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TRADE AND DEVELOPMENT BOARD

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Agenda item 12

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD  
ON ITS FIFTY-THIRD SESSION**

Held at the Palais des Nations  
from 27 September to 2 October 2006 and 10 October 2006

Rapporteur: Ms. Ana Inés Rocanova (Uruguay)

**Agenda items 3 (LDCs) and 6 (Implementation and follow-up)**

**Note for delegations**

This draft report is a provisional text circulated for clearance by delegations. Requests for amendments to statements by individual delegations should be communicated by **Tuesday, 17 October 2006** at the latest, to:

UNCTAD Editorial Section, Room E.8106, fax no. 917 0056, tel. no. 917 1437.

**REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE  
PROGRAMME OF ACTION FOR THE LEAST DEVELOPED  
COUNTRIES FOR THE DECADE 2001–2010**

(Agenda item 3)

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

“The Least Developed Countries Report 2006: Developing Productive Capacities”  
(UNCTAD/LDC/2006 and Overview)

“UNCTAD-wide implementation activities in favour of LDCs” (TD/B/53/3).

2. The representative of **Benin**, speaking on behalf of the **LDCs**, said that that the Brussels Plan of Action was an ambitious response to the longstanding preoccupation of the United Nations with inducing the world community to help LDCs overcome the major obstacles that had stalled their socio-economic progress. The progress made in implementation of the Programme of Action during the last five years had fallen short of expectations, and the goals and targets of the Programme of Action might not be achieved by 2010. Assessments indicated that, while some LDCs had shown some economic dynamism due to internal reforms and increased assistance from their partners, there had been no meaningful improvement in people’s living conditions, and foreign aid was either below expectations or had not materialized.

3. With only 0.5 per cent of world exports and 0.7 per cent of imports, LDCs were still marginalized in world trade, even though they were home for 11 per cent of the world population. There was therefore an urgent need to reinforce productive and supply capacities in LDCs. One way to achieve this would be to exploit the many hidden and underutilized potentials such as the excess labour force, latent entrepreneurial capacities, neglected traditional knowledge and other unexploited natural resources. Improved preferential market access for all products of export interest to LDCs would also be very helpful. There was therefore a pressing need to re-launch and successfully complete the Doha Development Round. Greater and more innovative efforts were also needed from international partners in order to assist LDCs to overcome the many constraints they still faced. These included: excessive dependence on external financing, given the low level of domestic savings; a heavy external debt burden; instability in commodity prices; the persistence of infectious diseases such as AIDS; acute lack of infrastructure; and a steep increase in oil prices that threatened to annihilate all development efforts in non-oil-producing LDCs.

4. In face of the above constraints, it was only through increased and effective development assistance to develop productive capacities that the LDCs would be able to integrate into the world economy and help maintain international peace and stability. The enhanced Integrated Framework might help if enough resources were made available to finance programmes and projects submitted by LDCs. However, the current enhanced IF did not seem ambitious enough to meet the goals of the Doha Round and the Brussels Programme of Action with regard to the better integration of LDCs into the world economy. He hoped that by 2010 there would be no more LDCs. Finally he thanked the Governments of Austria and Norway for financing the assessment of socio-economic progress in selected LDCs and the organization of the workshop on the mid-term review of the Brussels

Programme of Action that had taken place in May. The outcome of that exercise had greatly assisted the Ministerial Meeting of LDCs in Benin.

### **President's summary of discussions**

#### ***Challenges and prospects***

5. The Board noted with appreciation the contribution of UNCTAD to the implementation of the Programme of Action for the LDCs for the Decade 2001–2010 through its research and policy analysis, technical cooperation and capacity building activities.

6. There was consensus on the importance of full and speedy implementation by all stakeholders of the Millennium Declaration, as well as actions and commitments of the Brussels Programme of Action for achieving poverty reduction goals in LDCs. It was noted, however, that progress made so far was mixed, with considerable variation in economic performance among LDCs. In some cases, growth had been favourable and had contributed to a reduction in extreme poverty. Where progress had been observed, it had generally been based on sound economic policies that had improved the business environment and enhanced investor confidence. In other LDCs, the record had been much less positive, with disappointing economic growth and little improvement in poverty reduction. There was concern that most LDCs might not achieve the goal of reducing extreme poverty by half by 2015.

7. There was recognition of the need to develop productive capacities of LDCs in order to enhance the poverty-reducing impact of economic growth, particularly through employment creation. Most LDCs faced a situation in which the population of working age was growing much faster than the number of productive jobs. This was among the reasons why economic growth was failing to translate effectively into poverty reduction in these countries. In the past, the major sector in which LDCs absorbed labour was agriculture. However, low labour productivity, coupled with small farm size and weak productive capacities, remained the causes for increasing rural poverty in LDCs. As a result, more and more people were seeking work outside agriculture, and urbanization was accelerating. It was important for LDCs, with the support of their development partners, to manage the current employment transition effectively.

8. It was stressed that the least developed countries should continue to assume primary responsibility in designing national policies and in setting priorities. This would ensure ownership of policies, while asserting the political will of LDCs themselves to integrate the Programme of Action into their national policies and strategies. In this regard, the efforts of LDCs in creating a domestic enabling environment through wide-ranging reforms and adjustment programmes were widely acknowledged. However, the well managed engagement of development partners was critical for the success of development efforts of LDCs, as well as for their integration into the global economy. In this context, the Board noted the important role played by development partners, in recent years, in contributing to progress towards the goals and targets of the Programme of Action. Indeed, where socio-economic progress had been recorded, it had been supplemented and sustained by predictable and well coordinated aid flows linked to effective national policies and strategies.

9. Consequently, ODA flows to LDCs had almost doubled in recent years. However, improving the quality of development aid, as well as aid effectiveness, remained a challenge. The composition of ODA had also changed markedly since the 1990s, with a significant

increase in the proportion devoted to social sectors and an equivalent reduction for economic and productive sectors, especially agriculture. In some cases, aid remained poorly coordinated and unpredictable and was often poorly linked to national priorities. In this context, a significant improvement in the approach to aid policies was highly desirable if LDCs were to achieve greater ownership of public expenditure.

10. The Board underlined the need for increased and strengthened technical cooperation and capacity building activities in favour of LDCs. In this context, the crucial roles of the Enhanced Integrated Framework (IF) and the Aid for Trade initiative in building trade capacities of LDCs were emphasized. UNCTAD was called upon to give priority to LDCs in its delivery of technical cooperation and capacity building activities and to continue to play its vital role in shaping the outcomes and operationalization of the IF and the Aid for Trade initiative.

11. The Board noted that exports from LDCs as a group had shown a marked improvement in value terms in recent years, although their share in world trade remained marginal. Improvements in recent export performance were driven largely by oil-exporting and other mineral-exporting LDCs and by those LDCs that had managed to increase their exports of manufactures and services. National and international efforts, including horizontal and vertical diversification of exports, should be strengthened to support commodity-dependent LDCs, which faced major problems of volatile world primary commodity prices.

### *The way forward*

12. The Board emphasized the need for a “paradigm shift” in LDC development policies at the national and international levels as crucial in order for LDCs to achieve sustained economic growth and development. The focus should be on the development of productive capacities that enhanced productive employment opportunities. Any measures adopted with a view to building productive capacities must recognize the holistic and long-term nature of the process, with due recognition of the needs and priorities of individual LDCs.

13. At the national level, it was now important to place the development of productive capacities – and the related expansion of productive employment – at the centre of poverty reduction strategies. This did not mean that social sector spending and human development targets were unimportant. Indeed, health, education and social welfare should be seen as part of the process of developing productive capacities. But it required a better balance between productive sectors and social sectors. Moreover, it required proactive policies to induce and coordinate investment in order to increase value-added and ensure that the development of productive capacities occurred in a way that generated productive employment opportunities.

14. With regard to international policies, there was a need not only for more aid but also to re-balance the sectoral composition of aid. It was necessary to increase the share of development aid for in-country development programmes and direct support for programmes run by LDCs themselves. It was also necessary to increase the share of ODA allocated to physical infrastructure and productive sectors. These measures should be complemented by further comprehensive debt relief measures and improved market access for all products of export interest to LDCs.

15. Continued efforts to improve market access for all products of export interest to LDCs, taking into consideration the potential effects of preference erosion on LDC economies, was also stressed. In this regard, special and differential treatment for LDCs must

continue to play a critical role. Re-launching the stalled Doha Development Round and concluding it successfully was viewed as crucial to the implementation of the Aid for Trade initiative for the LDCs. There was a broad consensus that the Aid for Trade initiative should include trade-related technical assistance to build institutional and supply capacities, so as to assist LDCs in benefiting effectively from the results of multilateral trade negotiations.

16. The increasing role of South-South cooperation and of partnership with emerging developing countries, both as development partners and as clients for the LDCs' products, was further recognized by delegations as a critical opportunity to consolidate international partnership for the development of LDCs.

17. The need to develop human resources and entrepreneurial capability through vocational and technical training was acknowledged as key to improving the competitiveness of LDCs. Increased attention must be paid to the role of the private sector, especially small and medium-sized enterprises (SMEs), with a view to addressing such obstacles as lack of access to finance and the high cost of credit. One suggestion for addressing the problem of lack of access to finance was to create rating services for SMEs, supported by internationally recognized institutions. The crucial role of public/private partnerships was also stressed as pivotal in helping achieve the LDCs' development objectives, particularly in infrastructure development. The importance of creating effective intersectoral linkages through a "value-chain" approach and through improved regulatory governance in LDCs was also highlighted.

**UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF AND  
FOLLOW-UP TO THE OUTCOMES OF THE MAJOR  
UNITED NATIONS CONFERENCES AND SUMMITS  
IN THE ECONOMIC AND SOCIAL FIELDS**

(Agenda item 6)

**UNCTAD's contribution, within its mandate, to the implementation of, and to the review of progress made in the implementation of, the outcomes of the major United Nations conferences and summits, under its relevant agenda items**

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

“Progress made in the implementation of the outcomes of the major United Nations conferences and summits, and UNCTAD's contributions: Note by the UNCTAD secretariat” (TD/B/53/6).

**President's summary of discussions**

19. The Trade and Development Board noted that UNCTAD, as the sole focal point within the UN system for the integrated treatment of trade and development and interrelated issues in the area of finance, technology, investment and sustainable development, had a vital role to play in the implementation of and follow-up to the outcomes of major UN conferences and summits, including the Millennium Declaration, and also in addressing emerging issues and needs related to these outcomes. Delegations welcomed the opportunity to review the contributions of UNCTAD to the implementation of these commitments, and urged the secretariat to continue to contribute through more concrete actions in the sphere of its core mandates. At the same time, the secretariat was cautioned not to disperse resources in too many directions but to maintain the focus of work on priority areas.

20. The major UN conferences and summits had engendered a significant number of commitments by the international community oriented towards development objectives. It was noted that developing countries had liberalized their economies in response to these commitments, but developed countries had not always been reciprocal in fully meeting their commitments. For instance, promised investment flows to developing countries that were to result from liberalization had not always been realized. UNCTAD was urged to encourage the realization of these shared commitments by the international community.

21. The progress in the implementation of the São Paulo outcomes had been reviewed in the Mid-term Review process. The role of the Board and Commissions in the progress review on other outcomes that fell within the mandate of UNCTAD needed to be strengthened. While the secretariat had been undertaking technical work in this regard, the work by the intergovernmental machinery was not sufficient. A review mechanism was needed, particularly in such areas as commodities, debt, investment and systemic coherence. It was proposed to organize special sessions of the Board to review the progress of and to draw up future plans on the implementation of the Millennium Declaration and the outcomes of other major conferences and summits. The outcome of such sessions would also provide substantive inputs to the follow-up process undertaken by the General Assembly and ECOSOC.

22. UNCTAD XII, which would be convened in 2008, would coincide with the half-way mark of the timeframe for meeting the Millennium Development Goals (MDGs). It was therefore proposed to incorporate, simultaneously with UNCTAD XII, a process of reviewing UNCTAD's contribution to progress towards meeting the MDGs. In this regard, a report on UNCTAD's contribution could be prepared.

23. UNCTAD's work on the outcomes of the International Conference on Financing for Development was recognized and supported. UNCTAD's core mandate and competence would allow it to contribute directly to the follow-up to that Conference. There was a need, however, to conduct a substantive assessment at the intergovernmental level on the implementation of the Monterrey Consensus in particular. This could possibly be organized in the context of the proposed special sessions of the Board. The secretariat could also prepare a report in this regard.

24. UNCTAD's lead role in facilitating capital flows to developing countries was recognized, and the secretariat was encouraged to continue capacity building in developing countries in this regard, as well as its work to enhance transparency and the quality of information on financial and investment flows, playing the role of information clearing house in this regard.

25. Poor progress on the commodities sector was noted with concern by many delegations. The importance of the sector for development and poverty eradication, especially in developing countries dependent on commodity exports, buttressed arguments that UNCTAD should continue to contribute substantially on this front. It was asked whether research and analytical outputs would be forthcoming on this topic, given UNCTAD's strength in research. While delegations appreciated concrete projects undertaken by the secretariat so far, frustration was expressed over the lack of progress in establishing the International Taskforce on Commodities mandated at UNCTAD XI in São Paulo. The secretariat was urged to reflect upon the problems it faced in these areas, and to work on more substantive solutions to the problems faced by commodity-dependent countries, rather than undertaking too many diverse and side activities. The secretariat was requested to present a report that elucidated upon what it had done in the area of commodities, and to define a roadmap on how it intended to proceed on this issue, keeping these sentiments in mind.

26. It was noted that trade was one of the major sources of income in developing countries that provided resources for development. There is a need for the international community and institutions like UNCTAD to contribute to a better understanding of the important issues at stake and the concerns and interests of developing countries. Delegations cautioned that, with the suspension of the Doha round, the progress made by developing countries on the trade front would be compromised, and urged UNCTAD to play a stronger role in assisting these countries. UNCTAD should continue its customized assistance to developing countries in preparing sound proposals for trade negotiations and conducting a development needs assessment of non-WTO members in the prelude to accession. It was underscored that UNCTAD could, and must, contribute towards moving the negotiations forward for the realization of development goals of the Doha Round. UNCTAD was also encouraged to work in the framework of Aid for Trade.

27. It was noted that UNCTAD had a vital role to play in the implementation and follow-up of the Almaty programme of Action to address the special needs of landlocked and

transit developing countries, particularly through strengthening the transit transport framework that facilitated trade and investment.

28. It was stressed that UNCTAD's work in the follow-up to the major UN conferences and summits should be closely coordinated with other UN agencies. To this end, the secretariat was requested to submit a report on its cooperation with other trade and development-related organizations to the Board at its fifty-fourth session. Further, the importance of coherence between UNCTAD and ECOSOC, WTO, and the Bretton Woods Institutions was underlined. UNCTAD was encouraged to continue the dialogue with the Bretton Woods Institutions and WTO, organized in the context of ECOSOC. The Board should also cultivate a closer relationship with civil society and the private sector, as such interactions would enrich the debate and materially advance the agenda.

29. UNCTAD's work in respect of South-South cooperation and cooperation with regional commissions was recognized, and further efforts in this direction were encouraged. The work on regional cooperation and South-South trade in commodities in particular needed to be enhanced. UNCTAD could provide policy options derived from the experiences and best practices in the South for the benefit of other developing countries. It could also assist regional institutions and arrangements in achieving better coordination for implementation of the relevant policies.

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