	Madagascar
Chile	Malaysia
China	Malta
Colombia	Mauritania
Congo	Mauritius
Costa Rica	Mexico
Côte d'Ivoire	Mongolia
Croatia	Morocco
Cuba	Netherlands
Czech Republic	Nepal
Democratic People's Republic of Korea	Nigeria
Denmark	Norway
Dominican Republic	Oman
Egypt	Pakistan
Ethiopia	Panama
Finland	Paraguay
France	Peru
Gabon	Philippines
Germany	Poland
Ghana	Portugal
Greece	Qatar
Guatemala	Republic of Korea
	Republic of Moldova

* For the list of participants, see TD/B/47/INF.1.

Romania	Trinidad and Tobago
Russian Federation	Tunisia
Senegal	Turkey
Singapore	Uganda
Slovakia	Ukraine
Slovenia	United Kingdom of Great Britain and Northern Ireland
South Africa	United Republic of Tanzania
Spain	United States of America
Sri Lanka	Uruguay
Sudan	Venezuela
Suriname	Viet Nam
Sweden	Yemen
Switzerland	Zambia
Thailand	Zimbabwe
The Former Yugoslav Republic of Macedonia	

2. The following other States members of UNCTAD, not members of the Board, were represented as observers at the session:

Comoros
Holy See
Lao People's Democratic Republic
Lesotho
Rwanda

3. Palestine was also represented as an observer.

4. The following intergovernmental organizations were represented at the session:

Arab Labour Organization
Common Fund for Commodities
Commonwealth of Independent States
European Community
League of Arab States
Organization of the Islamic Conference
Organization of African Unity
South Centre

5. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
World Bank
International Monetary Fund
World Intellectual Property Organization
United Nations Industrial Development Organization
World Trade Organization

6. The United Nations Development Programme was presented at the session. The International Trade Centre UNCTAD/WTO was also represented.

7. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions
World Federation of United Nations Associations
World Federation of Trade Unions
World Vision International

Special Category

International Council of Nurses
International Multimodal Transport Association