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**UNCTAD-WIDE ACTIVITIES IN FAVOUR OF LEAST DEVELOPED  
COUNTRIES: THIRD PROGRESS REPORT**

Report by the UNCTAD secretariat

**Executive summary**

This report is a follow-up to the decision of the Trade and Development Board at its forty-ninth session requesting that the UNCTAD secretariat continue to report to the Board's regular sessions on UNCTAD's activities in favour of least developed countries (LDCs) in implementing the Programme of Action for LDCs for the current decade. The report provides member States with information on the scale and intensity of UNCTAD's activities in these countries. An attempt is made to provide indicative and preliminary lessons drawn from activities undertaken, including, wherever possible, an assessment of the results achieved. However, the report is not intended as an evaluation of the overall effectiveness and impact of activities undertaken by the secretariat. Of the lessons that can be derived from the report's findings, many are akin to those identified in the previous report (TD/B/49/6). The following are additional lessons: (1) Demand for UNCTAD's technical cooperation and capacity-building activities has increased steadily. (2) Projects, particularly those with longer time frames, have created committed and competent national counterparts that are willing to participate actively in the long-term implementation of projects. (3) Financial constraints at the domestic and international levels continue to undermine the sustainability and long-term impact of technical cooperation programmes. (4) Counterpart personnel in beneficiary countries have shown strong interest in acquiring new skills. (5) Close cooperation among counterpart institutions in beneficiary countries, donors providing financial support, and executing agencies guarantees speedy and successful implementation of a given activity.

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## INTRODUCTION

1. The UNCTAD secretariat submitted progress reports to the forty-eighth and forty-ninth sessions of the Trade and Development Board on the implementation of UNCTAD-wide activities in favour of the least developed countries (LDCs) (TD/B/48/16 and TD/B/49/6). The present report is prepared as a response and follow-up to the Board's decision<sup>1</sup> at its forty-ninth session.
2. Section III of the Programme of Action<sup>2</sup> for LDCs for the Decade 2001–2010 (PoA) provides a general framework for implementation of and follow-up to the PoA at the national, regional and global levels. An apparent impediment to implementation of the PoA is the lack of institutionalized and systematic exchange of information, at the various levels, on progress in implementing commitments and actions agreed on in Brussels. A strategy is urgently needed for enhancing information flow and exchanges of best practices among the LDCs, their development partners and the relevant organs and organizations of the UN system.
3. The UN General Assembly, the UN Economic and Social Council (ECOSOC) and the governing bodies of other organs and organizations of the UN system are assigned specific tasks related to follow-up, monitoring and reviewing of the implementation of Conference decisions. They oversee the coordinated follow-up to and reviews of the overall implementation of the PoA, as well as the recommendations and commitments of other global summits and conferences such as the UN Millennium Summit. This report, in addition to providing member States with relevant information on UNCTAD-wide activities in LDCs, is expected to serve as an input to the mandated reviews, in particular, by ECOSOC and the UN General Assembly.
4. On several occasions, member States have expressed an interest in seeing included in the progress report an assessment of “impacts and lessons learned” in undertaking specific activities. This requires extensive reviews and rigorous impact evaluation to obtain succinct and objective information on the outcome of a given operational activity. The Board, through the Working Party on the Medium-Term Plan and the Programme Budget, has debated several independent and internal reviews of selected technical cooperation and capacity-building programmes and projects of UNCTAD. In these reviews member States have been consistently appraised of the substantive results and achievements of technical cooperation programmes. Therefore, this progress report is not an evaluation report, and it is not intended to provide an assessment of the effectiveness and impact of activities undertaken by the secretariat in implementation of the PoA. Nevertheless, it highlights indicative and preliminary lessons drawn from activities undertaken and strives to assess, wherever possible, the results achieved.

### I. RESEARCH AND POLICY ANALYSIS

5. The secretariat's work in this area remains the organization's principal output, along with its deliberative, technical cooperation and capacity-building functions. UNCTAD's *2002 Least Developed Countries Report*, subtitled *Escaping the Poverty Trap*, provides useful insights on the extent, specificity and causes of poverty in these countries. The Board's first

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<sup>1</sup> Paragraph 2 of Agreed Conclusions 470(XLIX).

<sup>2</sup> Programme of Action for LDCs for the decade 2001–2010 (A/CONF.191/11).

executive session on LDCs, held from 2 to 4 December 2002 pursuant to the decision of the nineteenth special session,<sup>3</sup> discussed policy issues and conclusions covered in the Report.

6. The executive session included panel discussions addressing three main questions:
- Can current national and international policies meet the challenge of poverty reduction in the LDCs?
  - What improvements can be made to the substantive content of national poverty reduction strategies?
  - What key improvements can be made to international support measures for LDCs to ensure more effective poverty reduction?

The Board adopted agreed conclusions and a Chairperson's Summary, which will have implications for the analytical work of the secretariat and for policy-making processes at the national and global levels with regard to the LDCs. As part of its research and policy analysis work, the secretariat has also produced another report for consideration by the current session of the Board. This report, contained in document TD/B/50/5 and titled "Expected Impact of Recent Initiatives in Favour of LDCs in the Area of Preferential Market Access", is a response to the request by the forty-ninth session of the Board. The report addresses issues of significant policy relevance for LDCs and their trading partners in connection with the potential impact and effective benefits (see TD/B/49/7) of preferential market access granted to LDCs. UNCTAD has also made substantive contributions to the work of ECOSOC's Committee for Development Policy, especially on issues related to refining the methodology for inclusion in and graduation from the UN list of LDCs. Furthermore, the preparation of the 2004 *Least Developed Countries Report* has begun, and every effort is being made to publish the report before UNCTAD XI. The report is expected to shed further light on new trade and development strategies for poverty reduction in LDCs.

## II. TECHNICAL COOPERATION AND CAPACITY-BUILDING

### A. Investment and Enterprise Development

7. In this area, UNCTAD has been implementing a number of technical cooperation and capacity-building activities in several LDCs. These activities are designed to help LDCs create a conducive investment environment; improve their regulatory frameworks and investment regimes; promote private-sector development and entrepreneurship; and build institutional and human resources capabilities. The overall objective of these activities is to help LDCs attract and benefit from foreign direct investment (FDI) and build vibrant and competitive enterprise sectors. The main activities include Investment Policy Reviews; promoting good governance in investment; Investment Guides; strengthening public-private sector dialogue; establishing an Investment Advisory Council for LDCs; and promoting enterprise development through the EMPRETEC programme.

#### 1. Investment Policy Reviews, Investment Guides and training seminars

8. The Investment Policy Reviews (IPRs) remain an important source of comprehensive

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<sup>3</sup> The nineteenth special session of the TDB which took place in Bangkok in May-April 2002 decided that "Following the publication of the *Least Developed Countries Report*, an executive session of the Board on LDCs not exceeding three days will meet to discuss the report and other thematic and sectoral issues of interest to LDCs"

policy information on investment-related issues. These reviews help developing countries, especially LDCs, improve their investment frameworks and adapt to the changing policy environment at the national and international levels. They also aid participating countries in analysing technical, institutional and policy gaps existing in their economies. The IPRs of Tanzania and Lesotho were completed and presented to the UNCTAD Commission on Investment, Technology and Enterprise Development in June 2002 and April 2003, respectively. In addition, a follow-up programme for the IPR of Ethiopia, which was published in 2002, has been prepared and submitted to the Government of the Netherlands for possible funding. UNCTAD has followed up on a number of requests from LDC Governments to prepare new IPRs. Accordingly, new projects have been launched in Benin, Mauritania and Zambia, while project proposals for Senegal, Swaziland and Zambia are in the pipeline.

9. In parallel with the IPRs, UNCTAD in 2002 started a new project with the financial support of the Government of Sweden. Designed to support LDCs' efforts to promote good governance in investment promotion and facilitation, the project will also contribute to streamlining investment procedures and introducing transparent, client-oriented investment administration systems that will facilitate and encourage investment by both national and foreign companies in the countries concerned. The pilot phase includes five LDCs: Ethiopia, Lesotho, the Maldives, Mali and Tanzania. The first workshop on efficient and transparent investment promotion practices took place in Geneva in June 2002, and advisory missions were sent to Ethiopia (August 2002), Tanzania (November 2002) and Lesotho (May 2003). The Advisory Reports on Good Governance in Investment Promotion for Ethiopia and Tanzania were presented at the respective national workshops.

10. Several LDCs have also benefited from a project on Investment Guides. The Investment Guide for Mozambique, the last publication of the pilot phase, was issued in 2002. In the second phase, requests from seven LDCs have been received so far: Benin, Cambodia, Eritrea, Gambia, Guinea-Bissau, Mauritania and Nepal. Workshops in Cambodia and Nepal took place in early October 2002. The guide for Nepal was published in February of this year. In January, a mission to Eritrea was undertaken to start work on this country's Investment Guide, while an up-date of the Ethiopia guide is in progress and is scheduled to be completed by the end of 2003. In addition to the above core activities on investment, the secretariat organized a number of training seminars for LDCs on issues including the post-Doha work programme on investment, bilateral investment treaties, double taxation treaties and related investment issues.

## **2. Investment Advisory Council for LDCs**

11. After the first meeting of the UNCTAD/ICC Investment Advisory Council (IAC), which took place in Monterrey (Mexico) in March 2002, during the UN Conference on Finance for Development, a follow-up meeting was organized in Johannesburg (South Africa) in August 2002. The meeting provided an opportunity to review progress in the implementation of various projects agreed on at the Monterrey meeting. In parallel with the IAC meeting, UNCTAD and the International Chamber of Commerce (ICC) initiated a process (called the 5 + 5 Process) that brought together African business leaders and representatives of transnational corporations (TNCs) to discuss the overall investment climate in African countries, several of which are LDCs.

12. Furthermore, UNCTAD, together with the Global Compact and the UN Environment

Programme (UNEP), organized a high-level round table on “Sustainable Business Development in LDCs” in Johannesburg on 2 September 2002. Organized as a side event during the World Summit for Sustainable Development and chaired by the Secretary-General of the United Nations, the round table attracted a number of heads of States and ministers, business leaders and representatives of nongovernmental organizations (NGOs). At the round table, the President of France and the Prime Minister of the United Kingdom announced a joint pledge of €200 million intended to act as a guarantee for private investment in LDCs. Furthermore, at a meeting in London in October 2002, representatives from TNCs, NGOs and various UN agencies discussed rules of engagement for investment and how these could be implemented in selected LDCs. The overall objective of sustainable business development is to help LDCs attract more investments, and to increase business activities in the world’s poorest countries. It also demonstrates how such investments and commercial business activities can be more pro-poor and promote sustainable development by identifying, brokering and highlighting innovative sustainable business projects in these countries. In this context, country activities have started in Bangladesh and Ethiopia (see box 1 below).

### **3. Strengthening enterprises and technological capacity**

13. UNCTAD has developed a Linkages Promotion Programme designed to increase the competitiveness of women entrepreneurs in LDCs and prepare their enterprises to establish linkages with foreign affiliates. This plan also aims to support development of entrepreneurship and a vibrant domestic enterprise sector. A project for Ethiopia and Uganda (financially supported by the Government of Germany) was launched in August 2002. A number of training workshops on linkage competencies will be organized in Ethiopia and Uganda in July 2003 in cooperation with the Penang Skills Development Centre (Malaysia). As part of this initiative, UNCTAD, together with Enterprise Uganda and the Uganda Investment Authority, is planning to launch a business linkages promotion programme aimed at strengthening the ties between foreign affiliates in the country and local enterprises. The project for this programme has been submitted to the Government of Sweden for financing. Initial work has been undertaken to identify the needs of foreign affiliates in linkages with local enterprises in the country. In the area of enterprise development, an UNCTAD fact-finding mission went to Eritrea in July 2002 to explore the possibility of establishing an EMPRETEC programme for that country. Also, fundraising is underway to start an EMPRETEC programme in Portuguese-speaking LDCs of Africa.

### **Box 1**

#### **Assessments and lessons learned: Investment**

In the area of investment, a number of technical cooperation projects and programmes have been implemented in many LDCs. These activities are designed to contribute to national efforts aimed at creating a favorable policy environment, which will enable LDCs to attract FDI and benefit from it. Through various capacity-building programmes in this area, encouraging results were also achieved in forging partnerships between domestic and foreign enterprises and between the public and private sectors. UNCTAD also expanded its cooperation with private-sector entities such as the International Chamber of Commerce, Shell and Unilever and with a number of NGOs. Similarly, the training activities involving issues related to investment and investment negotiations are expected to help improve the capacity of beneficiary countries to understand and participate in debates on the international investment framework, including on key policy issues involving international investment agreements, bilateral investment treaties and double taxation treaties.

Further efforts are being made to promote sustainable business development (SBD) in LDCs with the objective of designing a joint strategy for making investment pro-poor. For instance, in Ethiopia a project established in cooperation with Shell has brought together different actors involved in exploring water supply, eco-tourism and solar projects. The water idea is furthest along and has generated interest from Shell, Thames Water, Care International, a local NGO coalition and the Government of Ethiopia. The Emerging Africa Infrastructure Fund is monitoring progress and giving advice, and the local office of the UN Development Programme (UNDP) Office is acting as a facilitator. In Bangladesh, an interesting project is underway for combining a water supply programme with a commercial urban waste recovery system for Dhaka. The first one is being executed in cooperation with an NGO called Water Aid and the second one with a national NGO called Waste Concern. In both cases the idea is to blend international skills and expertise with local initiatives and commitments.

Overall, LDCs are yet to reap benefits from investment flows, as their share of in global flows remain negligible owing to a number of internal and external factors. Nevertheless, for many countries in the group, FDI flows – especially in comparison with their public investment and their gross domestic product – have improved markedly over the years. UNCTAD's technical cooperation and capacity-building activities are meant to contribute to improving the perceived image of these countries as an investment location.

### **B. International Trade**

14. The secretariat's technical cooperation and capacity-building work on international trade and related issues covers the following areas: commodity diversification and commodity risk management; trade negotiations and commercial diplomacy; implementation of the Joint Integrated Technical Assistance Programme (JITAP) for selected LDCs and other African countries; market access; accession to the World Trade Organization (WTO); competition policy and consumer protection; and trade, environment and development.

#### **1. Commodity diversification and risk management**

15. UNCTAD's main activities in this area focus on capacity-building for diversification and commodity-based development, and on commodity risk management. Capacity-building assistance aims at promoting horizontal, vertical and geographical diversification of production and trade structures; improving Governments' capacities to formulate effective and sequenced policies in this area; increasing enterprises' competence in adapting their

business strategies and supplies to the post-Uruguay-Round trading framework; and strengthening positive linkages between the commodity sector and the rest of the economy. In 2002, a study was conducted and a national workshop was organized in Banjul (Gambia) on links between artisanal fisheries and world markets.

16. Further efforts are underway by the secretariat to improve the sustainability of cotton production and small-scale farmers' income in cotton-producing and -exporting countries of West and Central Africa. The project's design and development have been completed and necessary funding secured for its implementation. The International Cotton Advisory Committee and the Common Fund for Commodities are involved in the design, development and financing of the project, which will benefit cotton-producing and -exporting countries of Africa, namely Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Mali and Togo. The project, when implemented, is expected to contribute to improved production and supply of cotton and to the overall objective of poverty reduction in the countries involved. It will also assist all parties involved in making policy decisions based on sound knowledge about the interactions between increased cotton production, about marketing, and about environmental protection.

17. The secretariat has also developed a project on "Quality Assurance and Enhancing Export Competitiveness of Tropical Fruits in the African LDCs". The objective of the project is to strengthen the export capabilities of these countries through diversification into tropical fruits, and in the process, to improve the quality and quantity of their tropical fruit exports. Beneficiary countries will receive help in developing their export capacities so that they can better take advantage of trading opportunities for tropical fruits while building local capacities to meet international and other standards. The project will also contribute to LDCs' efforts to improve their competitive position by implementing horizontal and vertical diversification, including in local processing and packaging of tropical fruits, and by setting up demonstration centers. Currently joint efforts are being made to mobilize financial resources for the implementation of the project.

18. In the area of commodity risk management, finance and energy the aim is to improve the use of modern marketing, risk management and financing approaches in commodity production and trade. This permits significant cost savings and enables Governments, parastatals and private-sector entities to plan and manage more efficiently. In 2002 and 2003, the main activity in this area was the organization of the Sixth and Seventh African Oil and Gas Trade and Finance Conferences, which were held in Yaoundé (Cameroon) from 24 to 27 September 2002 and in Luanda (Angola) from 20 to 23 May 2003, respectively. The Sixth Conference attracted some 650 participants from over 40 countries, mostly high-level decision makers from the African oil and finance sectors (including 18 government ministers and presidential advisors and some 70 company presidents, CEOs and the like). Participation increased with the Seventh Conference, which also discussed issues such as managing oil price risk in a time of volatile oil prices and helping Africa capture more value added from its own oil industry. UNCTAD's contributions to the conference included a presentation on issues related to market-based solutions to the price volatility problem. Box 2 presents an assessment of lessons learned in the area of commodities.



**Box 2**  
**Assessment and lessons learned: Commodities**

LDCs continue to depend heavily on one or two commodities for their export earnings and for a large part of their economic activity. Capacity-building for diversification and commodity-based development, as well as commodity risk management, are key areas for the work of the secretariat. UNCTAD's capacity-building assistance aims to promote the horizontal, vertical and geographical diversification of production and trade structures. This relates to work on cotton, fisheries and exports of tropical fruits from LDCs. Preparation of a cotton project is finalized, funding mobilized and implementation will start soon. For exports of tropical fruits, the project design has been finalized and resource mobilization is underway. A workshop on fisheries has been organized on the basis of a study conducted by the secretariat. The effectiveness of this workshop largely depends on the implementation, by Governments and enterprises, of the recommendations made at the workshop and on application of the training that was provided. Nevertheless, the experiences gained from the project illustrate the diversity of problems faced by the LDCs' commodity sectors, ranging from insufficient transport infrastructure, which hampers exports of perishable products, to the difficulties of conforming to importing countries' standards and regulations. Common to all LDCs are problems of under-investment, linked to declining real prices, and insufficient capacity to meet the requirements of world markets, which, particularly for food products, are increasingly dominated by large supermarket chains with very stringent requirements regarding quality and timeliness of delivery.

The Sixth and Seventh African Oil Conferences and related activities in the field of commodity risk management also contributed to a better understanding of modern financial techniques relevant for the commodity sector, in particular for private-sector decision makers. Activities related to the Conferences are particularly important to LDCs, since several of them depend heavily on oil exports while for many others oil imports constitute the bulk of their imports. Accordingly, techniques for managing price risks are of major importance to oil exporters and importers and can result in considerable savings if effectively applied.

**2. Trade negotiations and commercial diplomacy**

***Trade negotiations***

19. The launching of the Doha Work Programme at the Fourth WTO Ministerial Conference in November 2001 increased the demands for technical assistance and capacity-building from developing countries, LDCs and economies in transition. Requests for technical assistance relate to the Doha Development Agenda as well as to other broader multilateral and regional trade agendas that have implications for these countries' development strategies. The technical assistance provided so far and developing countries' increasing requests for assistance highlighted two priorities: (1) immediate support for negotiating capacity regarding the Doha mandates with a view to improving their capacity to formulate and articulate national or regional positions; and (2) the long-term needs related to capacity-building required to realign and harmonize the various negotiating processes with overall trade and development policies.

20. As the negotiations progress and become more focused and technically sophisticated, the secretariat is receiving increasing requests from beneficiary countries for *ad hoc* advice and training. These needs are both from Geneva-based missions and from country capitals. Generally requests from capitals are for advisory support, training and capacity-building in

connection with the Doha agenda, especially for articulation of the WTO negotiations with regional and bilateral trade processes. The Geneva-based requests are increasingly aimed at matching the pace of the WTO meetings, with a very strong focus on specific agricultural, services and market access issues. Moreover, there has been a significant increase in demand from non-governmental entities of developing countries and LDCs, including from the academic community, for training and capacity-building on issues related to trade negotiations and the multilateral trading system.

### ***Second LDC Trade Ministers' Meeting (Dhaka)***

21. One of the secretariat's major undertakings in the area of trade negotiations relates to the Second LDC Trade Ministers' Meeting, which took place in Dhaka (Bangladesh) from 31 May to 2 June of this year. At the request of the Government of Bangladesh, UNCTAD provided substantive and technical support to the meeting. The background note prepared by the UNCTAD secretariat, "Developments on Key Issues in the Doha Work Programme", was considered a major contribution to facilitate the deliberations by ministers and senior officials.

22. The meeting had three major objectives: (1) to take stock of progress in the post-Doha work programme and make a realistic assessment of where they stand now in terms of articulating their development concerns and interests; (2) to formulate and harmonize common negotiating positions, which would help the countries take collective decisions in Cancún and beyond on issues of interest to them; and (3) to provide political guidance for LDCs' trade negotiators in their day-to-day negotiations. Thirty-nine LDCs were represented at the meeting, 24 of them by ministers. This high attendance indicates the importance these countries attach to the WTO trade agenda and its impact on their economic future.

23. Ministers adopted the Dhaka Declaration, which has two parts. Part 1 contains the political statement highlighting LDCs' concerns, and Part 2 contains 76 negotiating proposals covering all the issues on the Doha Development Agenda essentially addressing these concerns. The political declaration and proposals call for, *inter alia*, devising compensatory mechanisms to fully address the erosion of preference margins resulting from most-favoured-nation liberalization; binding commitments on duty-free and quota-free markets for all products of LDCs on a secure, long-term and predictable basis; resolving all implementation-related issues and concerns; unrestricted access for the temporary movement of natural persons, particularly unskilled and semi-skilled service providers; allowing LDCs flexibility in undertaking commitments and obligations consistent with their individual development and financial and trade needs; increasing substantially technical and financial assistance to LDCs; and ensuring policy coherence between the Bretton Woods institutions and the WTO.

### ***Commercial Diplomacy Programme***

24. Several commercial diplomacy training courses were organized for officials from Burundi, Haiti and Zambia in 2002 and 2003. The Democratic Republic of the Congo was assisted by UNCTAD, with the support of UNDP, in reviewing its trade policies and regulations, with a view to identifying areas requiring revision, updating and modifications in order to meet national development objectives. Also, LDCs acceding to the WTO, such as Bhutan, Cape Verde, Ethiopia and Viet Nam, benefited from short commercial diplomacy seminars. In supporting acceding countries, due emphasis is also given to long-term development concerns and the need to substantially improve the countries' human and institutional capacities to enable them to integrate beneficially into the multilateral trading system.

25. The secretariat has greatly intensified its activities with regard to accession, particularly by implementing two umbrella projects: the UNCTAD Trust Fund Project for WTO Accessions for 2000–2002, which is financed by the Government of the United Kingdom (Department for International Development, or DFID); and the project on “Enhancing the capacity of developing countries and countries with economies in transition for effective integration in the multilateral trading system”, which is funded from resources under section 33 of the UN development account for the 2000–2003 biennium.

26. Moreover, UNCTAD implemented a project to assist a group of small island developing states (SIDS), in light of ongoing WTO negotiations on agriculture. Financed by the Government of Japan, the project involved analyzing how “small-islandness” influences a SIDS’s capacity to benefit from multilateral agricultural liberalization, and identifying policy options that would allow SIDS, along with other developing countries, to benefit from ongoing agricultural liberalization. Five studies were undertaken: one diagnostic study and four case studies covering the Indian Ocean islands, the Pacific islands, the Windward Islands and Barbados. The studies’ findings were discussed at a forum on Small Island Developing States and Agricultural Trade Liberalization held in Geneva on 7 November 2002. The outcome of the forum and the findings of the studies are expected to contribute to the effective participation of SIDS in WTO negotiations. Advisory support was also provided to Samoa, in collaboration with UNDP, in establishing and implementing a facility to help domestic industries with potential competitive advantage to develop export potential.

### **3. Joint ITC/UNCTAD/WTO Integrated Technical Assistance Programme to Selected Least Developed and Other African Countries**

27. The first phase of the Joint Integrated Technical Assistance Programme to Selected Least Developed and Other African Countries (JITAP) was concluded in December 2002. Benin, Burkina Faso, Uganda, the United Republic of Tanzania, and some non-LDC- African countries (Côte d’Ivoire, Ghana, Kenya and Tunisia) benefited from the programme. The evaluation of the programme indicates that JITAP achieved its objectives. Its successes included, *inter alia*, the development, establishment and operationalization of:

- interinstitutional committees that would act as advisory bodies to beneficiary country Governments on issues related to trade policy and WTO negotiations
- multilateral trading system (MTS) reference centres, including at the African Union, giving officials, business communities, and academia access to authentic information on the MTS
- National Enquiry Points (NEPs)
- export sector strategies for priority sectors

A second phase of JITAP was launched in January 2003 for four years (up to 2006) for eight new countries, including six LDCs (Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia) and two others (Botswana and Cameroon). This phase will address beneficiary countries’ capacity in the following areas: trade negotiations, implementation of WTO Agreements and formulation of related trade policy, the national knowledge base on MTS, and the supply capacity and market knowledge of exporting and export-ready enterprises. Additional information on UNCTAD’s contribution to the Integrated Framework will be made available to the Board as a conference room paper.

#### **4. Competition law and policy and consumer protection**

28. In this area a number of important activities have been implemented at the national, subregional and regional levels. At the national level, in 2002, technical assistance was provided to Burkina Faso, the Central African Republic, the Lao People's Democratic Republic, Lesotho, Madagascar, Mauritania, Senegal and Zambia. At the regional and subregional levels, UNCTAD organized a number of conferences, seminars and workshops in this area. These activities contributed to capacity-building and to strengthening bilateral and multilateral cooperation among countries of the regions and relevant international organizations. Member countries of the Common Market for Eastern and Southern Africa (COMESA) and the West African Economic and Monetary Union (UEMOA), including LDCs, have benefited from these activities. Similarly, within the framework of the TrainForTrade project, a regional seminar on the application of competition legislation was held in March 2002 in Ouagadougou (Burkina Faso) for high-level officials and competition experts from Benin, Burkina Faso and Mali.

#### **5. Trade, environment and development**

29. On trade, environment and development, UNCTAD, with the financial support of the UK DFID, designed a project for "Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues". The project's goal is to help selected developing countries and LDCs build national and regional capacities to support their participation in the WTO post-Doha work programme, and to assist them in dealing with key trade, environment and development issues. The project involves countries in three regions: Africa (Ethiopia, Kenya, Mozambique, Uganda and the United Republic of Tanzania), Central America (Costa Rica, Cuba, the Dominican Republic, Guatemala, Honduras, Nicaragua and Panama) and South-East Asia (Bangladesh, Cambodia, China, the Philippines, Thailand and Viet Nam). A planning phase was completed in December 2002, and participating countries have identified priority issues of interest to them. All three regions attached high priority to issues related to environmental requirements and market access, genetic resources and the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), and environmental goods and services. In addition, the UNEP-UNCTAD Capacity-Building Task Force on Trade, Environment and Development, which was strengthened at the WSSD, has a special component for LDCs. Its implementation will address the interests of beneficiary countries in such areas as market access, biodiversity and trading opportunities for environmentally preferable products. Box 3 presents an assessment of the lessons learned in the area of international trade and related issues.

### Box 3

#### Assessment and lessons learned: International trade and related issues

Assistance to LDCs in the area of trade negotiations and commercial diplomacy is aimed at enhancing their understanding of the ongoing Doha negotiations from the point of view of the developmental implications of the MTS. The secretariat's other major concern is how best to integrate the LDCs into the MTS and the global economy. Accession-related capacity-building activities remain critical for LDCs that are in the process of acceding to the WTO. These activities, in addition to building technical, institutional and human resources capacities, also help clarify the research and training needs of these countries in the post-accession phase.

Overall, the support provided to LDCs in the area of trade negotiations and commercial diplomacy has increased their awareness of multilateral and regional trade agreements and negotiations (in country capitals and in Geneva) and has enabled them to play a more active role in trade policy formulation and in international trade negotiations, including WTO accession negotiations. These have helped increase the number of experts on international trade issues in LDCs, and to develop institutional capacity for trade negotiations. At the Second LDC Trade Ministers' Meeting in Dhaka (Bangladesh) there was evidence of significant improvement in LDC participants' understanding of complex trade issues and in their ability to articulate their priorities and concerns. This has important implications not only for ensuring LDCs' ownership and leadership of the negotiation process but also for formation of an LDC negotiating block in the WTO. Many participants in their formal statements attributed LDCs' improved understanding of trade issues and their ability to articulate their interests and development concerns to the capacity-building efforts of the UNCTAD secretariat.

The evaluation of the JITAP programme stressed that the objectives of the programme had been fully met for countries in the first phase. In addition to the achievements highlighted in the report, through JITAP, essential training materials pertaining to MTS were developed and disseminated, and several trainers were trained. The launch of the second phase and the expansion of the programme to include eight new countries from the region, including six LDCs, is an important step in the right direction. Also, training and capacity-building activities at the national, subregional and regional levels on issues related to competition policy and consumer protection as well as on environment, trade and development have contributed to institution building and human resources development in LDCs. They have also contributed to awareness creation through the dissemination of information that will assist LDCs in policy design and implementation in these fields.

#### C. Services Infrastructure for Development and Trade Efficiency

30. In the area of services infrastructure for development and trade efficiency, the secretariat's activities have focused mainly on customs modernization, trade facilitation and transport improvement, trade point development, e-commerce and human resources development.

##### 1. Customs modernization

31. In the past several years, many LDCs have benefited from the implementation of the Automated System for Customs Data (ASYCUDA). Most of UNCTAD's recent activities in the area of customs modernization are related to the implementation of projects for migration to ASYCUDA++ in several LDCs. In 2002, new ASYCUDA projects were signed and started

in Benin, Burkina Faso, Cape Verde, Mali, Mauritania, Niger, Togo, Uganda and Zambia. Most of these projects are directly financed by LDC- Governments from the national budget. Exceptions are the projects in Cape Verde (financed by the Government of Luxembourg) and Niger (financed by the World Bank).

## **2. Trade facilitation and transport improvement**

32. In April of this year the secretariat developed a new technical assistance project, to be financed by the Government of Norway, that would help LDCs assess their own needs and priorities in the areas of transport and trade facilitation. The project is expected to help LDCs identify obstacles to trade and transport and formulate actions and strategies for resolving these problems. This in turn will improve their technical and institutional capacity to tackle trade and transport facilitation problems.

33. As a contribution to trade facilitation and transport improvement, UNCTAD continues to assist LDCs through the provision and installation of the Advance Cargo Information System (ACIS), which tracks cargo and transport equipment for all modes and provides reliable, up-to-date statistics and other information. An independent evaluation of ACIS in June 2002 focused on the implementation of ACIS for five railways in Eastern Africa: Kenya, Tanzania (two railways), Uganda and Zambia. The evaluation highlights major success areas (see box 4 below). Furthermore, a Memorandum of Understanding was signed in May 2002 between the Government of Thailand and UNCTAD with the objective "to cooperate to implement the Advance Cargo Information System (ACIS) at the national and, subsequently, at sub-regional levels". As a result of this agreement Cambodia, the Lao People's Democratic Republic and Myanmar could benefit from ACIS in the near future.

## **3. Trade Point Programme**

34. When in November 2002 UNCTAD transferred ownership of the Trade Point Programme to the World Trade Point Federation (WTPF), an international non-governmental organization representing the Programme's beneficiaries, member states emphasized the need for continued UNCTAD support to the secretariat of the WTPF and to capacity-building for Trade Points.

35. Assistance provided to LDCs through the Trade Point Programme is aimed at strengthening Trade Points at the policy level, building public- and private-sector partnerships for Trade Point development, and creating awareness of Trade Points' activities among the business community. In October 2002 Trade Point Ouagadougou (in Burkina Faso) benefited from this assistance, including from assistance for the creation of a second Trade Point in Bobo-Dioulasso. Efforts are also under way to establish a Trade Point in Maputo (Mozambique) under a technical cooperation project funded by the World Bank.

36. Enhanced UNCTAD support was also provided to LDCs in Asia. A fact-finding Trade Point mission to Bhutan was organized in September 2002 in the framework of the project "Narrowing the Digital Divide for SMEs in International Trade and Electronic Commerce", which was financed by the Government of Japan through the UN Office for Project Services. The purpose was to explore the possibility of establishing a Trade Point in the country. Moreover, UNCTAD developed a project for Bhutan and Cambodia that attracted the interest of the Government of Japan, which agreed to fund capacity-building for trade support institutions in these two countries.

#### **4. Human resources development**

37. UNCTAD's TrainForTrade programme is designed to strengthen training capacities in beneficiary countries in the fields of international trade, investment and port management. At the sub-regional level, within the framework of a project for "Building training capacities in Benin, Burkina Faso and Mali in the field of international trade", several training workshops were organized in Bamako (Mali), Cotonou (Benin) and Ouagadougou (Burkina Faso). Financed by the Government of France, the project addressed key issues including implementation of a competition law and policy, multimodal transport, and trade and environment. In early 2003, at the donor's request, the project was evaluated in order to consider its relevance, coherence, efficiency, impact and sustainability. The strategy was found relevant to the needs of the beneficiaries, and achievements were deemed satisfactory both in qualitative and quantitative terms. The extension of project activities to African subregional economic groupings such as ECOWAS, UEMOA and CEMAC (the Economic and Monetary Community of Central Africa) was recommended by the evaluation as a means to support regional integration.

38. Several distance-learning courses have been organized via a new project, funded by Belgium, for "Capacity-building on selected economic issues in distance learning". This past March, a regional distance-learning validation seminar was organized in Pretoria (South Africa) to validate the distance-learning training material on "Scope and definition of the international investment agreement" for English-speaking African countries. Participants from Ethiopia, Gambia, Lesotho, Mozambique, Sudan, the United Republic of Tanzania, Uganda and Zambia attended the workshop. Training activities have also been extended to Asian countries, and a new project funded by the Government of France has been launched for the "Implementation of training capacities in Laos and Cambodia". The project strategy covers training delivery through both traditional and distance-learning techniques, train-the-trainers seminars, and networking between educational institutions in countries covered by the project.

#### **5. E-commerce**

39. As a follow-up to the UNCTAD initiative on e-tourism launched during the Third UN Conference on LDCs, and following a request from the Government of Mauritania, a project on e-tourism was prepared in 2002 for submission to donors. In October 2002, an UNCTAD mission was sent to Bangladesh to advise on policy issues related to the use and deployment of open-source and free software. In November 2002, UNCTAD, in collaboration with the UN Economic and Social Commission for Asia and the Pacific, organized a regional conference on e-strategies and development in which Afghanistan, Bangladesh, Cambodia, the Lao People's Democratic Republic, the Maldives, Myanmar, Nepal and Samoa participated. In April 2003 the UNCTAD secretariat's E-Commerce Branch, in collaboration with the TrainForTrade programme, fielded a mission to Cambodia to conduct and validate a course on the Legal Aspects of Electronic Commerce.

#### **D. Debts and Debt Management**

40. In 2002 and the first quarter of 2003, 14 countries, including nine LDCs, concluded new agreements on the rescheduling or restructuring of their debts with Paris Club creditors. Burkina Faso, Mauritania and the United Republic of Tanzania (in 2002) and Mali (in 2003),

having reached their completion points under the World Bank's Heavily Indebted Poor Countries Debt Relief (HIPC) Initiative, obtained debt stock reduction measures to reach agreed debt sustainability targets. Four other LDCs in the HIPC category (Ethiopia, Rwanda, Sierra Leone and Zambia), having reached their HIPC decision points, obtained rescheduling on Cologne terms (i.e. 90 per cent debt service reduction in present value terms). The Democratic Republic of the Congo secured Naples terms relief involving a 67 per cent debt service reduction in present value terms pending achievement of the HIPC decision point. UNCTAD provides assistance to help debtor countries obtain optimal debt relief in the context of overall assistance in strengthening debt management capacities. The Debt Management and Financial Analysis System (DMFAS) Programme has continued to strengthen the LDCs' debt management capabilities. By the end of 2002, 19 of these countries were using the Programme's computerized debt management system and benefiting from its capacity-building activities in the area of debt management. These countries were Angola, Bangladesh, Burkina Faso, Burundi, the Central African Republic, Chad, Djibouti, Guinea-Bissau, Haiti, Madagascar, Mauritania, Rwanda, Sao Tome and Principe, Senegal, Sudan, Togo, Uganda, Yemen and Zambia.

#### **Box 4**

##### **Assessment and lessons learned:**

##### **Trade facilitation human resources development and debt management**

Various countries have benefited from technical cooperation and capacity-building activities in areas such as customs modernization, trade facilitation and transport improvement, human resources development, the Trade Point programme and debt management. An independent evaluation in June 2002 of ACIS programme implementation (the details of which appear in paragraph 33 above) indicated that the programme was successful. The main successes identified related to the total savings in wagon hire charges – about US\$6.4 million yearly. The potential additional revenue resulting from the increased carrying capacity totalled US\$20 million a year for the region's five railways. Similarly, a subregional project in the area of human resources development was evaluated in early 2003 at the request of the donor, the Government of France. The project for "Building training capacities in Benin, Burkina Faso and Mali in the field of international trade" was evaluated in order to consider its relevance, coherence, efficiency, impact and sustainability. On a scale of 1 to 4, the project was rated 1 (the top rating) for relevance and coherence and 2 (good) for effectiveness and efficiency, and for impact and sustainability. None of the parameters identified for evaluation received ratings of 3 or 4 (which would have indicated, respectively, problems and serious deficiencies in the project).

In 2002 a number of new projects were signed and started in many LDCs. Most of these projects are financed by LDC- Governments themselves from the national budget. (A project in Cape Verde is financed by the Government of Luxembourg, and a project in Niger is financed by the World Bank.) In the area of debt management, a number of LDCs benefited from UNCTAD's assistance in areas such as preparing their negotiations in the Paris Club. In 2002 and 2003, 14 countries concluded new agreements on the rescheduling or restructuring of their debts with Paris Club creditors. Nine of these countries were LDCs. Also, the DMFAS Programme has continued to strengthen the debt management capabilities of the LDCs. Most of the countries covered by the project are using the programme's computerized debt management system and benefiting from the capacity-building activities in the area of debt management.



### **E. International Ministerial Conference on Landlocked and Transit Developing Countries**

41. In preparation for the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, which was held in Kazakhstan in August of this year, UNCTAD organized a subregional meeting in Vientiane (Lao People's Democratic Republic) from 15 to 16 January. This was the Second Specific Consultative Meeting on Transit Transport Systems of the Lao People's Democratic Republic, which also served as part of the preparatory process for the Ministerial Conference. The secretariat also prepared six technical papers reviewing current transit transport programmes at the national, subregional and regional levels as part of its contribution to the conference. These background documents assess the problems related to the implementation of the various programmes, particularly the Global Framework for Transit Transport, and highlight areas requiring priority action by the international community and by the countries concerned. The Secretary-General of UNCTAD submitted a report titled "Challenges and Opportunities for Improving the Transit Systems and Economic Development of Landlocked and Transit Developing Countries" to the First Preparatory Committee. This report served as one of the substantive documents for the deliberations of the Preparatory Committee and proposed a three-pronged approach to tackle the transit problems of landlocked developing countries (LLDCs): development of adequate national transport networks and efficient transit systems; regional integration in order to attract FDI on a subregional basis; and, for LLDCs in particular, efforts to attract FDI for the purpose of promoting industries and activities that are not sensitive to distance.

### **III. CONCLUSIONS AND LESSONS LEARNED**

42. UNCTAD's support in favour of LDCs, LLDCs and SIDS was in line with its mandates and competence as contained particularly in the Bangkok Plan of Action, the Programme of Action for LDCs for the current decade, the Barbados Plan of Action for the sustainable development of SIDS, and various General Assembly resolutions. All the technical cooperation activities undertaken by the secretariat in these countries were demand-driven, as beneficiary countries play an important role not only in initiating but also in designing specific technical cooperation projects and programmes. Overall, the secretariat's activities show the intensity of UNCTAD's involvement in supporting LDCs, LLDCs and SIDS in their efforts to improve their institutional and technical capacities as well as their human resources development in areas falling within UNCTAD's mandate and competence.

43. Although it is too early to provide objective and succinct information on the substantive impact of the activities highlighted in this report, one can safely conclude that they can contribute to the institutional and technical capacity-building as well as human resources development efforts of the countries concerned. Therefore, as was indicated at the outset, this progress report should be viewed only as an input for the mandated reviews of the progress of implementation of the various actions and commitments agreed at the global level. The successful implementation of many of the projects and programmes highlighted in the report is a confluence of a number of factors. These include:

- the increasing interest and involvement of beneficiary countries in the initiation, design and execution of projects and programmes delivered by the secretariat;

- the generous financial contributions by donor countries, particularly Belgium, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom to the UNCTAD trust funds for technical cooperation. The challenge for the secretariat now is to cope with increasing requests from beneficiary countries on the one hand and the urgent need for regular replenishment of the LDC-Trust Fund on the other;
- the need for more determined efforts on the part of the secretariat to integrate its analytical and research output with the technical cooperation and capacity-building activities.

44. A number of important lessons can be drawn from the implementation of the secretariat's various activities. These include the following:

- There is increasing demand from developing countries, particularly LDCs, for technical cooperation and capacity-building help from UNCTAD.
- Many projects, particularly those with longer time spans, have created committed and competent national counterparts that are willing to be involved in long-term implementation.
- Generally, financial constraints at the domestic and international levels continue to undermine the sustainability and long-term impact of technical cooperation programmes. In certain cases and especially in most LDCs, government salaries do not enable project counterparts to earn a living by doing just their regular jobs. This complicates the implementation of several projects that do not come with funding for counterpart salaries in the short run. It also makes it very difficult to sustain the projects beyond the implementation period
- People are ready and eager to acquire new skills, and future projects should provide them with this possibility on a longer-term basis. This raises the need for a predictable source of funding for technical cooperation and capacity-building activities in LDCs on the one hand, and the possibility of developing multi-year programmes in specific areas on the other. This will ensure the continuity and sustainability of human resources development and institution building in LDCs.
- Where there are concerted efforts and close cooperation among counterpart institutions in beneficiary countries, donors providing financial support, and executing agencies, the implementation of projects and programmes is expeditious and the results are more effective.