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**DECLARATION OF THE LEAST DEVELOPED COUNTRIES
MINISTERIAL MEETING AT UNCTAD XI**

We, the Ministers of the least developed countries, having met in São Paulo, Brazil, on 13 June 2004, during the eleventh session of the United Nations Conference on Trade and Development (UNCTAD XI), held from 13 to 18 June 2004,

Recalling the Millennium Declaration and the Millennium Development Goals, aimed *inter alia* at reducing extreme poverty by half by 2015,

Reiterating that the Brussels Declaration and the Programme of Action for the Least Developed Countries for the Decade 2001-2010 provide a framework for a partnership based on mutual commitments by least developed countries (LDCs) and their development partners,

Recalling also the commitments of the international community, as contained especially in the Monterrey Consensus adopted by the International Conference on Financing for Development and the Plan of Implementation agreed at the World Summit on Sustainable Development in Johannesburg, as well as in the Doha Ministerial Declaration of the WTO, as they relate to LDCs.

Recalling further the Zanzibar Declaration of 2001, the Dhaka Declaration of 2003 and the Dakar Declaration of 2004, adopted by the LDCs' Trade Ministers and calling upon the international community to take fully into account the concerns and needs reflected therein,

Adopt the following Declaration:

1. *We express* our deep concern at the unabated dismal socio-economic conditions and the continued marginalization as well as the resulting difficulties facing our countries in achieving the poverty reduction goals of the Programme of Action for LDCs for the Decade 2001-2010 and the Millennium Declaration.
2. *We reaffirm* our commitment to the implementation of the actions and commitments of the Programme of Action for the Least Developed Countries for the decade 2001-2010, which has, as its overarching goal, the reduction of extreme poverty by half by 2015.

3. *We recognize* the important role of national efforts, which must be at the centre of our development policies and strategies. We reaffirm our commitment to pursuing appropriate economic policies and strategies aimed at attaining sustained, accelerated and balanced economic growth and development as a basis for improving the living standards of our peoples. We will continue to make efforts to create conditions for improved domestic and foreign investment and for the development and the diversification of our exports.

4. *We also* recognize that, with our countries' limited capacities, resulting mainly from the structural weaknesses of our economies, our efforts alone would not be adequate to address the multifaceted problems facing our countries. We therefore emphasise that, in a globalizing world, a more favourable international economic environment and the support of our development partners are critical for our efforts to reverse economic decline in our countries and to improve the living standards of our populations.

5. *We stress* the critical need for convergence of national and international efforts on the means to implement the Brussels Programme of Action for the Least Developed Countries and achieve the internationally agreed development goals, including those contained in the Millennium Declaration, which are critical for the development of our countries and for escaping the "poverty trap". In this regard, we believe that coherence between international processes and national policies and strategies – which is also the central theme of UNCTAD XI – will be critical. In this context:

5.1 *We call* on development partners to renew and strengthen their efforts to meet as expeditiously as possible their commitments on ODA targets, as contained in the Programme of Action for LDCs for the Decade 2001-2010. Further efforts are needed to improve the quality and effectiveness of aid, including through the implementation of commitments to untie aid as a priority. Development partners' practices in aid delivery should be streamlined to ensure the success of national development strategies, in particular by providing aid on a more predictable basis with long-term commitments.

5.2 Due to the fact that the external debt burden of most LDCs continues to be severe and the debt relief measures undertaken so far have proved grossly inadequate to the extent that the growth prospects of LDCs remain limited, we call for the full and speedy implementation of the Enhanced HIPC Initiative for the eligible LDCs and stress that debt relief should be additional to ODA. We urge all bilateral and multilateral creditors to take courageous debt relief measures, including total cancellation of all outstanding debt owed by LDCs, which continues to weigh heavily on public expenditure and discourages private investment in our countries.

5.3 Market access initiatives such as the Everything But Arms (EBA) initiative of the European Union and the African Growth and Opportunity Act (AGOA) of the United States, as well as other unilateral and bilateral preferential market access offers, can make a positive contribution in the fight against poverty in our countries. In this regard, it is important that the terms of AGOA be extended until 2008 and beyond in order for African LDCs to take advantage fully of that initiative. Nevertheless, remaining trade barriers, including tariff escalation and tariff peaks, as well as non-tariff barriers such as antidumping and other contingency measures against LDC exports and stringent rules of origin requirements, continue to hamper entry of LDC exports into markets of major trading partners. Concrete action is required to improve market access conditions for all our exports, including by reducing non-trade and non-tariff barriers and simplifying rules of origin. Action should also be taken to address the concerns of LDCs with regard to erosion of preferences resulting from further trade liberalization.

5.4 Improved market access offers should be supplemented by specific actions to address supply side problems of our countries. In this context, priority should be given to ensuring that more aid is targeted at productive sectors and economic infrastructure of LDCs. Further efforts are

also needed to make operational the special and differential treatment accorded to LDCs in the Uruguay Round Agreements and other relevant Ministerial decisions.

- 5.5 Private domestic and foreign direct investments have become essential components of development finance. However, despite the adoption by our Governments of national policies and measures aimed at creating a favorable investment climate, the share of LDCs in total inflows of FDI as a whole remains extremely low (less than 1 per cent). Moreover, FDI flows have continued to be concentrated in only a few countries and only a few sectors. We reiterate our call to our development partners to adopt home country policies and measures to promote and enhance flows of foreign direct investment and the transfer of technology to our countries.
6. *We note* that many of our countries have adopted or are in the process of adopting Poverty Reduction Strategy Papers (PRSPs) within their national development plans. It is essential that the PRSP be seen as a tool to deliver economic growth, and it should be rooted in a long-term national development strategy. Development-oriented poverty reduction strategies should place emphasis on ensuring and sustaining investment, export expansion and economic growth, and better income distribution, as well as policies to stimulate them. Similarly, appropriate macroeconomic policies need to be complemented with sectoral development policies and strategies, with special emphasis on agriculture and rural development. Accelerated economic growth and sustained development are therefore essential to achieve effective poverty reduction.
7. *We also note* with concern that the PRSPs will not achieve significant results unless development cooperation policy is substantially improved. A corresponding PRSP support strategy from our development partners is therefore essential to make the PRSP process truly fruitful. In this context, more attention should be paid to aid conditionality, particularly its effects on micro-management of development programmes. Aid will be more supportive of national objectives if it can be targeted at national priorities and channeled, *inter alia*, through national budget processes. There is a need for greater predictability in aid flows and also longer-term commitments. Enhancing the ongoing efforts for the implementation of commitments to untie aid is also a priority, because tied aid reduces the real value of aid to recipient countries.
8. *We emphasize* further the crucial importance of export diversification to our economies as a source of employment, income and foreign exchange. Domestic diversification efforts need to be supported by specific actions by the international community to address the productive capacity deficiencies of LDCs. The absence of international measures and policies to address the problems of low and unstable commodity prices is also a key missing link in the current international approach to the development and poverty reduction efforts of LDCs. We call on our development partners to develop international frameworks for commodities, identifying elements for a new international commodity policy including, where appropriate, establishment of a “Global Partnership for Commodities”. Concrete measures are required to mitigate the adverse consequences of excessive price instability and the long-term decline in world commodity prices for the socio-economic performance of our countries. These measures could include resuscitating compensatory financing, on a more user-friendly basis, to offset the effects of commodity price shocks on the economies of the LDCs.
9. Furthermore, the ongoing multilateral trade negotiations should take urgent action on the question of agricultural subsidies in industrialized countries and resolve, as expeditiously as possible, the problems arising from such subsidies, which are undermining development efforts and prospects in our countries. We appeal to all industrialized countries to make significant reductions in their agricultural subsidies, including the elimination of export subsidies as expeditiously as possible.
10. *We emphasize* strongly that both the market and the state have an important role to play in our development process, and it is essential to ensure that their respective roles are complementary and mutually supportive. An effective state is vital for building physical and human infrastructure,

addressing market failures where they occur, and providing enabling macroeconomic conditions and a sound regulatory framework. It is essential that our countries have policy flexibility and autonomy in designing and implementing market-friendly development policies and strategies.

11. *We recognize* that strengthening LDCs' capacity to participate in international trade and in the multilateral trading system should also be seen as an important component of international efforts to integrate LDCs into the multilateral trading system and into the global economy. We are strongly convinced that the integration of the LDCs into the multilateral trading system and into the global economy is a shared objective of the international community. Enhancing our capacity to participate effectively in the trade negotiations in the WTO makes an important contribution to the achievement of this objective. In this context, the Integrated Framework for Trade-related Technical Assistance for LDCs (IF) can make a critical contribution in LDCs if it effectively addresses the needs of LDCs, *inter alia* in respect of our institutional and policy-making capacities, our productive capacities and our supply-side constraints. We call upon the six core agencies participating in the IF and donor countries, as well as other IF stakeholders, to enhance their respective contributions in support of the development efforts of our countries, with maximum coordination and synergy and strong commitment. We also call for the full implementation of the Joint Integrated Technical Assistance Programme (JITAP) and its further expansion to cover more LDCs.

12. *We emphasize* that accession of LDCs that are not yet members of the WTO should be an integral part of international efforts to integrate our countries into the multilateral trading system on terms and conditions commensurate with the special socio-economic circumstances prevailing in our countries. Coordinated efforts should be made to facilitate the accession processes of LDCs through, *inter alia*, increased financial and technical assistance and harmonized accession procedures. In this context, we call upon our trading and development partners to faithfully and expeditiously implement the guideline on Accession of Least Developed Countries adopted by the General Council of the WTO.

13. *We also emphasize* that technical assistance and capacity building are critical parts of institution building and human resources development so as to improve the quality of policy design and implementation capacities of our countries. In this regard, we recognize the critical role of UNCTAD in implementing the Brussels Programme of Action in favour of the LDCs for the Decade 2001-2010 in the areas within its mandate and competence, including the important contribution of its *LDC Report* to national and global policy-making processes, as well as to consensus building at the global level on issues related to LDCs.

14. *We express* our deep appreciation to UNCTAD for its substantive, analytical and technical cooperation activities in support of LDCs and encourage it to pursue and strengthen these activities. In this regard, we reiterate our call to the Secretary-General of the United Nations, consistent with General Assembly resolution 56/227, to enhance the operational capacity of UNCTAD in its activities aimed at supporting LDCs.

15. *We commend* the research and policy analysis functions of UNCTAD, as reflected in its *Least Developed Countries Report*, which is the only publication within the United Nations system exclusively focusing on the development challenges, prospects and problems facing our countries. We strongly believe that the policy advice and recommendations of *LDC Reports* have been of paramount importance to our national policy-making efforts and in building global consensus on the international support measures required to address the multifaceted development problems confronting our countries. In this regard we acknowledge the critical contribution of the 2002 and 2004 *Reports*, which dealt respectively with "Escaping the Poverty Trap" and the link between "International Trade and Poverty Reduction" in our countries. We call upon the UNCTAD secretariat to continue these praiseworthy functions to promote the interests of LDCs by regularly examining, among other things, the linkages between trade, economic growth, development and poverty reduction with a view to identifying long-term solutions to the challenges and problems facing LDCs.

16. *We are seriously* concerned by the declining level of resources of the UNCTAD LDC Trust Fund, and we urge our development partners and other countries in a position to do so to contribute generously to the Trust Fund US\$5 million annually, as agreed at UNCTAD IX and reiterated at UNCTAD X, so as to enable the UNCTAD secretariat to enhance its technical cooperation and capacity building activities in our countries.

17. *We stress* the need, as an urgent priority, to bridge the alarming and growing digital divide between our countries and the rest of the world, especially in the areas of information and communications technologies (ICTs). We call upon the international community to support the establishment and the funding of the Digital Solidarity Fund and to assist our efforts in building necessary technological infrastructure commensurate with the requirements of the digital economy, which requires, among other things, increased and effective financial and technical assistance from our development partners.

18. *We invite* UNCTAD, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, and relevant international organizations to continue to enhance their cooperation in order to support the LDCs in their development process.

19. *We strongly* recommend that the outcomes of UNCTAD XI in São Paulo, Brazil, address the special needs and interests of LDCs.

20. *We express* our sincere appreciation and gratitude to the people and Government of Brazil for their warm hospitality and for the excellent arrangements made for the organization of UNCTAD XI. We would also like to express our appreciation to the Secretary-General of UNCTAD, Mr. Rubens Ricupero, for his continued efforts to advance the cause of the least developed countries.
