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DRAFT REPORT OF THE SESSIONAL COMMITTEE I

Rapporteur: Mr. Patrick KRAPPIE (South Africa)

Speakers:

Secretary-General of UNCTAD	Russian Federation
Head of Special Programme for LDCs, LLDCs and SIDS	Japan
Thailand for the G77 and China	Afghanistan
Benin for the LDCs	Italy for the EU and acceding countries
Oman for the Asian Group and China	Nepal
Zimbabwe for the African Group	Ethiopia
Haiti for GRULAC	Mauritania
Bangladesh	Zambia
China	Norway
United States of America	Uganda

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 **Wednesday, 22 October 2003** at the latest, to:

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

1. The **Secretary-General of UNCTAD** said that the evolution of the group of least developed countries (LDCs) and the institutional trajectory of UNCTAD had been closely intertwined since the early 1970s, when the General Assembly had decided to create the category. Currently the central focus of UNCTAD's work with regard to these countries was on how best to contribute to the substantive and technical implementation of the Brussels Programme of Action (PoA) for these countries for the decade 2001–2010, an issue that would receive due consideration, particularly in the context of the preparatory process for UNCTAD XI and during the conference itself in Brazil next year. A challenging aspect of the preparations for UNCTAD XI was the increasing prominence of the complex relationship between global processes and national development strategies and the question of how trade could contribute to the global goal of poverty reduction. With regard to the goals of reducing extreme poverty by half by 2015 and, more importantly, attaining the Millennium Development Goals (MDG), he noted the difficulties facing developing countries given that a substantial proportion of their population lived in extreme poverty. The situation was even more alarming in LDCs, where the absolute majority of the population lived on a dollar a day or less.

2. A central aspect of the current development challenge was how to create the conditions for long-term growth and development in the world's poorest countries which, in turn raised questions about the mix of policies and strategies required to attain these development objectives. An increase of poverty in these countries was typically associated with a confluence of factors such as conflict and political strife (which affected a number of LDCs), slow or erratic growth rates, declining or volatile export revenues, declining import capacities, unpredictable or insufficient external resource flows and unsustainable levels of external indebtedness. The combination of these factors characterized the poverty trap in which the LDCs were caught. For the LDCs to make progress in reducing poverty, it was essential that this poverty trap be eliminated. Trade was an important means to that end, and preferential market access initiatives were steps in the right direction. For this reason UNCTAD had been focusing increasingly on identifying ways and means of enhancing the developmental impact of preferential market access initiatives in favour of LDCs.

3. Lesotho and Madagascar were successful examples of how market access preferences could help reduce poverty in LDCs. Nevertheless, the following important considerations needed to be taken into account. First, market access preferences had not automatically led to rising incomes and falling poverty rates in the majority of countries benefiting from preferences. Second, even where market access preferences had had positive effects, it was not clear whether the effects would be sustainable when market access preferences were eroded. Third, in order to make trade work for poverty reduction, it was important to make market access preferences work for trade. While market access preferences had helped to reduce or even eliminate many tariff barriers to trade, they had not yet done away with many non-tariff barriers, such as stringent sanitary and phytosanitary standards and complex rules of origin. Moreover, some subsidies by developed countries could inhibit the ability of LDCs

to access the markets of their development partners. In closing, he mentioned the support and contributions provided by UNCTAD to landlocked developing countries (LLDCs) and small island developing states (SIDS) to address their respective geographical handicaps.

4. The **Head of the Special Programme on LDCs, LLDCs and SIDS** reiterated UNCTAD's commitment to pursuing and expanding analysis of the effective benefits derived from LDC status, with a view to enhancing the usefulness of international support measures in favour of these countries. He stressed the importance of the relationship between market access preferences and structural transformation, an important aspect of which related to poverty reduction. While market access could play a crucial role in attracting investors and contributing to job creation and income generation, other modalities of special treatment were equally important, especially in the areas of development financing and technical assistance. Human resource development and infrastructure development were key conditions for creating an environment conducive to investment and structural progress. Without the necessary external financial support, trade preferences might often remain of limited use, considering the common weaknesses of LDCs in the development of their human capital and the great limitations in their ability to generate sufficient domestic resources to fund public-sector investment programmes.

5. He justified UNCTAD's efforts to demonstrate, through analytical work, that the impact of trade preferences would be greatly enhanced if the special treatment granted by virtue of LDC status were extended beyond mere market access initiatives. This would enable LDCs to enjoy specific development support (e.g. financing, technical assistance) in a more meaningful manner, thus making market access concessions more effective.

6. Finally, he touched on the issue of the most desirable framework for the differentiated treatment of developing countries in general, and the implications of this issue for LDCs in particular. While reiterating UNCTAD's commitment to support special treatment for LDCs, he stressed the organization's desire to promote a climate of international consensus for a fair differentiation in the special treatment of developing countries. It was important to encourage modalities for South-South cooperation that would be conducive to a convergence of socio-economic interests between LDCs and more advanced developing countries. Such cooperation could not be confined to trade-related arrangements. It should also involve complementary supply capacity development efforts among neighbouring countries, as well as joint marketing efforts in various areas of goods and services exports, and cooperation between land-locked countries and their transit neighbours.

7. The representative of **Thailand**, speaking on behalf of the **Group of 77** and **China**, referring to the report on UNCTAD-wide activities in favour of LDCs, welcomed the increased level and intensity of UNCTAD's activities to help LDCs build their institutional, technological and human resources capacities. These contributions were needed because developing countries, especially LDCs, were not equipped to withstand external shocks and imbalances. She commended the secretariat for including in its report (TD/B/50/3) a section on assessment and practical lessons drawn from each programme. Not only would this enable LDCs and their development partners to draw on valuable first-hand experiences regarding

the difficulties that countries faced at the local level, it would also make possible the design and implementation of more effective future technical cooperation activities.

8. The demand-driven nature of UNCTAD's support in favour of LDCs was not in line with a "one-size-fits-all" formula, and beneficiary countries could also play an important role. She highlighted the secretariat's efforts to integrate its analytical and research output with its technical cooperation and capacity-building activities. She recognized the increased level of cooperation and coordination within UNCTAD, including in the implementation of the Integrated Framework (IF). She urged the secretariat to develop multi-year and multi-beneficiary technical cooperation and capacity-building activities, which would help to enhance the viability and sustainability of many programmes, and requested donor countries to increase their financial contributions to UNCTAD's Trust Fund for LDCs.

9. Calling the analysis of market access initiatives in favour of LDCs timely and pertinent, she asked that the background report include a discussion of how some preferential market access schemes could help poor countries to make progress in the fight against poverty. She said that, despite increased market access initiatives and commitments in favour of LDCs, their combined share in world trade and investment had shown no improvement, and the prevalence of extreme poverty in LDCs continued to pose serious global challenges. That the benefits of market access preferences without sufficient product coverage could be limited. There was an urgent need for more effective and comprehensive international collaboration to assist LDCs, one that involved enhancing their productive capacities and creating a favourable global system.

10. The ability of international trade to act as an engine of growth and poverty reduction was being short-circuited in many LDCs by falling and unstable world commodity prices. She highlighted the problems of LDCs' dependence on one or few commodities, the declining or sluggish international markets, low productivity, low value added, supply constraints and a weak competitive commodity sector. Referring to The Least Developed Countries Report 2002, she cited the example of coffee to demonstrate that producer countries did not participate in the value-added supply chain.

11. She concluded by stressing the importance of giving the issue of trade and poverty an appropriate place in the run-up to UNCTAD XI and at the conference. Her group appreciated the fact that the Secretary-General had adequately emphasized the importance of this issue in the context of the preparations for UNCTAD XI.

12. The representative of **Benin**, speaking on behalf of the **least developed countries** (LDCs), commended UNCTAD for its actions in areas such as capacity building and the promotion of LDCs' integration into the international trading system. Considering the level of human and financial resources available to UNCTAD, these qualitative actions were highly appreciated. To address the increasing needs of LDCs and achieving a number of specific goals, he invited donors to increase and diversify their multi-form support measures to LDCs in order to contribute to poverty reduction and development in these countries.

13. Referring to the secretariat's analysis, he said that in LDCs utilization rates for the Quad countries' preferential schemes were very low or in some cases null because the uncertain status of these preferences, the existing rules of origin and non-tariff barriers, the agricultural export subsidies in developed countries and the weak supply capacity of LDCs. All measures required to permit LDCs to effectively benefit from preferential market access initiatives should be implemented. Such results could not be achieved without undertaking complementary measures such as national-level information campaigns, official development assistance (ODA) to strengthen and diversify productive and export capacities, diversification of the directions of LDC markets, and implementation of realistic rules of origin.

14. He recalled the imperative need for developed countries to progressively eliminate all production and export support measures that annihilated LDCs' efforts to participate in the international trading system, irrespective of the level of their comparative advantage in exporting given products.

15. The representative of **Oman**, speaking on behalf of the **Asian Group** and **China**, said that the preliminary assessment of practical lessons drawn from a wide range of activities as reflected in the secretariat's report (TD/B/50/3) was cause for more optimism. She stressed the need for systematic exchange of information about progress in implementing the PoA at the national, regional and global levels. Such exchange should provide a global picture of not only what had happened in the LDCs but also progress in the realization of the commitments and objectives of the PoA by all stakeholders. A strategy was 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. Her group was encouraged to note from the report that several of UNCTAD's activities in the areas of investment and enterprise development, international trade negotiations and commercial diplomacy, and services infrastructure for the development of trade efficiency had contributed to LDCs' efforts in institution building and in human resources development in particular.

16. Turning to the secretariat's report (TD/B/50/5) on recent market access initiatives such as the European Union's "Everything But Arms" initiative and the United States' Africa Growth and Opportunity Act (AGOA) as well as other bilateral preferential market access arrangements, the speaker concurred with the report's conclusion that preferential market access could make a positive contribution to the fight against poverty only if supplemented by concrete measures to address productive capacity problems facing the LDCs. Remaining trade barriers – including tariff escalation, tariff peaks and non-tariff barriers – that continued to keep LDCs' exports out of the markets of major trading partners should be addressed as a matter of priority. Increased ODA, full implementation of the revamped trade-related technical assistance through the IF, and more targeted foreign direct investment (FDI) flows were key to sustained economic growth and development in LDCs. The importance of incorporating trade into poverty reduction strategies should not be underestimated, provided that this did not lead to new conditionality. The trade policy challenge in many LDCs was to combine upgrading of primary commodity exports with a vigorous export promotion strategy in order to exploit dynamically changing comparative advantages, which could be part of a strategy of diversification into exports of labour-intensive manufactures. However, LDCs that

depended heavily on one or a few commodities for their exports faced particular problems of serving declining or sluggish international markets. This resulted in low productivity, low value added and an insufficiently competitive commodity sector in LDCs.

17. The representative of **Zimbabwe**, speaking on behalf of the **African Group**, said the UNCTAD secretariat had done an excellent job in helping the LDCs build their institutional and technical capacity as well as their human resources development capacity. He urged a redoubling of efforts to advance the cause of the LDCs. He appreciated the increasing participation of beneficiary countries in the initiation, design and execution of programmes. He also appreciated donor countries' support and urged others that had not follow the same direction to do so, especially in light of the increasing demands faced by UNCTAD from LDCs.

18. The secretariat's note on market access initiatives clearly indicated that such support measures could make positive contributions in the fight against poverty. The successful cases of Lesotho and Madagascar attested to this fact. The remaining trade barriers – including tariff escalation, tariff peaks and non-tariff barriers – continued to hamper LDCs' exports. He called for improved market access offers supplemented by specific actions to address supply-side constraints facing these countries. There was an urgent need for donor countries to meet their ODA commitments as expeditiously as possible. Given the continued and grave debt burden faced by most LDCs, the fact that these debts discouraged private investment and weighed heavily on public expenditure, and the current grossly inadequate debt relief measures, all bilateral and multilateral creditors should courageously cancel all debt owed by LDCs. Meanwhile, full and speedy implementation of the International Monetary Fund/World Bank Debt Initiative for Heavily Indebted Poor Countries (HIPC Initiative) was a major step in the right direction.

19. The absence of international measures and policies to address the problems of low and unstable commodity prices was a key missing link in the current international approach to poverty reduction in LDCs. The international community should take concrete initiatives, including resuscitating compensatory financing facilities to offset the effects of commodity price shocks on the economies of the LDCs. The issue of cotton as raised at the World Trade Organization's Ministerial Meeting in Cancún reflected the need to integrate commodity issues into international trade policy debates. UNCTAD XI should provide a forum for these issues, taking into account the linkages between trade and poverty. He commended UNCTAD for establishing a task force on trade and poverty with a particular focus on the problems of LDCs and other developing countries.

20. The representative of **Haiti**, speaking on behalf of the **Group of Latin American and Caribbean Countries** (GRULAC), strongly supported the continuation of UNCTAD's efforts to assess and analyse the benefits derived from LDC status. His group appreciated the aspects of this analysis that related to trade preferences. In reflecting on the *raison d'être* of the LDC denomination, he called a fundamental question the dilemma between, on the one hand, using LDC status only to mitigate the permanent handicaps LDCs were faced with, and on the other hand seeking to enable LDCs to achieve, as a result of LDC-specific

concessions, genuine structural progress. Had the aim of structural progress prevailed, it was likely that a greater number of countries would have graduated from LDC status.

21. He echoed the Board's concern that market access preferences should do more than merely reduce the competitive disadvantages LDCs suffered from. They should facilitate the achievement of significant structural transformation in the recipient countries, including in terms of poverty reduction. However, he expressed the fear that erosion of preferences and weakness of supply capacities constituted severe limitations for prospects for structural progress, despite the LDC designation. A broader range of international support measures for LDCs were needed, particularly in support of supply capacities, an aim at least as important as market access preferences.

22. In his group's view the question of the usefulness and, therefore, of the most desirable use of the LDC status ought to be borne in mind. UNCTAD had a natural vocation to deal with these issues, which were fully consistent with its mandate of research, analysis and technical cooperation. His group would particularly appreciate seeing UNCTAD's work focus increasingly on country-specific analysis, with systematic efforts to determine, for each LDC, (1) why it had become an LDC (given the criteria), (2) what benefits it had effectively derived from LDC status, and (3) what modalities of special treatment were best for enabling the country to make progress toward graduation thresholds.

23. Given the geographical diversity of GRULAC's membership and in particular the presence of several SIDS as well as two LLDCs in the group (in addition to Haiti as the only LDC), the group attached great importance to the promotion of fair differentiation in the recognition of structural handicaps, and in responses envisaged to these handicaps.

24. The representative of **Bangladesh** commended the UNCTAD secretariat for the two reports presented to the Board. He also commended UNCTAD for last year's executive session of the Board, which had focused on poverty in the LDCs and he thanked UNCTAD and donor countries for their support of the LDC Ministerial Meeting in Dhaka. UNCTAD should continue its work and should further deepen it in three areas: human resource development, institution building and supply capacity. He encouraged donor countries to increase their financial support for UNCTAD's activities.

25. He expressed concern over the drastic and continuing drop in ODA to the LDCs and the low levels of FDI flows to these countries. Increased FDI was particularly needed because of the lack of domestic investment capacities. He stressed the need for "genuine" market access initiatives and encouraged the preference-granting countries to do away with remaining tariff peaks and non-tariff barriers, and to implement more realistic and flexible rules of origin. He expressed concern regarding the increasing number of anti-dumping measures taken against LDCs and requested the preference-giving countries to aim for greater stability and reliability in market access preferences. He also encouraged developed countries to stop trade-distorting agricultural subsidies. He encouraged UNCTAD to conduct more work in this area and to increase its statistical analysis of the issues in question. He voiced concern over the continuing erosion of market access preferences and asked UNCTAD to

conduct more analysis in this area, and he asked that this intention be reflected in the agreed conclusions of this session of the Board.

26. The representative of **China** said that, in the context of a weak global economy, LDCs faced an increasing threat of marginalization in the process of economic globalization. In addition to high dependence on export markets, LDCs confronted bottlenecks related to domestic issues. Active reforms needed to be undertaken by LDCs. He underscored the role of the international community in supporting these countries through technical assistance and financial provisions and in considering the interests of LDCs during multilateral trade negotiations.

27. He said UNCTAD had made a useful contribution by including LDC issues in its agenda, and he appreciated the work done thus far for LDCs in the areas of policy analysis and technical assistance. China considered this work a comparative advantage that UNCTAD had to use in coordination with other international agencies so as to strengthen the capacities of LDCs. He took note of UNCTAD's analysis concerning favourable market access for LDCs. While LDCs' use of special and favourable measures for market access would help encourage a growth dynamic in LDCs, he expressed some concern about these countries' inadequate capacities to utilize these measures. LDCs should receive more support from the international community to help them take advantage of the special and favourable measures. Finally, he encouraged the international community to adopt appropriate measures in keeping with the national conditions and special needs of various LDCs.

28. The representative of the **United States of America** reaffirmed his country's strong commitment to promoting development and poverty reduction, particularly in the least developed countries. The world stood united in these objectives, although the means to these ends might differ. He welcomed the recognition of the positive effects that AGOA had had on the economic sector in Lesotho and Madagascar, and he expressed his conviction that this preferential market access scheme could spread similar benefits to other countries in the region. The United States provided market access preferences not only to African LDCs but also to non-African countries, although through the regular Generalized System of Preferences (GSP) scheme.

29. In line with UNCTAD's report (TD/B/50/5), he acknowledged that several factors currently impeded better utilization of market access preferences. He asked, however, whether factors associated with the ways in which market access preferences were granted weighed more heavily than factors associated with domestic difficulties faced by LDCs. In his opinion low utilization rates for market access preferences were largely the result of extremely weak supply capacities in the LDCs, which were further undermined by the HIV/AIDS epidemic and civil conflict. But even though improvements at the national level were urgently needed, progress at the international level was needed as well. Trade liberalization would bring about benefits for all countries, and the United States would continue to promote trade liberalization through the World Trade Organization.

30. The representative of the **Russian Federation** said his country had continued to make substantive contributions to the international support measures in favour of LDCs. In the area

of debt reduction, Russia participated in the HIPC Initiative. During the last three years, Russia had written off US\$27.2 billion in debts from developing countries; the majority of these debts were from LDCs. This amount was equal to the combined contributions of all other G8 countries within the HIPC Initiative. Regarding the ratio of debt relief to gross domestic product (GDP), Russia's contribution was many times higher than that of other G8 members. He urged all bilateral and multilateral donors to continue their support for the HIPC Initiative. Further efforts by the international community in the area of debt relief should be linked with debt conversion into investment for sustained development, as well as support for other innovative debt relief schemes.

31. Almost all goods originating from LDCs benefited from duty-free access to the Russian market. The country's law protected LDC imports from quantitative restrictions and possible investigations related to safeguards such as countervailing duties and anti-dumping measures.

32. He appreciated UNCTAD's continued efforts to develop programmes that allowed more LDCs to take more initiative in the formulation and implementation of national plans of action to combat poverty. These efforts would strengthen the capabilities of LDCs to formulate and implement more effective economic policies, strengthen public institutions and improve their overall investment climate. These conditions were essential preconditions for effective development of productive capacities and enhancement of competitiveness. He suggested that the secretariat produce analytical studies on the results of the implementation of these programmes.

33. The representative of **Japan** highlighted the importance Japan attached to LDCs through its allocation of ODA, which was the largest amount among the member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). Japan gave high priority to human-centred development and supported the technical assistance policy outlined in document TD/B/50/3. This included human resource development in the area of policy formulation, implementation and negotiations concerning issues such as trade and investment.

34. For sustainable development to be achieved, official financial flows needed to be complemented with the mobilization of private financial resources such as investment. He expressed appreciation for UNCTAD's FDI-inducing technical assistance measures as identified in the above-mentioned document. Japan had hosted an international conference on investment to Africa in February and had sponsored an OECD seminar on trade and investment.

35. While it was regrettable that the Cancún meeting had not reached consensus, Japan was committed to realizing the Doha development agenda, and it would continue its support for human resource development and the ITC/UNCTAD/WTO Joint Integrated Technical Assistance Programme to Selected Least Developed and Other African Countries (JITAP). Japan intended to contribute Sw F 2.31 million over two years to the global trust fund for the Doha development agenda and US\$500,000 to the IF as Cambodia's lead donor.

36. He expressed appreciation for UNCTAD's assistance to the LLDCs and SIDS. Japan paid special attention to the issue of LLDCs' transit transport and encouraged UNCTAD to take follow-up measures, in cooperation with the Office of the High Representative for the LDCs, LLDCs and SIDS and other organizations concerned, to implement the Almaty Action Plan. On the issue of preferences, he thanked the secretariat for referring to Japan's GSP scheme and said Japan had extended the list of products under this scheme, with the result that 93 per cent of total imports from LDCs received duty-free and quota-free treatment. Specific comments would be provided concerning the secretariat's paper.

37. He concluded by mentioning the LDCs' debt problem and said Japan would steadily implement cancellation of yen loan ODA debt totalling US\$3 billion to the HIPC and other eligible countries.

38. The representative of **Afghanistan** expressed appreciation of UNCTAD's efforts to implement the PoA. The concise analyses in the background documents indicated UNCTAD's determination to continue to help LDCs and the rest of the developing world to make progress in achieving the Millennium Development Goals. While comprehensive annual reports were necessary to evaluate overall achievements under the PoA, attention should be focused on the national level through analytical reports on individual countries. This process would assist policy makers, increase coordination between countries and their development partners, and serve as a basis for resource mobilization. For effective achievement of the Millennium Development Goals, developed countries must increase their ODA to the levels committed to in the PoA.

39. Afghanistan's socio-economic situation had worsened over the last three decades owing to civil strife and a long period of drought. Total destruction of infrastructure and other social services had rendered rural areas and agriculture off limits, while the recent return of millions of refugees had further exacerbated the situation. As a landlocked and hard-core LDC, Afghanistan needed massive efforts to re-establish even a minimal level of transport facilities and services aimed at connecting internal markets and restoring links with the outside world.

40. The revival and growth of the economy would depend largely on the active role of the private sector. In this context a new private investment law had recently been acted on, and the fledgling Afghan Authority was promoting good governance, transparency and accountability. UNCTAD had responded positively to a request for assistance with commodities, trade facilitation and FDI promotion. He appealed to development partners and other bilateral and multilateral sources to help UNCTAD assist Afghanistan further.

41. The representative of **Italy**, speaking on behalf of the **European Union and the countries seeking accession to the EU (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia)**, while conveying appreciation of UNCTAD's efforts in supporting the implementation of the PoA, said the EU was unhappy to note that the share of LDCs in UNCTAD's technical assistance had decreased.

42. He indicated the EU's faith in the new international approach to poverty reduction through Poverty Reduction Strategy Papers, and he stressed the importance of good systems of governance in the LDCs. However, international policies (particularly aid levels and aid effectiveness) were of paramount importance to these countries. A new international policy regarding primary commodities was needed.

43. Commenting on the secretariat's document TD/B/50/5, he said the EU believed that all efforts, including the improvement of rules of origin, should be taken to grant effective market access to LDCs. The EU was committed to continuing to promote and support projects that could strengthen the productive capacities of these countries. The EU was of the opinion that UNCTAD had a unique substantive ability to shed light on these issues and facilitate consensus building toward a better use of the LDC status.

44. He reiterated the EU's full commitment to the multilateral trading system and expressed the wish that UNCTAD would continue to contribute, through its analytical work and through relevant capacity-building activities, to enhancing the role of LDCs in international trade. Finally, he requested the secretariat to clarify a sentence in document TD/B/50/3 and to provide information on the expected cooperation between UNCTAD and the Office of the High Representative for the LDCs, LLDCs and SIDS.

45. The representative of **Nepal** highlighted the LDCs' need for more resources in order to escape the poverty trap. He expressed appreciation for The Least Developed Countries Report 2002 and pointed to its findings regarding the growing numbers of poor in the LDCs. Nepal fully agreed with the report's recommendations regarding LDCs' need for increased policy autonomy in an internationally supportive environment.

46. He also expressed appreciation for UNCTAD's technical assistance activities and said Nepal had benefited from the Investment Policy Review carried out by UNCTAD and the assistance received in its WTO accession process. He called on donors to support UNCTAD in continuing and increasing its technical assistance to LDCs. In reference to the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation that had been held in Kazakhstan earlier in the year, he highlighted the significance of addressing the transit transport difficulties of LLDCs and asked UNCTAD to play its role in the implementation of the Almaty Action Plan. With regard to preferences, he emphasized the low level of their utilization and stressed the need to examine non-tariff barriers and issues such as the rules of origin. LDCs needed help in building their supply-side capacity and diversifying their economies.

47. He concluded by suggesting a continuing dialogue between Quad countries and LDCs to overcome obstacles impeding the realization of meaningful benefits from preferential market access.

48. The representative of **Ethiopia** said that UNCTAD's research and policy analysis made a major contribution in support of the LDCs. The Least Developed Countries Report should be published annually. He stressed the need to link UNCTAD's analytical and

research output with its technical cooperation and capacity-building activities. He requested that UNCTAD make the 2004 edition of the report available early in the year so that its findings and recommendations could be reflected in the preparatory process for UNCTAD XI. The technical assistance and capacity-building activities carried out by UNCTAD were demand-driven and had therefore contributed to the institutional and technical capacity building as well as human resource development efforts of Ethiopia and other LDCs. UNCTAD should continue these efforts, and development partners should provide the necessary resources on a predictable and multi-year basis, including replenishment of the LDC Trust Fund to support these activities, so that the human and institutional capacity constraints of the LDCs could be mitigated.

49. The preferential market access arrangement was meant to lift LDCs out of this distressing situation. His country thanked the Quad group and other countries for their initiatives in favour of LDCs in the area of market access, which he expected would lead to competitive advantage and encourage investment in the sectors covered by the programme. He expressed dismay at the fact that, with a few exceptions, the utilization rate by LDCs was very low. He called on development partners to provide binding commitments, increase and improve ODA to address supply-side constraints, simplify rules of origin procedures, phase out subsidies, remove tariff peaks and tariff escalation, and provide technical assistance and capacity-building support to meet standard requirements and through the expansion of product coverage. He expressed concern about the erosion of preferences for LDCs with the Doha round negotiations, free-trade arrangements and extension of the scheme to others. In this context he called on development partners to give legal security to the preferential arrangement, and to establish a compensatory mechanism for addressing the loss of preference margins.

50. The representative of **Mauritania**, with reference to the LDCs' low utilization rate for preferential market access and in line with the secretariat's study, argued for the need to enlarge the list of products covered by the preferential schemes, to consider the effects of the erosion of preferences and to evaluate more broadly the impact of such preferences on investment, job creation, poverty reduction and the socio-economic development of LDCs.

51. To enable UNCTAD to better respond to the immense and complex needs of LDCs, the international donor community should continue to provide UNCTAD with additional resources. Considering the trade-related objectives of JITAP and the IF, these programmes should be better supported and should be allocated sufficient financial resources. UNCTAD should be more involved in the implementation of these programmes.

52. The representative of **Zambia** expressed satisfaction with the degree and intensity of UNCTAD-wide activities in implementing the PoA. He noted with interest that projects, particularly those with longer time frames, had created committed and competent national counterparts in LDCs that were willing to participate actively in the long-term implementation of projects, and that counterpart personnel in beneficiary countries had shown strong interest in acquiring new skills. This was a big step in the right direction, although financial constraints at the domestic and international levels continued to undermine the sustainability and long-term impact of technical cooperation programmes. Many of

UNCTAD's projects and programmes implemented in LDCs, including Zambia, had contributed enormously to national efforts to improve policy-making and institution-building capacities.

53. With regard to agenda item 3(b), he emphasized his country's strong belief that preferential market access in general was an important instrument for integrating LDCs into the multilateral trading system, and he thanked trading partners for their efforts in providing Zambia with market access. However, he questioned the extent to which these measures had contributed to integration of the LDCs into multilateral and global trade. He called for further urgent actions to free instruments of integration and development in order to make them more dynamic, predictable and stable. He mentioned unfavorable rules of origin, non-tariff barriers and agricultural subsidies as factors contributing to the low utilization rates for existing market access commitments, which were all externally driven. These problems were compounded by weak productive capacity that severely impeded the full and effective utilization of market access preferences granted to LDCs. Moreover, the subsidies of some developed countries could undermine the ability of LDCs to access the markets of their development partners. The reason for this was that the subsidies of industrial countries were typically granted to sectors in which the LDCs had comparative advantages. As a result, small producers, which depended heavily on natural phenomena and received no subsidies, were the ones hit the hardest by a confluence of misguided international policies such as subsidies and adverse market mechanisms such as falling commodity prices. He emphasized the impact of the erosion of preferences that would arise from most-favoured-nation tariff reductions and extension of market access preferences to non-LDCs.

54. The representative of **Norway** reiterated the important role that UNCTAD had been assigned at the Third United Nations Conference on LDCs with respect to implementation of the PoA, and he expressed appreciation of the seemingly good working relationship between the UNCTAD secretariat and the Office of the High Representative. He commended the secretariat for the useful insights regarding the causes of poverty in the LDCs that had been presented in the 2002 edition of The Least Developed Countries Report. While expressing concern about the fact that the report was not published annually, he appreciated the fact that the secretariat had followed up on the themes introduced in last year's note on effective benefits derived from the LDC status. He encouraged UNCTAD to focus its analysis of market access preferences not only on Quad countries but on the preferences of other countries as well.

55. He also made four remarks concerning the operationalization of UNCTAD-wide activities in favour of LDCs: (1) He welcomed the fact that national counterparts in the LDCs were now participating more actively in UNCTAD's technical assistance activities. This was a precondition for the ultimate sustainability of technical assistance. (2) In order to avoid fragmentation of development assistance, UNCTAD should concentrate its technical assistance not on small-scale projects but on larger assistance programmes and thematic approaches. (3) In order to discourage stand-alone bilateral development projects and further fragmentation of development aid, UNCTAD should consider establishing thematic and flexible multi-donor funds. (4) He encouraged UNCTAD to coordinate its assistance activities within the United Nations Development Framework and to align its activities with

poverty reduction strategies and the IF. UNCTAD should be proactive in discussing future programmes in the LDCs.

56. The representative of **Uganda** recalled the contribution of The Least Developed Countries Report 2002: Escaping the Poverty Trap and stressed the importance of obtaining a strategic perspective on poverty dynamics in order to help LDCs implement the right policies with respect to anti-poverty strategies. He agreed with the concept of “coherence” advocated by the World Bank to harmonize the policies and procedures of the international community in its support for LDCs. Donors needed to fulfill their obligations in terms of ODA. An assessment of UNCTAD’s projects was necessary, though the cost should be minimized. He pointed out the importance of market access and preferences for LDCs’ growth process. Rather than being eliminated, preferences should be utilized more efficiently.
