

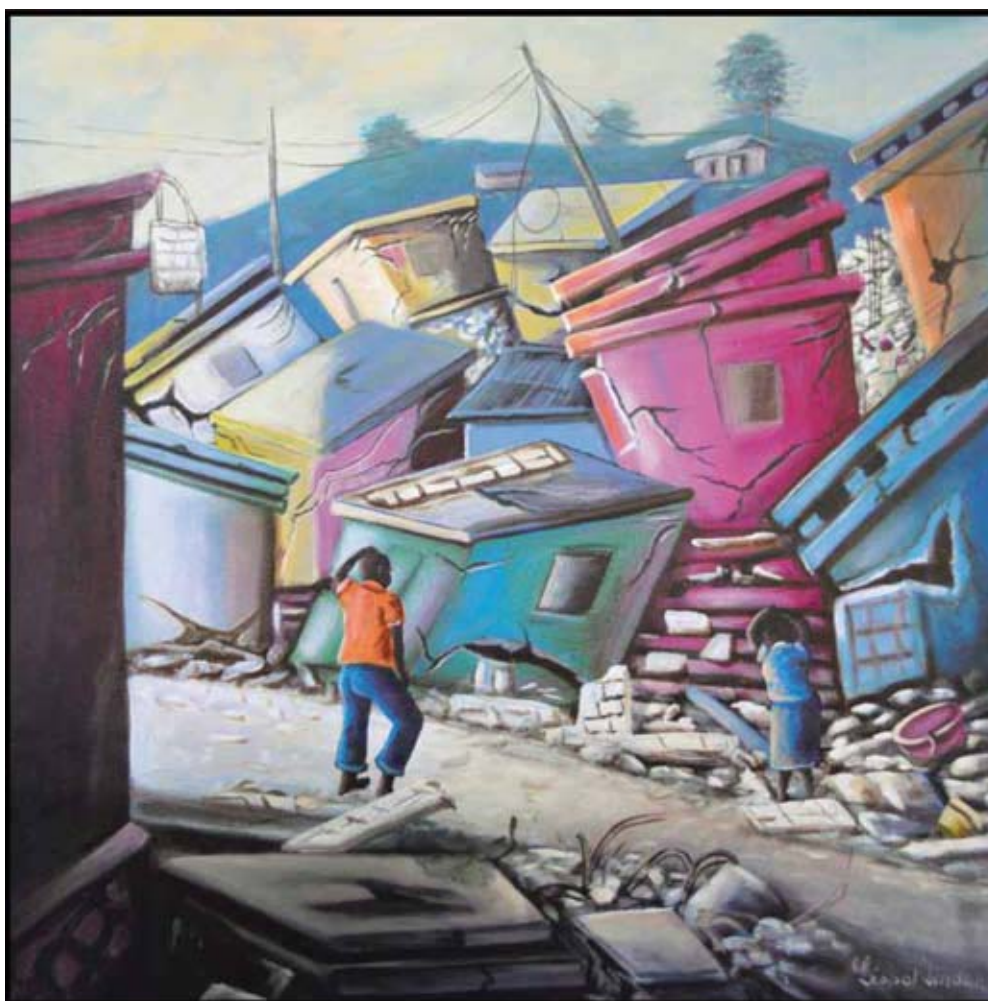
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Geneva

THE LEAST DEVELOPED COUNTRIES REPORT 2010

Towards a New International Development Architecture for LDCs

CHAPTER 2

HOW EFFECTIVE ARE LDC-SPECIFIC INTERNATIONAL SUPPORT MEASURES?



UNITED NATIONS
New York and Geneva, 2010

How Effective are LDC-specific International Support Measures?

A. Introduction

This chapter examines whether international support measures, which have been specifically designed to help LDCs promote development and poverty reduction and reduce their marginalization and vulnerability in today's global economy, are working effectively. It shows that there has been increasing recognition of the need for special support measures and actions designed specifically for LDCs, particularly in the last 15 years. But the chapter argues that so far such measures have had largely symbolic, rather than practical, developmental effects.

This conclusion is based on a comparative analysis of how the following eight specific measures are working:

1. Aid targets of 0.15 or 0.20 per cent of donors' GNI to be allocated to LDCs;
2. The OECD-DAC Recommendation of 2001 to untie aid to LDCs;
3. Special consideration given to LDCs in their accession to the World Trade Organization (WTO);
4. Special and differential treatment for LDCs in WTO agreements;
5. Preferential market access for LDCs;
6. Article 66.2 of the TRIPS Agreement on transfer of technology to LDCs;
7. The Integrated Framework for Trade-related Technical Assistance (IF) which has now been succeeded by the Enhanced Integrated Framework (EIF); and
8. The Least Developed Countries Fund (LDCF) established to implement the work programme of the United Nations Framework Convention on Climate Change (UNFCCC).

The assessment of these measures is based on information derived from existing published evaluations of these measures, but adds value to those evaluations by juxtaposing them and comparing their findings. For example, there has been no comparison of the relative success of the IF and LDCF as they operate in different domains. But a comparative assessment enables the identification of some common weaknesses.

The eight measures listed above have been chosen as representing the most concrete cases of actions in favour of the LDCs. In three major conferences focusing on LDCs organized by the United Nations in 1981, 1991 and 2001, the international community agreed decadal programmes of action for these countries. Each of these conferences called for commitments to multiple actions by both the LDCs and their development partners. The Brussels Programme of Action (BPOA) of 2001, for example, listed commitments to

A comparative assessment of LDC-specific international support measures enables the identification of some common weaknesses.

The eight measures have been chosen because they represent the most concrete cases of actions in favour of the LDCs.

The progress in meeting the commitments of development partners is unclear, as there are no accountability mechanisms to enable monitoring of implementation.

156 actions by the LDCs themselves and 178 actions by their development partners.¹ But the progress in meeting those commitments is unclear, as there are no accountability mechanisms to enable monitoring of implementation nor detailed assessments of progress². The eight specific measures examined in this chapter are inscribed in the three programmes of action, but they are also being implemented or monitored by specific international organizations, such as OECD-DAC, WTO, UNFCCC and the World Intellectual Property Organization (WIPO), or they form part of the targets of the Millennium Development Goals (MDGs) which have been the focus of efforts by the international community over the past decade. Therefore, the fact that these measures have had only limited development impacts is not for lack of action following agreements at global conferences. Indeed, some resources are being committed, institutions are being established, and information is being collected. But it is not leading to major practical development effects.

The conclusion of the chapter echoes that of the Committee for Development Policy (CDP) of the United Nations Economic and Social Council, which, in evaluating the benefits that derive from LDC status, and in particular the effects of existing international support measures (United Nations, 2010a, 2010b, 2010c and 2010d), found that they “generated limited results” (United Nations, 2010a: 10). This is due to a number of common shortcomings in the design and implementation of those measures as shown in this chapter’s comparative analysis.

The chapter is organized in three sections. Section B briefly describes the increasing but incomplete recognition by the international community of the special problems of the LDCs. Section C summarizes the evaluations of the eight special international support measures, and section D undertakes a comparative analysis and identifies common shortcomings in their policy design and implementation.

B. The increasing but incomplete recognition of the special needs of LDCs

The need for special international support measures to address the special structural handicaps of the “least developed countries amongst the developing countries” was first articulated in 1964 by Raul Prebisch, the then Secretary-General of UNCTAD.

1. INCREASING RECOGNITION³

The need for special international support measures to address the special structural handicaps of the “least developed countries amongst the developing countries” was first articulated in 1964 by Raul Prebisch, the then Secretary-General of UNCTAD. It was further recognized in a resolution of the United Nations General Assembly in December 1969. Subsequently, a section of the international development strategy which was agreed at the start of the Second International Development Decade in 1970 was devoted to special measures for the LDCs (Resolution 2626/XXV). This was followed in 1971, by the adoption by the United Nations General Assembly of recommendations which formally established a special LDC category. It agreed on a list of 25 countries, which, owing to their very low levels of industrialization and human resources, were considered particularly handicapped amongst low-income countries, and thus deserving of particular advantages in international cooperation.⁴ In 1981, a Substantial New Programme of Action for the 1980s for the Least Developed Countries was agreed by the international community at the first United Nations Conference for LDCs held in Paris in 1981. Subsequently, new decadal frameworks for international cooperation for the LDCs were

discussed and agreed at the second and third United Nations conferences for the LDCs held in Paris in 1991 and in Brussels in 2001. Preparations are now under way for a Fourth United Nations Conference on LDCs to be held in Istanbul from 29 May to 3 June 2011.

A quick comparison of the contents of the programmes of action emerging from the three United Nations conferences for LDCs reveals that the problems of these countries have been taken increasingly seriously. The first programme of action for the 1980s had a chapter on international support measures, including specific recommendations on official development assistance (ODA), preferential market access and commodity agreements. But the national actions which LDCs were meant to take as a complement to these measures were founded on a State-centric approach to development planning. This programme of action was thus effectively obsolete at its birth, given the pivotal role which Structural Adjustment Programmes (SAP) played in policy formulation throughout the 1980s and 1990s. The second programme of action for the 1990s was founded on a new compact whereby the LDCs undertook to implement economic reform programmes that required downsizing State intervention and freeing market forces. Their development partners once again undertook to provide special support measures, including specific targets for ODA provision amounting to a given percentage of their GDP. This programme of action was not ideologically sidelined, but its implementation was asymmetrical: in practice, the LDCs undertook deep economic liberalization as required, but aid flows fell by 45 per cent in real per capita terms from 1990 to 2000 (UNCTAD, 2002). This second programme of action also drew attention to the debt problems of LDCs. However, measures to deal with official debt throughout the 1990s were too few and too late, leading to an increase in the debt overhang. In short, there was no effective partnership between the LDCs and their development partners

The third programme of action for the 2000s was centred on the partnership principle. It reiterated the targets for ODA as an international support measure for the LDCs, but placed much greater emphasis on the role of international trade in promoting development in these countries. This programme of action included quantitative targets both for growth and investment and for poverty reduction and human development, reflecting the spirit of the Millennium Declaration and agreements reached at major United Nations conferences in the 1990s. It also gave more attention to the provision of social services, good governance, institutional reform, the rule of law and the participation of civil society (United Nations, 2010d). In contrast to the second programme of action, this decade was characterized by more concerted action by the LDCs on the one hand, and their development partners on the other. But, as argued in the *LDC Report 2008*, the critical issue is how the development partnership works in practice when there are enormous differences in resources, capabilities and power.

Outside the United Nations conferences, further impetus to recognizing the need for special support measures for LDCs was provided at the conclusion of the Uruguay Round of trade negotiations. This included a decision for special and differential treatment in favour of the LDCs and for “expeditious implementation of the special differential measures in favour of least-developed countries”. In 1997, the WTO organized a High-Level Meeting on Integrated Initiatives for Least-Developed Countries’ Trade Development, which endorsed the creation of a special mechanism for delivering trade-related technical assistance. At the WTO Doha Ministerial Conference in November 2001, Ministers committed to addressing the marginalization of

A comparison of the contents of the programmes of action emerging from the three United Nations conferences for LDCs reveals that the problems of these countries have been taken increasingly seriously.

The third programme of action for the 2000s was centered on the partnership principle and included quantitative targets both for growth and investment and for poverty reduction and human development.

Outside the United Nations conferences, further impetus to recognizing the need for special support measures for LDCs was provided at the conclusion of the Uruguay Round of trade negotiations.

The commitment of the international community to the United Nations MDGs gave further recognition to the LDC category

the LDCs in international trade and to improving their effective participation in the multilateral trading system. A WTO Work Programme on LDCs was adopted in February 2002, to address seven issues: (i) market access for LDCs, (ii) trade-related technical assistance, (iii) providing, as appropriate, support to agencies assisting with the diversification of least-developed countries' production and export base, (iv) mainstreaming into the WTO's work in the implementation of the Brussels Programme of Action, (v) participation of the LDCs in the multilateral trading system, (vi) accession of LDCs to the WTO, and (vii) follow-up to WTO Ministerial Decision and Declarations. The Hong Kong Ministerial Declaration of 2005 adopted a number of other decisions in favour of the LDCs, in particular to facilitate preferential market access. The Declaration reaffirmed that "least developed country members will only be required to undertake commitments and concession to the extent consistent with their individual development, financial or trade needs, or their administrative and institutional capacities." (WTO, 2005, p. 44).

The LDCs are also now recognized within the UNFCCC, and a special fund, the Least Developed Countries Fund was established for the preparation and implementation of national adaptation programmes of action.

The commitment of the international community to the United Nations MDGs gave further recognition to the LDC category. Goal 8 — Developing a Global Partnership for Development — is critical to the achievement of the poverty and human development goals. Specific targets for international support in favour of the LDCs, notably in the areas of aid provision and preferential market access, are among the targets within Goal 8, to be achieved by 2015, and progress towards which need to be monitored.

The LDCs are also now recognized within the UNFCCC. Article 4(9) of the UNFCCC commits all parties to the Convention to "take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology". The special needs and circumstances of the LDCs were reiterated at the seventh session of the UNFCCC's Conference of the Parties (COP),⁵ and an LDC work programme was established to implement the provisions of Article 4(9). This work programme includes:

- Supporting preparation and implementation of national adaptation programmes of action (NAPAs),
- Strengthening existing and, where needed, establishing national climate change secretariats and/or focal points to enable effective implementation of the Convention and of the Kyoto Protocol,
- Providing training in negotiation skills and language,
- Promoting public awareness programmes,
- Development and transfer of technologies, particularly adaptation technologies, and
- Strengthening meteorological and hydrological services to collect, analyse, interpret and disseminate weather and climate information to support implementation of the NAPAs (UNFCCC, 2002).

A final important area of international support for LDCs is through the orientation of the work of the United Nations system relating to the LDCs.

A special fund, the Least Developed Countries Fund (LDCF), was also established to support the LDC work programme, notably for the preparation of NAPAs, and a Least Developed Countries Expert Group (LEG) was created to support LDCs in the preparation and implementation of their NAPAs (UNFCCC, 2009b).

A final important area of international support for LDCs is through the orientation of the work of the United Nations system relating to the LDCs.

This includes, apart from the organization of the decennial conferences, the provision of financial support for the participation of LDCs in annual sessions of the United Nations General Assembly, as well as caps on their contribution to the regular budget of the United Nations. The Committee for Development Policy (CDP), working with UN-DESA and supported by inputs from UNCTAD, has advised the Economic and Social Council of the UN regarding countries which should be added to or those that could be graduated from the list of LDCs. In addition, a special Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) was set up after UN-LDC III. Its purpose was to advocate support for all these countries, which were regarded as having specific geographical handicaps, and to monitor progress towards achieving goals and targets set at various international conferences relating to their special needs.

Several United Nations agencies have also established special programmes that provide financial or technical assistance to the LDCs (United Nations, 2010a). For example, the United Nations Capital Development Fund focuses on support to decentralize public investment and foster private investment through microfinancing. It currently operates in 37 out of the 49 LDCs; the World Meteorological Organization (WMO) has a special programme to strengthen the capacities of LDCs' national meteorological and hydrological services (NMHSs); and UNCTAD has a Division for Africa, Least Developed Countries and Special Programmes, which produces the *Least Developed Countries Report* annually that contains analyses of development issues specific to LDCs and proposes national and international policies to address them.

There is no systematic overview of all the activities of the United Nations system in favour of the LDCs. However, according to the most recent estimates, the United Nations system's expenditures on operational activities related to LDCs increased from \$2.4 billion in 2000 to \$7.0 billion in 2008 (United Nations, 2010e). This represents an increase from 28 per cent of total expenditures to 38 per cent for operational activities, both developmental and humanitarian. It is also estimated that more than 50 per cent of country-level expenditure in 2008 went to LDCs, up from 39 per cent in 2003 (United Nations, 2010f, p 31). It is therefore clear that a major way in which LDCs derive financial benefit from the LDC status is through the operational activities of the UN system.

2. INCOMPLETE RECOGNITION

Whereas the LDC category is well accepted within the United Nations system, as reflected in the design of the international trade regime and within the emerging regime of climate change mitigation and adaptation, it is virtually absent from the international financial architecture, and in particular from the aid architecture and debt relief regime. An exception is the 2001 DAC Recommendation on untying aid to the LDCs, discussed below.

Significantly, neither the World Bank nor the International Monetary Fund (IMF) recognize the LDC category in their operational work; instead, they use the concepts of "low-income countries" (LICs), "low-income countries under stress" and "heavily-indebted poor countries". In addition, both the international financial institutions and bilateral donors are increasingly using the concept of "fragile States", or some related concept. All these concepts

Several United Nations agencies have established special programmes that provide financial or technical assistance to the LDCs.

The United Nations system's expenditures on operational activities related to LDCs increased from \$2.4 billion in 2000 to \$7.0 billion in 2008.

Whereas the LDC category is well accepted within the United Nations system, it is virtually absent from the international financial architecture, and in particular from the aid architecture and debt relief regime.

Significantly, neither the World Bank nor the International Monetary Fund (IMF) recognize the LDC category in their operational work.

The non-recognition of the LDC category by these two institutions and the increasing interest of bilateral donors in the category of “fragile States” affect the way in which special international support measures for the LDCs actually work.

overlap with that of LDCs, but imperfectly. In 2003, the CDP decided to align the threshold for gross national income (GNI) used in identifying LDCs with that used by the World Bank to identify LICs. But there is still a difference between LDCs and LICs. The LDCs are identified as “low-income countries that suffer severe structural handicaps to growth, particularly low human resources and high economic vulnerability” (United Nations, 2010c: 3). There is also a maximum population size criterion, which excludes some low-income countries that meet the other criteria. Finally, there are specific criteria for graduation from LDC status, including a low-income threshold which is set at a level 20 per cent above the inclusion threshold. Thus the LDCs include some countries which are not low-income countries (in 2006, for example, 41 of the LDCs were low-income countries), and some low-income countries do not qualify to be LDCs (in 2006 this included 15 low-income developing countries and 4 low-income transition economies).

The international support measures do not work alone; rather, they work alongside and interact with systemic regimes which guide the international economic relations.

The concept of the “fragile State” has gained in importance over the past decade as donors have become increasingly selective in their aid allocations. The donors are tending to focus more on countries with policy and institutional environments where aid should work according to their expectations. There are also growing concerns about the fate of the countries which are perceived to have operationally difficult environment, and which therefore are in danger of being ignored. The notion of the fragile State has gained greater importance in this context. But it is very different from that of an LDC. While the former category is defined by weak governance (according to specified criteria and, in particular, the inability to manage aid effectively), the latter is defined by structural weaknesses. The notion of the fragile State is as contentious as its sister concept, the failed State. “Weak governance” is very difficult to measure, and in practice what has become important is a minimum threshold of achievement based on the World Bank’s country policy and institutional assessment (CPIA). But countries can jump in or out of this governance categorization much more quickly than in or out of the structural weakness categorization which is at the heart of the LDC definition. Moreover, there are no agreed or even public listings of “fragile States”.

The global economic regimes which enable or constrain development in LDCs are much more powerful than the special international support measures for LDCs.

Most LDCs are heavily dependent on aid, and the World Bank and IMF play a major role in both their access to, and use of, all official financial resources. The non-recognition of the LDC category by these two institutions and the increasing interest of bilateral donors in the category of “fragile States” thus affect the way in which special international support measures for the LDCs actually work. In essence, the international support measures do not work alone; rather, they work alongside and interact with systemic regimes which guide the international economic relations of all developing countries, including the LDCs and sub-categories of developing countries — such as “low-income countries”, “heavily-indebted poor countries” and “fragile States” — which imperfectly overlap with the category of LDC.

In general, the global economic regimes which enable or constrain development in LDCs are much more powerful than the special international support measures for LDCs. For example, economic development in the LDCs in the 2000s was much more affected by the Poverty Reduction Strategy Papers (PRSP) process — and its appropriateness in the LDC context — than by any aspects of the Brussels Programme of Action. Similarly, the design and implementation of the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) have also deeply influenced development outcomes in many LDCs, though neither programme is LDC-specific.

It is argued in the next chapter that the major systemic regimes have not been working effectively for development and poverty reduction in the LDCs. The weak development dimensions of the global economic regimes and the adoption of a one-size-fits-all approach have had particularly adverse consequences for the LDCs, given their very low levels of development and structural weaknesses. In addition, there is a disarticulation between the systemic regimes and the special international support measures for LDCs which can completely undermine both the intent and the outcomes of the latter.

Three examples serve to illustrate this point. The first example is the relationship between the LDC-specific development goals embodied in the BPOA and the MDGs. The BPOA was drafted, negotiated and agreed after the Millennium Declaration but before the inter-agency agreement on the precise statistical targets which would be monitored to measure progress towards achieving the MDGs. The BPOA was inspired by the Millennium Declaration and it represented a pioneering attempt to give a renewed emphasis to the principle of partnership as a cornerstone of international development cooperation which emerged in the late 1990s. One of the main aims of the BPOA, in contrast to earlier programmes of action, was to set quantitatively measurable goals and targets. To this end, the drafting of the BPOA drew upon the agreed outcomes of the major international conferences of the 1990s in much the same way as those that specify the MDGs with measurable indicators. But because the latter process occurred after the former, and because the former involved political negotiations, there is a mismatch and imperfect fit, overall, between the goals and targets of the two. In some ways, the BPOA's goals are more advanced than the MDGs as they include a mix of human development goals, particularly focusing on health and education to build human capacities, as well as goals related to the development of productive capacities, notably growth targets, investment ratios and infrastructure development targets. But in practice, the general development goals embodied in the MDGs, rather than specific LDC development goals, have been the focus of attention. Certain BPOA goals thus become important by default, to the extent that they conform with the MDGs. Other BPOA goals have been neglected by the international community.

A second example relates to mainstreaming trade in development strategies. As noted below, this is an important goal of the EIF which is one of the major LDC-specific support measures. But, as argued in earlier *LDC Reports* (UNCTAD, 2004 and 2008), the problem of trade mainstreaming is an issue of ownership, and in particular the limited country ownership of the macroeconomic framework of the poverty reduction strategies. This macroeconomic framework contains forecasts of export and import growth that have no connection with the detailed trade objectives and policy measures contained in the main text of the PRSPs. This disconnect arises because of the weak relationship between the macroeconomic framework and the rest of the document, because the framework is owned only by a narrow circle of officials, or, worse still, because the trade forecasts are not made by the appropriate authorities within the country concerned. Whatever the cause, any special measure to integrate trade into poverty reduction strategies will simply be swimming against the tide so long as the general processes in the design and implementation of PRSPs undermine country ownership, and in particular if the processes which limit the ability of a country to exercise leadership in the design of the macroeconomic framework are not also addressed. In effect, the special measures and the systemic regime are working at cross-purposes.

Economic development in the LDCs in the 2000s was much more affected by the Poverty Reduction Strategy Papers process than by any aspect of the Brussels Programme of Action.

The weak development dimensions of the global economic regimes and the adoption of a one-size-fits-all approach have had particularly adverse consequences for the LDCs, given their very low levels of development and structural weaknesses.

Any special measure to integrate trade into poverty reduction strategies will simply be swimming against the tide so long as the general processes in the design and implementation of PRSPs undermine country ownership.

The third example of the way special international support measures are embedded in a wider field of international action which is not LDC-specific is the Everything-But-Arms (EBA) Initiative of the EU. This initiative played a very important symbolic role in catalysing action to give preferential market access to the LDCs. But its initial practical benefits were small. This was partly because, in terms of tariffs and quotas, the EU already had a relatively open trade regime for LDC producers. For example, Stevens and Kennan (2001) estimated that in 1997 only 11 out of 502 items exported to the EU from the LDCs as a group with a value of more than \$500,000 were not eligible for duty- and quota-free access. But beyond this, many African LDCs already enjoyed market access preferences under the Cotonou arrangement, which had more flexible rules of origin and were therefore preferred by African LDC exporters to the EU. As a consequence of the interaction of these different regimes, Brenton (2003: 6) found that only “three one hundredths of one per cent of total LDC exports to the EU” entered under the EBA in 2001.

The way in which the international economic architecture affects the LDCs is thus the product of the interaction of systemic regimes, special international support measures for the LDCs and measures designed for other sets of countries which overlap imperfectly with the LDC category. These different regimes are often working at cross-purposes — an observation that has very important implications for policies to improve the way in which the international environment works to support development and poverty reduction in the LDCs. This issue is taken up in the next chapter. The rest of this chapter focuses on assessing how effective the special international support measures for LDCs are in their own right.

The way in which international economic regimes affect the LDCs is the product of the interaction of systemic regimes, special international support measures for the LDCs and measures designed for other sets of countries which overlap imperfectly with the LDC category. These different regimes are often working at cross-purposes.

C. Effectiveness of special international support measures for LDCs

This section summarizes the conclusions of evaluations of eight special international support measures in favour of the LDCs, and makes a comparative assessment of their results. The measures relate to the volume and effectiveness of aid flows to LDCs, enhancing LDCs’ participation in world trade and in the international trading system, encouraging technology transfer to the LDCs, and promoting climate change adaptation in these countries.

1. Aid

(a) Targets for the volume of aid

The Report of the Secretary-General of UNCTAD to UNLDC I proposed establishing the following targets for ODA for LDCs: 0.15 per cent of donors’ gross national product (GNP) by the first half of the 1980s, rising to 0.20 per cent during the second half of the 1980s. These proposals were reflected in the Substantial New Programme of Action for LDCs adopted at the conference, and since then they have been reiterated in each Programme of Action in various forms. The Paris Programme of Action for LDCs for the 1990s modulated the commitments, enabling donor countries to adopt a more flexible approach. Thus:

- Donor countries providing ODA of more than 0.20 per cent of their GNP to LDCs would continue to do so and increase their efforts;

- Other donor countries which had met the 0.15 target would undertake to reach the 0.20 per cent target by 2000;
- Other donor countries which had committed themselves to the 0.15 target would reaffirm their commitment and undertake either to achieve the target within the next five years or to accelerate their efforts to reach the target; and
- Other donor countries would exercise individual best efforts to increase their ODA to LDCs with the effect that, collectively, their assistance to LDCs would significantly increase (UNCTAD, 1992: para 23).

In the Brussels Programme of Action agreed at UNLDC III in 2001, donor countries agreed to implement the above actions to which they had committed “as soon as possible”, as well as “to support LDCs’ efforts to develop information systems which record, at the recipient country level, indicators and other relevant information relating to aid effectiveness” (United Nations, 2002: para. 83).

These aid targets are so flexible that it is difficult to know which donors have committed to what. They therefore risk ending up like the many actions contained in the various programmes of action which appear to be agreed and then ignored. However, the targets are included here within the eight measures because they are also a target of Goal 8 of the MDGs, whereby donor countries should reach aid targets for ODA to LDCs, now measured as either 0.15 or 0.20 per cent of GNI. In addition, OECD-DAC has been monitoring progress towards achieving the targets in its annual *Development Cooperation Reports*. Thus the aid targets can not simply be seen as an empty commitment.

There has been some progress in the achievement of the targets by DAC donors (charts 14a and 15). The aggregate ratio of ODA to GNI for DAC members increased from 0.05 per cent in 2000 to 0.09 per cent in 2008, but this was still well below the lower 0.15 target. Moreover, the increase in the 2000s actually represented only a return to the same level of aid as in 1990. In 2008, only 9 out of 23 OECD-DAC donors met the 0.15 target — Luxembourg, followed by Norway, Denmark, Sweden, Ireland, Netherlands, Belgium, the United Kingdom and Finland. This was five more than met the lower target in 2000.

Net ODA flows to the LDCs amounted to \$37 billion in 2008, as of data published in August 2010. However, if the ODA target of 0.15 per cent of GNI had been achieved, the total amount would have been \$60.7 billion, and if the target of 0.20 per cent of GNI had been achieved, it would have been \$80.9 billion. Thus the 2008 amount represented a shortfall of between \$23.6 billion and \$43.8 billion vis-à-vis the aid targets. Aid inflows would have to increase by between 64 per cent and 118 per cent to reach those targets.

It is also possible to estimate the scale of the shortfall over time (chart 14b). Even though the aid flows to LDCs increased during the 2000s, the quantitative shortfall in relation to the aid target was actually larger during this decade than in the 1990s when aid declined. The simple reason is that even though some progress towards the target was made, donor GNI was higher which made the shortfall higher. The cumulative shortfall in aid flows to LDCs from 2000 to 2008 in relation to the 0.15 aid target was equivalent to 51.3 per cent of the GNI of the LDCs as a group in 2008. Moreover, the cumulative shortfall in aid flows to the LDCs over the period 1990–2008 for the same target was equivalent to 100 per cent of the GNI of the LDCs as a group in 2008.

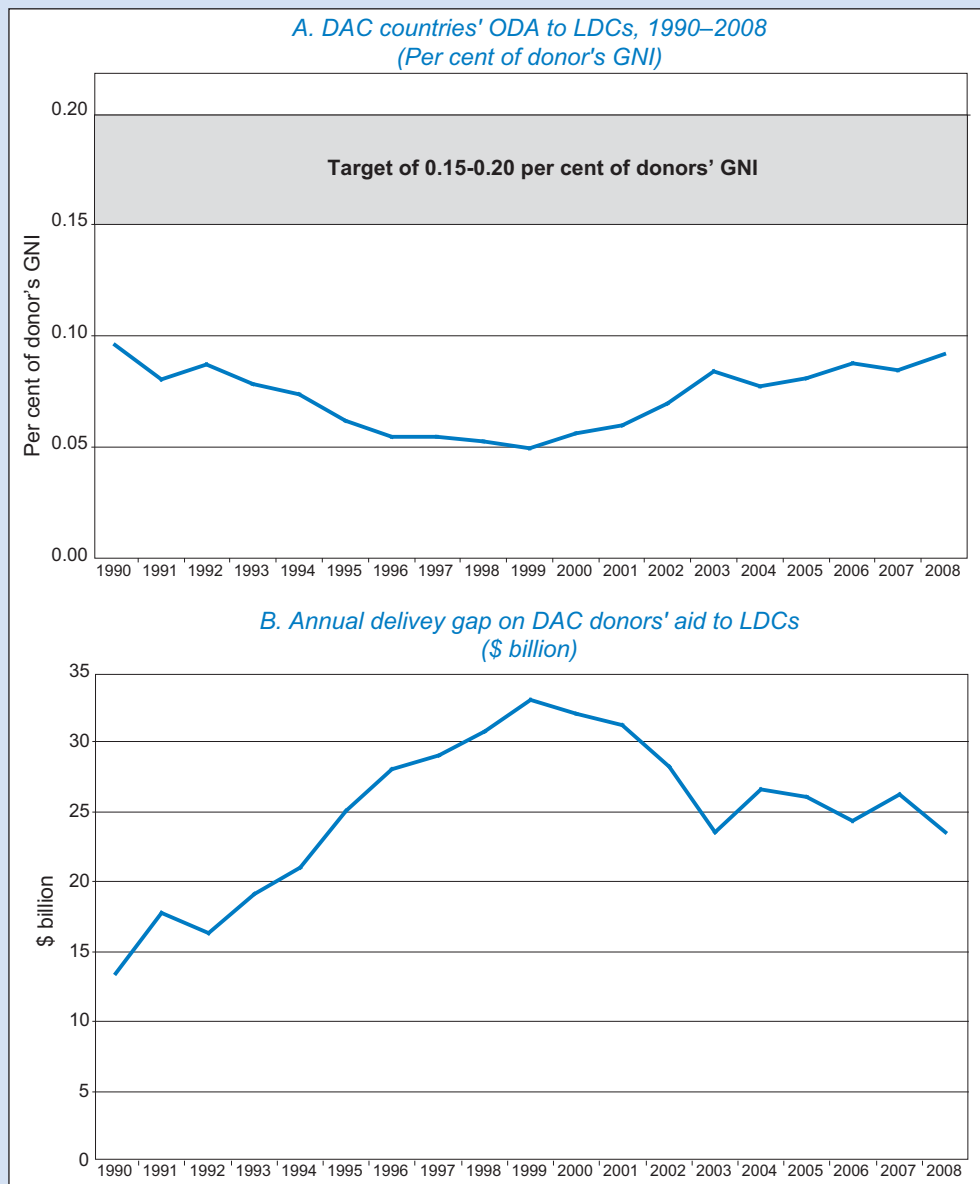
The aggregate ratio of ODA to GNI for DAC members increased from 0.05 per cent in 2000 to 0.09 per cent in 2008, but this was still well below the lower 0.15 target. The increase in the 2000s actually represented only a return to the same level of aid as in 1990.

The actual aid amount in 2008 represented a shortfall of between \$23.6 billion and \$43.8 billion vis-à-vis the aid targets.

The cumulative shortfall in aid flows to the LDCs over the period 2000–2008 in relation to the lower aid target was equivalent to 51 per cent of the GNI of the LDCs as a group in 2008.

Chart 14

DAC countries' aid to LDCs, 1990–2008



Source: UNCTAD secretariat calculations, based on OECD *Stat* database.

Notes: ODA includes net bilateral and imputed multilateral disbursements. Data in constant 2008 dollars.

Gap calculations are based on the lower (0.15 per cent of GNI) aid target.

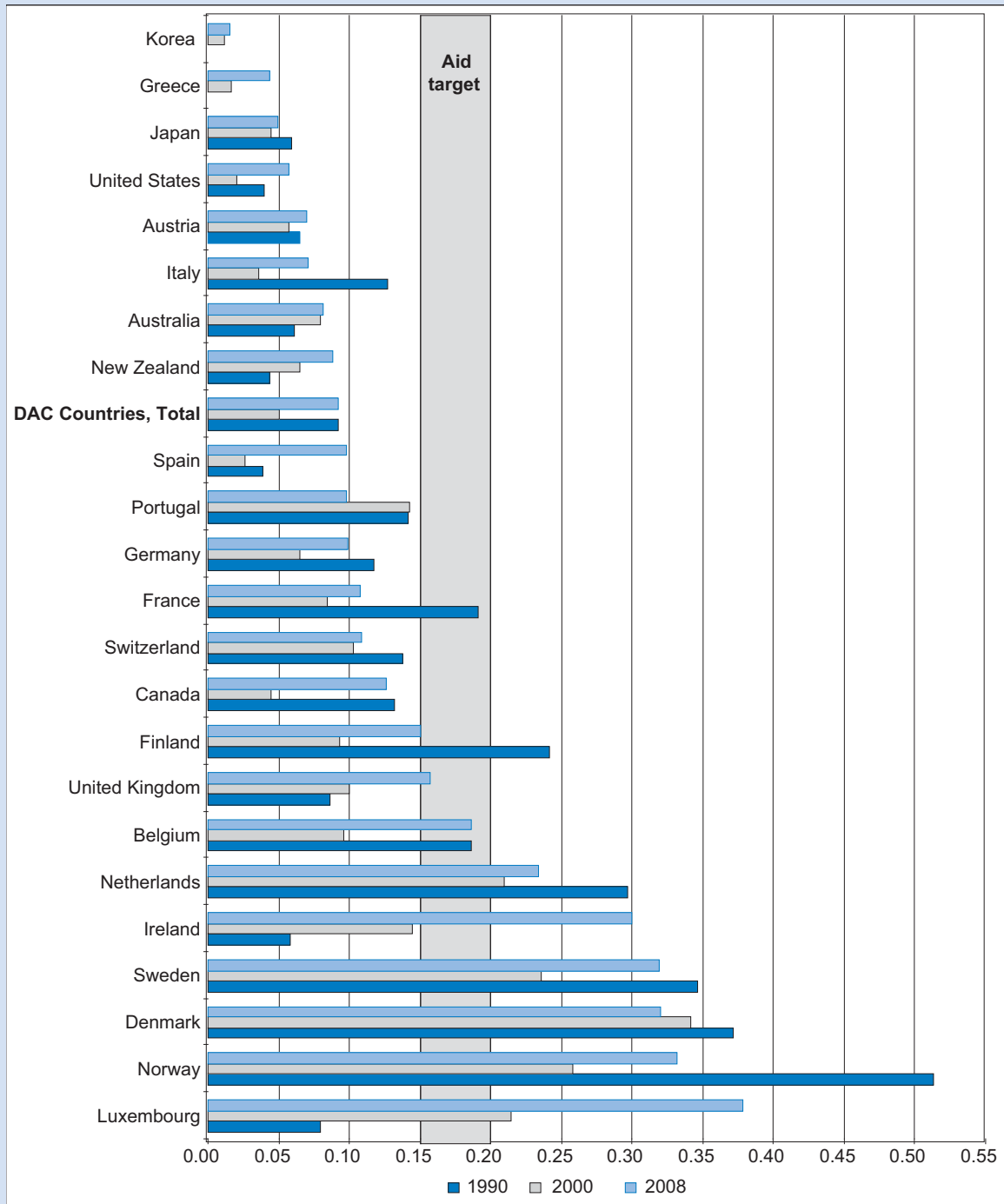
Aid inflows to LDCs more than doubled in the 2000s, but the increase in aid flows was proportional to the increase in aid flows to other developing countries.

There are no empirical studies of how the donors use the LDC category in their aid allocation decisions. It seems to be significant for some donors who are achieving the target, but they, like other donors, are quite selective about which countries they choose to aid. Thus the achievement of the target is associated with aid flows to a few selected LDCs with which the donors might have special relationships. For example, one fourth of total net ODA disbursement to LDCs in 2006 went to the Democratic Republic of the Congo, Afghanistan and Sudan (UNCTAD, 2008).

The analysis of the CDP (United Nations, 2010c) indicates that, although aid inflows to LDCs more than doubled in the 2000s, the increase in aid flows was proportional to the increase in aid flows to other developing countries. The share of LDCs in total aid has thus hovered at around 30 per

Chart 15

Net ODA from individual DAC member countries to LDCs, 1990, 2000 and 2008
(Per cent of donor country GNI)



Source: UNCTAD secretariat based on OECD, *International Development Statistics* database (online) (accessed July 2010).

Notes: Net disbursements including imputed flows through multilateral channels.
Donor countries in descending order of the ODA to GNI ratio in 2008.

cent. Econometric analyses of the variables affecting aid allocation indicate that LDCs receive more aid than other developing countries mainly because of their characteristics — such as low level of income, weak human assets and size. There is no evidence that LDC status per se affects aggregate aid allocation (United Nations, 2010c). Moreover, there is no relationship between aid allocation and structural vulnerability as measured by the Economic Vulnerability Index (EVI), which is one of the criteria for identifying the LDCs.

There is no evidence that LDC status per se affects aggregate aid allocation.

(b) DAC Recommendation of 2001 on untying aid

With regard to the tying of aid, in 2001 OECD-DAC members, after extended and difficult negotiations, adopted a Recommendation to untie much of the ODA to LDCs. Untied aid is defined in this context as loans and grants the proceeds of which are fully and freely available to finance procurement from all OECD countries and substantially all developing countries. Technical cooperation, food aid and donor administrative costs were excluded from the Recommendation, as well as small contracts (of less than SDR 700,000), and threshold levels for the application of the Recommendation were removed in 2006. A reporting system was established to monitor progress towards achievement of the 2001 Recommendation, along with numerical targets of tying status and effort-sharing. The 2005 Paris Declaration on Aid Effectiveness reiterated the Recommendation and envisaged that progress in untying be monitored (OECD 2005, Para 31).

The 2001 DAC Recommendation on Untying Aid is monitored by the OECD Development Cooperation secretariat each year on the basis of agreed indicators. It is difficult to obtain a sense of trends over time because the tying status of a high proportion of aid was not reported at the start of the decade. But the data indicate unequivocally that the DAC members have reached the targets they set themselves. The tying status of members' bilateral aid in 2008 (excluding administrative costs) reported to the OECD Creditor Reporting System shows 81 per cent as untied and 15 per cent as tied aid, while the remaining 4 per cent was not reported (OECD, 2010: 4). In addition, in line with Accra Agenda for Action commitments, most, but not all, members have action-oriented strategies (including targets and timelines) to significantly increase the share of their untied aid. But at the same time "... only slightly more than \$1 billion or 25% of the total value was procured from companies located in developing countries" (OECD, 2010: 5). This implies that although aid is *de jure* untied, *de facto* aid flows remain substantially tied.

An in-depth evaluation of implementation of the Recommendation throws more light on this (Clay, Geddes and Natali, 2009). It shows that although donors have made rapid progress in the formal untying of their aid by removing legal and administrative impediments to the procurement of goods and services outside the donors' own markets, the *de facto* tying of aid continues to be widespread. Thus "many formally untied projects were found to be *de facto* tied or have only some untied components" and "even where procurement is being handed over to partners, most donors try to influence project implementation, through long term technical assistance or management consultant from their home country" (p.ix). The evaluation shows that despite formal untying, the aggregated aid flows from a donor have a significant impact on that donor's exports. As the evaluation points out, the gap between *de jure* and *de facto* untying "calls into question to a certain extent the genuineness of untying efforts" (p.ix).

The reasons for the *de facto* tying include: (i) donor regulations; (ii) lack of local capacity; (iii) local and regional contractors being unable to compete internationally — a factor that is influenced by the design of the contracts, particularly in terms of their size; (iv) unequal access to information; (v) potential risk aversion at donors' headquarters; and (vi) pressure for speedy implementation. Underlying these factors is a major difference in perception between donor and recipient countries about what untying means. For the donors, it is matter of meeting legal and administrative requirements. For the recipients, untying is understood to be the transferring of responsibility for

Although donors have made rapid progress in the formal untying of their aid by removing legal and administrative impediments to the procurement of goods and services outside the donors' own markets, the de facto tying of aid continues to be widespread.

The reasons for the de facto tying include: (i) donor regulations; (ii) lack of local capacity; (iii) local and regional contractors being unable to compete internationally; (iv) unequal access to information; (v) potential risk aversion at donors' headquarters; and (vi) pressure for speedy implementation.

planning and managing funds from donors to recipients and it should offer local businesses an opportunity to compete successfully for contracts.

2. INTERNATIONAL TRADE

Measures to help LDCs develop their international trade cover four major areas: (i) support for LDCs' accession to the WTO, (ii) preferential market access, (iii) special and differential treatment with regard to obligations within multilateral agreements on trade, and (iv) support for trade-related capacity-building through the Enhanced Integrated Framework for Trade-related Technical Assistance.

(a) WTO accession

Of the 49 LDCs, 32 are members of the WTO.⁶ As such, their trade policies are bound by the commitments and obligations of their terms of accession. Another 12 LDCs are at present negotiating their accession to the WTO. Recognizing the challenges faced by these countries, because of their weak human and institutional capacities, limited technical knowledge and scarce financial resources, the WTO General Council adopted a Decision on the Accession of LDCs in December of 2002 (WTO, 2003). In so doing, it sought to mainstream the BPOA into WTO work. The Decision's aim was to facilitate and accelerate LDCs' negotiations for accession through simplified and streamlined accession procedures with a view to concluding these negotiations as quickly as possible.

Specifically, the member States of the WTO were called upon to: exercise restraint in seeking concessions and commitments on trade in goods and services from acceding LDCs; provide them with full benefits of special and differential treatment (SDT); grant transitional periods foreseen under specific WTO agreements to enable the acceding LDCs to effectively implement their commitments and obligations; and not use commitments to accede to any of the plurilateral trade agreements or participate in any other optional sectoral market access initiatives as a precondition for accession to the WTO.

However, an analysis of the accession process and the commitments of LDCs suggests that, in general, these objectives have not been met. The accession process for LDCs has proved to be as cumbersome and protracted as it has been for other countries. Several of them have been negotiating for more than a decade so far, and still have not completed the process (table 12). For example, the Sudan started the process in 1994, Vanuatu in 1995, the Lao People's Democratic Republic in 1997, Samoa in 1998, Bhutan in 1999 and Yemen in 2000. Only two countries — Cambodia and Nepal — have acceded to the WTO since 2000.

An assessment of the terms of accession of these two countries shows that both were given flexibilities, particularly in technically complex areas such as TRIPS, customs valuation, TBT [technical barriers to trade] and SPS [application of sanitary and phytosanitary measures]. However, substantial questions remain about whether WTO members did in fact exercise restraint in seeking concessions and commitments on trade in goods and services from Cambodia and Nepal. The commitments undertaken by them go well above and beyond the levels of concessions and commitments undertaken by the existing 30 WTO LDC members (UNCTAD, 2004). In effect, "while weaker States *de jure* have the right to benefit from special and differential treatment",

For the recipients, untying is understood to be the transferring of responsibility for planning and managing funds from donors to recipients and it should offer local businesses an opportunity to compete successfully for contracts.

The accession process for LDCs has proved to be as cumbersome and protracted as it has been for other countries. Several of them have been negotiating for more than a decade so far, and still have not completed the process.

*While weaker States *de jure* have the right to benefit from special and differential treatment, they are *de facto* stripped of this right in the accession process.*

Table 12

Status of LDCs' ongoing WTO accession negotiations

Country	Application	Working Party Established	Memo-randum	First/Latest* Working Party Meeting	Number of Working Party Meetings	Goods offer		Services offer		Draft Working Party Report ^b
						Initial	Latest*	Initial	Latest ^a	
Afghanistan	Nov. 2004	Dec. 2004	Mar. 2009							
Bhutan	Sep. 1999	Oct. 1999	Feb. 2003	Nov. 2004/ Jan. 2008	4	Aug. 2005	Nov. 2007	Aug. 2005	Nov. 2007	Dec. 2007
Comoros	Feb. 2007	Oct. 2007								
Equatorial Guinea	Feb. 2007	Feb. 2008								
Ethiopia	Jan. 2003	Feb. 2003	Jan. 2007	May 2008	1					
Lao People's Dem.Rep.	Jul. 1997	Feb. 1998	Mar. 2001	Oct. 2004/ Jul. 2009	5	Nov. 2006	Jun. 2009	Oct. 2007	Jun. 2009	Jun. 2009 (FS)
Liberia	Jun. 2007	Dec. 2007								
Samoa	Apr. 1998	Jul. 1998	Feb. 2000	Mar. 2002	1	Aug. 2001		Aug. 2001	Feb. 2006	May 2009
Sao Tome and Principe	Jan. 2005	May 2005								
Sudan	Oct. 1994	Oct. 1994	Jan. 1999	Jul. 2003/ Mar. 2004	2	Jul. 2004	Oct. 2006	Jun. 2004	Oct. 2006	Sep. 2004 (FS)
Vanuatu	Jul. 1995	Jul. 1995	Nov. 1995	Jul. 1996/ Oct. 1999	2	Accession Package: Oct. 2001				
Yemen	Apr. 2000	Jul. 2000	Nov. 2002	Nov. 2004/ Jul. 2009	6	Sep. 2005	Aug. 2008	Aug. 2005	Aug. 2008	Dec. 2009

Source: UNCTAD secretariat compilation, based on the WTO website (www.wto.org).

Note: a As of December 2009; b Most recent Factual Summary (FS), draft Working Party Report or Elements of a Working Party Report.

they are “*de facto* stripped of this right in the accession process” (Ibid, p. 62).

(b) Preferential market access

Preferential market access entitles exporters to pay lower tariffs or even to enter the market quota-free and/or duty-free. These are granted under the following general preferential schemes: (i) the Generalized System of Preferences (GSP), which is non-reciprocal; and (ii) the Global System of Trade Preferences Among Developing Countries (GSTP) — a reciprocal scheme available to signatories.

LDCs receive greater preferences in view of their special circumstances. Preferential market access entitles exporters to pay lower tariffs or even to enter the market quota-free and/or duty-free.

LDCs receive greater preferences in view of their special circumstances. Such special treatment takes the form of: (i) extending the range of products of particular interest to LDCs within the framework of preferences granted to all developing countries, and (ii) granting LDCs special concessions not available to other preference-receiving developing countries (e.g. greater tariff reductions or more liberal treatment with respect to rules of origin). This was first proposed by UNCTAD expert groups in 1969 and 1972, and later within the Substantial New Programme of Action for LDCs in 1981 (see UNCTAD, 1969, paras 24–32; 1972, paras 40–46; and 1983, paras 430–464). In 1994, the UNCTAD Special Committee on Preferences, at its twenty-first session, concluded that a priority task of the international community should be to assist LDCs in maximizing their utilization of the GSP scheme; improving the scheme by extending its product coverage, duty- and quota-free treatment; and offering more flexible rules of origin in favour of LDCs. It further called for these improvements to be complemented by greater liberalization of non-tariff barriers affecting products of particular export interest to LDCs, and by international support measures to increase the capacity of LDCs to design, produce and market products.

These proposals received further impetus from the WTO Ministerial Conference in Singapore in 1996, which adopted a Plan of Action for LDCs, including providing predictable and favourable preferential market access conditions, and by the adoption of the Everything-but-Arms Initiative by the EU in 2001, which provided a model for emulation by other countries. The BPOA also included commitments of developed countries that “development partners will aim, including through actions in relevant multilateral fora, at...improving preferential market access for LDCs by working towards the objective of duty-free and quota-free access for all LDC products.” (United Nations, 2002, para 68h). Furthermore, it called for consideration to be given to a proposal for developing countries to contribute to improved market access for LDCs’ exports. In addition, target 8b of the MDGs required developed countries to increase the proportion of their duty-free and quota-free (DFQF) imports (by value) from LDCs. Finally, a decision on DFQF market access was reached at the Sixth Ministerial Conference in Hong Kong, China, which states that “developed-country Members shall, and developing-country Members declaring themselves in a position to do so should: (i) Provide DFQF market access on a lasting basis, for all products originating from all LDCs by 2008 or no later than the start of the implementation period in a manner that ensures stability, security and predictability.” It further states that “(ii) Members facing difficulties at this time to provide market access as set out above shall provide duty-free and quota-free access for at least 97 per cent of products originating from LDCs, defined at the tariff line level, by 2008 or no later than the start of the implementation period.” (WTO, 2005).

A non-inclusive list of initiatives taken by developed and developing countries indicates that over the period 2000 to 2010, 23 countries took 36 initiatives to improve market access for LDCs (WTO, 2010a; see also table 13). This may seem to be an impressive record of implementation. Trade preferences are an area where there is perhaps the greatest international momentum to provide special treatment for LDCs. But the critical question is whether this has made a difference to LDCs’ trade development.

A large proportion of LDCs’ exports to developed countries have benefited from duty-free access, increasing from 68 per cent of total developed-country imports in 1996 to 92 per cent in 2008 (table 14). However, if arms and oil are excluded, this share has remained more or less stable at around 80 per cent since 1998. What is of particular concern is that these trends suggest that preferences accorded to LDCs have been eroded. Since the more advanced developing countries are benefiting from increased duty-free access to developed-country markets, LDCs’ preferential market access is becoming less of an advantage. Excluding arms and oil, the preferential market access of other developing countries increased from 54 per cent of the total in 1996 to 80 per cent in 2008. This is largely due to the proliferation of trade agreements between developed and developing countries, which give the latter preferential access to the markets of the former.

In addition, as many countries have reduced their tariff rates on certain products to zero per cent, exports from LDCs that are entitled to duty-free access have to compete on an equal footing with exports from other countries. The analysis by UNCTAD (2007) suggests that certain LDCs and certain sectors have suffered considerably from the erosion of preferences.

Data reveal that developed countries’ (average) import tariffs have been on the decline for agricultural products, textiles and clothing from both other developing countries and LDCs (table 15), although they still remain relatively

Trade preferences are an area where there is perhaps the greatest international momentum to provide special treatment for LDCs. But the critical question is whether this has made a difference to LDCs’ trade development.

Excluding arms and oil, the proportion of LDCs’ exports to developed countries with duty-free access has remained constant at 80 per cent from 1998, while that of other developing countries has increased from 54 per cent to 80 per cent. Thus, certain LDCs and certain sectors have suffered considerably from the erosion of preferences.

Table 13

Preferential market access measures in favour of LDCs

Preference-granting countries	Description	Entry into force	Beneficiaries	Coverage / margin of preference	References
Australia	Duty-free and quota-free (DFQF) entry	1 Jul 2003	LDCs	All products	WT/COMTD/N/18
Belarus	Harmonized System of preference by the Eurasian Economic Community (EAEC)	May 2001	47 LDCs	Duty-free access for all products	WT/TPR/S/170
Canada	GSP - Least-developed Countries' Tariff programme (LDCT)	1 Jan 2003, extended until 30 Jun 2014	LDCs	Duty-free access under all tariff items for imports from LDCs, with exception of over-quota tariff items for dairy, poultry and egg products	WT/COMTD/N/15/Add.1 and Add.2 WT/COMTD/W/159
China	Asia-Pacific Trade Agreement (APTA) - amendment to the Bangkok Agreement	1 Sept 2006	Bangladesh Lao PDR	Tariff concessions granted exclusively to LDC members on 161 products with average margin of preference of 77.9%	WT/COMTD/N/22
			Bangladesh	On top of APTA, unilateral special preferential tariffs (zero rated) offered on additional 87 tariff lines	Information Gov. China
	Framework Agreement on Comprehensive Economic Co-operation between ASEAN and China	1 Jan 2006	Cambodia	Duty-free treatment on 418 tariff lines	Information Gov. China
			Cambodia	On top of this Framework Agreement, unilateral special preferential tariffs (zero rated) offered on additional 420 tariff lines	Information Gov. China
			Lao PDR	Duty-free treatment on 330 tariff-lines	Information Gov. China
			Lao PDR	On top of this Framework Agreement, unilateral special preferential tariffs (zero rated) offered on additional 399 tariff lines	Information Gov. China
			Myanmar	Duty-free treatment on 220 tariff lines	Information Gov. China
			Myanmar	On top of this Framework Agreement, unilateral special preferential tariffs (zero rated) offered on additional 226 tariff lines	Information Gov. China
	Forum on China-Africa Cooperation		LDCs in Africa having diplomatic relations with China	By 1 Jan 2008, 30 LDCs in Africa came under the cover of DFQF market access. Zero tariff treatment will be phased-in for 95% of products, starting with 60% of products in 2010.	WT/COMTD/W/164 WT/COMTD/M/77
	Special preference tariff		Afghanistan, Maldives, Samoa, Vanuatu, Yemen	Unilateral special preferential tariffs (zero rated) offered on 286 categories of products	Information Gov. China
European Union	GSP - Everything But Arms (EBA) initiative	5 Mar 2001	LDCs	EBA granting DFQF access for all products from all LDCs (except arms and ammunitions). Transitional provisions for imports of rice and sugar fully liberalized by Oct 2009.	WT/COMTD/N/4/Add.2 and Add.4 WT/TPR/S/177/Rev.1
	Contonou Agreement expired on 31 Dec 2007; EPAs being negotiated with the African, Caribbean and Pacific (ACP) countries will replace the unilateral preferences granted under the Contonou Agreement		79 ACP countries, 40 of which LDCs	Duty-free treatment on industrial, certain agricultural and fishery products, subject to a safeguard clause. Certain products (bananas, beef and veal, sugar) governed by commodity protocols.	WT/TPR/S/177/Rev.1 WT/TPR/S/214/Rev.1
Iceland	GSP - Tariff Preferences in Regard to the Importation of Products Originating in the World's Poorest Developing Countries	29 Jan 2002	LDCs	All products except some agricultural products (HS chapters: 04, 15, 18, 19, 21, 22) and non-agricultural products (HS sub-headings: 3502, 3823 and all of HS 16 except sub-headings 1603 to 1605)	WT/COMTD/N/17 and Corr.1 WT/TPR/S/164
India	Asia-Pacific Trade Agreement (APTA) - amendment to the Bangkok Agreement	1 Sept 2006	Bangladesh Lao PDR	Tariff concessions granted exclusively to LDC members on 48 products with average margin of preference of 39.7%	WT/COMTD/N/22
	Duty-Free Tariff Preference Scheme (DFTP)		LDCs	Duty-free access on 85% tariff lines at HS 6-digit level within a five-year time frame	WT/COMTD/M/69
	South Asian Free Trade Area (SAFTA)	1 Jan 2006	Bangladesh, Bhutan, Maldives, Nepal	Special concessions exclusively granted to LDC members. In 2006/2007, preferential rates granted on 84.4% of all tariff lines at average rate of 10.6% (while 15% for non-LDC members)	WT/COMTD/10 WT/TPR/S/182/Rev.1 WT/COMTD/N/26
	Bilateral agreement	13 May 2003	Afghanistan	Tariff reductions on 38 HS 6-digit lines (margins of preferences of 50% or 100% of MFN tariff)	WT/TPR/S/182/Rev.1
	Bilateral agreement (extended on 29 Jul 2006 for 10 years)		Bhutan	All products	WT/TPR/S/182/Rev.1 WT/COMTD/N/28
	Bilateral agreement		Nepal	Tariff exemptions for all goods subject to rules of origin. Imports of certain goods subject to annual quota	WT/TPR/S/182/Rev.1
Japan	GSP - Enhanced DFQF market access	1 Apr 2007	LDCs	Duty-free on 8859 tariff lines (or 98% of tariff line level)	WT/COMTD/N/2/Add.14

Table 13 (contd.)

Preference granting countries	Description	Entry into force	Beneficiaries	Coverage / margin of preference	References
Kazakhstan	Harmonized System of preference by EAEC	May 2001	47 LDCs	Duty-free for all products	WT/TPS/S/170
Korea, Rep. of	Presidential Decree on Preferential Tariff for LDCs	1 Jan 2000	LDCs	Duty-free access granted on 87 tariff items (HS 6-digit)	WT/COMTD/N/12/Rev.1 WT/TPR/S/137
	Asia-Pacific Trade Agreement (APTA) - amendment to the Bangkok Agreement	1 Sept 2006	Bangladesh Lao PDR	Tariff concessions granted exclusively to LDC members on 306 products with average margin of preference of 64.6%	WT/COMTD/N/22
Kyrgyz Republic	Harmonized System of preference by EAEC	May 2001	47 LDCs	Duty-free for all products	WT/TPR/S/170
Moldova	GSP		LDCs	Duty-free for all products	WT/ACC/MOL/37
Morocco	Preferential tariff treatment for LDCs	1 Jan 2001	LDCs	HS 4 to 10-digit level	WT/LDC/SWG/IF/18 G/C/6
New Zealand	GSP - Tariff Treatment for LDCs	1 Jul 2001	LDCs	All products	WT/COMTD/27 WT/TPR/S/115
Norway	GSP - DFQF market access	1 Jul 2002	LDCs	All products	WT/TPR/S/138 WT/COMTR/N/6/Add.4
Pakistan	South Asian Free Trade Area (SAFTA)	1 Jan 2006	Bangladesh, Bhutan, Maldives, Nepal	Special concessions for least-developed contracting states; tariffs to be reduced to a 5% ceiling on imports from LDC members by 2009	www.saarc-sec.org WT/TPR/S/193
Russia	Harmonized System of preference by EAEC	May 2001	47 LDCs	Duty-free for all products	WT/TPR/S/170
Sri Lanka	South Asian Free Trade Area (SAFTA)	1 Jan 2006	Bangladesh, Bhutan, Maldives, Nepal	Special concessions for least-developed contracting states	www.saarc-sec.org
	Asia-Pacific Trade Agreement (APTA) - amendment to the Bangkok Agreement	1 Sept 2006	Bangladesh Lao PDR	Tariff concessions granted exclusively to LDC members on 72 products with average margin of preference of 12%	WT/COMTD/N/22
Switzerland	GSP - Revised Preferential Tariffs Ordinance	1 Apr 2007	LDCs	Duty-free access for all products originating from all LDCs as of Sept 2009. Phase-in periods for some products completed by Sept 2009	TN/CTD/M/28 WT/COMTD/N/7/Add.2 and Add.3
Tajikistan	Harmonized System of preference by EAEC	May 2001	47 LDCs	Duty-free for all products	WT/TPR/S/170
Turkey	GSP	31 Dec 2005	LDCs	Duties eliminated for LDCs on the basis of EU's EBA initiative	WT/TPR/S/192
United States	GSP for least-developed beneficiary developing countries (LDBDC)	1 Jan 1976, extended until 31 Dec 2010	44 LDCs	1420 articles exclusively available for LDC beneficiaries for duty-free treatment	WT/COMTD/N/1/Add.4 and Add.5 TW/TPR/S/160 WT/TPS/S/200/Rev.1. www.ustr.gov
	African Growth and Opportunity Act (AGOA)	May 2000, extended until 30 Sept 2015	38 Sub-Saharan countries (incl. 24 LDCs)	1800 products, including textiles and apparel, available for duty-free treatment	WT/COMTD/N/1/Add.3 WT/TPR/S/160 WT/TPR/S/200/Rev.1 WT/L/754
	Caribbean Basin Trade Partnership Act (CBTPA)	1 Oct 2000, extended until 31 Dec 2014	19 Central American/Caribbean countries (incl. 1 LDC)	Duty-free for most products, including textiles and apparels. The Haitian Hemispheric Opportunity through Partnership Encouragement Act enhances Haiti's benefits under CBERA.	WT/TPR/S/160 WT/TPR/S/200/Rev.1 WT/L/753
Uzbekistan	Harmonized System of preference by EAEC	May 2001	47 LDCs	Duty-free for all products	WT/TPS/S/170

Source: UNCTAD secretariat compilation, based on WTO (2010a).

Table 14

Proportion of total developed country imports from developing countries and LDCs admitted free of duty (excluding arms and oil)
(Percentage of total developed country imports)

	1996	1998	2000	2004	2006	2008
(a) Excluding arms						
Developing	53	54	63	76	81	84
LDCs	68	81	75	82	89	92
(b) Excluding arms and oil						
Developing	54	54	65	76	77	80
LDCs	78	78	70	80	79	81

Source: The Millennium Development Goals Report 2010: Statistical Annex, www.mdg-trade.org (accessed September, 2010).

Table 15**Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries and the LDCs***(percentage)*

	1996	2000	2004	2008
(a) Agricultural goods				
Developing	10.5	9.3	9.1	8.0
LDCs	3.9	3.6	3.0	1.6
(b) Textiles				
Developing	7.3	6.6	5.2	5.1
LDCs	4.6	4.1	3.2	3.2
(c) Clothing				
Developing	11.5	10.8	8.6	8.2
LDCs	8.2	7.8	6.4	6.4

Source: The Millennium Development Goals Report 2010: Statistical Annex, www.mdg-trade.org (accessed September, 2010).

Market access under existing preferential schemes does not offer LDCs much possibility to change the composition of their exports.

While market access preferences for LDCs play an important symbolic role in expressing solidarity with LDCs, their practical value for trade expansion has generally been very limited, owing to lack of full product coverage ...

high for clothing. In addition, there are regional and sectoral variations in terms of market access conditions, between other developing countries and LDCs as well as among LDCs. Generally, other developing-countries continue to face somewhat higher average tariffs than LDCs for their exports, including exports of agriculture, textiles and clothing. However, that difference is now less than two percentage points for textiles and clothing, which means that preferential market access has ceased to offer any meaningful advantage to LDCs. Within the LDCs as a group, small island and African LDCs have gained, or at least maintained, some preferences in major markets for their exports, while Asian LDCs, which tend to be more competitive, continue to face higher tariffs and are granted lower duty-free access, especially on their clothing and textile exports.

Moreover, there are important variations among developed countries. For example, LDCs' agricultural products still face most-favoured-nation (MFN) tariffs of more than 8 per cent in the United States and preferential tariffs which are 6 per cent higher than the average of developing countries. Preferential rates for LDCs' garments entering the United States market average more than 11 per cent and the rates for textiles are about 6 per cent. Hence, some developed countries impose their highest tariffs on imports of garments and agriculture from developing countries, and especially from LDCs.

Market access under existing preferential schemes does not offer LDCs much possibility to change the composition of their exports, because tariffs on goods that are of export interest to LDCs (e.g. textiles, clothing, leather, footwear and rubber) are generally higher than tariffs on other goods, and, furthermore, these escalate as the level of processing increases (UNCTAD, 2003; Elliot, 2009). Most tariff peaks are in agriculture, including processed products, which has a very discouraging effect on upgrading by LDCs. Thus, since the special trade support measures are skewed towards existing, not new, activities, they offer limited possibilities for LDCs to diversify their production structure and move up the technological ladder (Farfan, 2005).

Many empirical studies of how preferences work in practice⁷ show that while market access preferences for LDCs play an important symbolic role in expressing solidarity with LDCs, their practical value for trade expansion has generally been very limited, owing to lack of full product coverage. As noted by Elliot (2010:8), "...because both rich-country tariff peaks and LDC exports tend to be relatively concentrated in similar sectors, even a small number of product exclusions can rob the initiative of any meaning." LDCs thus get "essentially no gain from 97 per cent [product] coverage" in DFQF access to OECD markets.

Even if there were to be better coverage of products, it has been found that the utilization rate of preferences, the proportion of imports eligible for special treatment which actually receive it, is often low. This is attributed, in particular, to restrictive rules of origin which require that eligible imports be substantially transformed in the beneficiary country. There has been some progress with regard to those rules during this past decade, most notably through the African Growth and Opportunity Act (AGOA) of the United States and Canada's preferential access programme, but much more could be done. Furthermore, it has been found that the proliferation of various non-tariff barriers, such as SPS provisions, mean that products which could potentially benefit from DFQF access are unable to do so in practice. Investors are less willing to take advantage of preferential market access if programmes have to be renewed frequently, and if eligibility conditions (such as respect for human rights) are numerous, non-transparent or applied arbitrarily. Also the preference margins given to LDCs in comparison with other countries are very low and have eroded over time. In this regard, Carrere and de Melo (2009) find that the preference margins enjoyed by LDCs in the EU and United States markets are very small when compared with the effective tariff paid by competing sellers. In the EU, the current adjusted preference margin is only around 3 per cent, and in the United States it is negative. The latter finding means that the LDCs are actually discriminated against in the United States for the main products they sell there because the United States has free trade agreements (FTAs) with other trade partners (United Nations, 2010c).

... the utilization of preferences is also often low due to restrictive rules of origin which require that eligible imports be substantially transformed in the beneficiary country.

Finally, due to limited supply capacities, exporters in LDCs are unable to take full advantage of preferential market access. Such access is only a hypothetical opportunity unless the commercial conditions for market entry can be achieved. As UNCTAD (2004: 250) has stated: "Improved market access for LDCs is commercially meaningless if the LDCs cannot produce in the sectors in which they have preferential treatment and if they lack the marketing skills, information and connections to convert market access to market entry. Moreover, unless the new production stimulated by the preferences strengthens the development of national technological and entrepreneurial capabilities through learning by doing, the sustainability of the development process may be questionable."

One study has found that the preference margin enjoyed by LDCs in the EU is around 3 per cent, and in the United States is negative.

(c) Special and differential treatment

There are currently 148 special and differential treatment (SDT) provisions in the various WTO agreements, 14 of which are explicitly targeted at LDC members of the WTO (WTO, 2010b).⁸ These provisions provide LDCs with more flexibility than is given to other WTO members (see box 5).

One feature of these provisions is that they give LDCs more time to implement WTO agreements, enabling them to prepare institutionally (i.e. with laws, regulations and procedures) for multilateral disciplines. However, it does not help in terms of developing their productive capacities. For this, the transition period is simply arbitrary. Specifically, a 7- or 10-year transition period in most cases is not sufficient to develop viable domestic production in a particular sector. In addition, conditions in each country vary, so that they would need different transition periods for the development of their productive capacities.

There are currently 148 special and differential treatment (SDT) provisions in the various WTO agreements, 14 of which are explicitly targeted at LDC members of the WTO.

An assessment of SDT provisions in UNCTAD (2004) concluded that it was doubtful that current provisions were sufficient to enable the LDCs to actively promote their economic development and reduce their international economic marginalization. It showed that:

Box 5. Special and Differential Treatment provisions in WTO agreements^a

LDC members of the WTO, as well as developing-country members can benefit from a number of special and differential treatment provisions contained in WTO agreements. The total number of such provisions amounts to 148, 14 of which are applicable only to the LDCs, and they fall into six categories:^b

- (i) Provisions aimed at increasing the trade opportunities of developing-country members (i.e. market access);
- (ii) Provisions requiring WTO members to safeguard the interests of developing-country members;
- (iii) Flexibility, commitments to action and use of policy instruments;
- (iv) Transitional time periods;
- (v) Technical assistance; and
- (vi) Provisions relating to LDC members.

The provisions can also be classified according to the WTO agreements in which they are contained. The following are the special considerations granted specifically to the LDCs:

Agreements relating to trade in goods (5 provisions)

The Agreement on Agriculture exempts LDCs from undertaking reduction commitments in the areas of market access, export competition and domestic support, whereas developing-country WTO members must implement the reduction commitments within a period of up to 10 years (Article 15.2).

Article 16.1 of this Agreement stipulates that developed-country members shall take action as provided for within the framework of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (paragraphs 3 (i), (ii) and (iii), 4, 5). That is, they will:

- (i) Review periodically the level of food aid and initiate negotiations for food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme.
- (ii) Adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to least-developed and net-food-importing developing countries in fully grant form and/or on appropriate concessional terms.
- (iii) Ensure that any agreement relating to agricultural export credits makes appropriate provisions for differential treatment in favour of least-developed and net-food-importing developing countries.
- (iv) Enable developing countries to draw on resources of international financial institutions in order to address short-term difficulties in financing normal levels of commercial imports.
- (v) Consider the requests for the provision of technical and financial assistance to least-developed and net-food-importing developing countries to improve their agricultural productivity and infrastructure.

Article 16.2 requests the Committee on Agriculture to monitor the follow-up to this Decision.

The Agreement on Technical Barriers to Trade recognizes that developing countries, and LDCs in particular, may face institutional and infrastructural difficulties in the preparation and application of technical regulations and standards. Therefore, it calls on WTO members to give priority to the needs of the LDCs in providing advice and technical assistance (Article 11.8)

The Agreement on Trade-Related Investment Measures (TRIMs) allows LDCs more flexible implementation of the elimination of certain investment measures that have a distorting effect on trade in goods. At the Sixth Ministerial Conference of the WTO in Hong Kong, China, in 2005, members agreed to grant LDCs an additional seven years to maintain existing measures that deviate from their obligations under TRIMs, with the possibility of additional extensions. All measures, however, should be phased out by 2020 (Article 5.2)

Agreement on trade in services (2 provisions)

The Agreement on Trade in Services (GATS) requests that “ [...] Negotiating guidelines shall establish modalities for the treatment of liberalization undertaken autonomously by Members since previous negotiations, as well as for the special treatment for least-developed country Members [...]” (Article XIX: 3). Moreover, it calls for increased participation of developing countries in world trade and that “Particular account shall be taken of the serious difficulty of the least-developed countries in accepting negotiated specific commitments in view of their special economic situation and their development, trade and financial needs” (Article IV:3).

Agreements relating to trade-related intellectual property rights (3 provisions)

Under the Preamble of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) the special needs of the LDCs are recognized, and flexibility is granted for the implementation of laws and regulations in order to enable them to create a sound and viable technological base. Article 66.1 specifies that LDCs are not required to apply the provisions of this Agreement, other than Articles 3, 4 and 5, for a period of 10 years. In 2005, the transition period was extended to July 2013, while for certain obligations relating to pharmaceutical products the period was extended to January 2016. Given their lack

Box 5 (contd.)

of domestic pharmaceutical manufacturing capacity, LDCs are not required to submit a notification about importing cheaper generic versions of patented medicines. Moreover, developed-country members of the WTO are required to provide incentives to enterprises and institutions in their territories to encourage technology transfers to LDCs (Article 66.2).

Understanding on rules and procedures governing the settlement of disputes (2 provisions)

Pursuant to the Understanding on Rules and Procedures Governing the Settlement of Disputes, WTO members “shall exercise due restraint in raising matters under these procedures involving a least-developed country Member” and “exercise due restraint in asking for compensation or seeking authorization to suspend the application of concessions or other obligations pursuant to these procedures” (Article 24.1). Moreover, it offers the LDCs conciliation and mediation mechanisms and, upon request, the good offices of the Director-General or the Chairperson of the Dispute Settlement Board to find acceptable solutions prior to a request for a panel (Article 24.2).

Agreement on government procurement (2 provisions)

The Agreement on Government Procurement grants suppliers in LDCs special treatment with respect to products or services originating in their countries (Article V.12). Developed-country parties are also required to provide assistance to potential tenderers in LDCs in submitting their tenders and assisting them to comply with technical regulations and standards relating to the products or services of the intended procurement (Article V.13).

a Based on the WTO, 2010b, and United Nations, 2008.

b Classified according to the typology outlined in WT/COMTD/W/77/Rev.1.

The majority of the provisions that are granted exclusively to the group of least developed countries are provisions that encourage advanced WTO members to consider the interest of the least developed WTO members, rather than provisions that provide the least developed WTO members with exemptions from WTO rules and regulations in line with their level of development. Many of the provision are best endeavor clauses rather than obligations. They are also by their nature transitory. Rather than being concerned with the development of productive capacities they are (a) intended to facilitate the implementation of the WTO Agreements by the LDCs and other developing countries and (b) to encourage these countries to design and implement trade policies in conformity with WTO Agreements (UNCTAD 2004: 245).

There is need for research on how effective SDT provisions are, and to what extent they are implemented in practice. However, anecdotal evidence suggests that some aspects of SDT, such as the ability to provide export subsidies or the granting of temporary exemptions with regard to IPRs, could be meaningful for the development of productive capacities, but such measures are not used by LDCs. There are a number of reasons for this, including their lack of financial resources, or because they are advised not to use them, or their unease or even fear that implementing them would go against the prevailing development orthodoxy. The end result is that *de jure* SDT provisions are *de facto* meaningless for development.

(d) Building trade capacity

With regard to trade capacity building there is a special initiative to support LDCs — the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF). This was first introduced in 1997 as a response to the Uruguay Round Decision on Measures in Favour of Least Developed Countries, which called for “substantial increased technical assistance in the development, strengthening and diversification of their production and export bases, including those of services, as well as trade promotion to enable them to maximize the benefits from liberalized access to markets (GATT, 1994: 441). In October 1997, six multilateral agencies — the United Nations Development

Rather than being concerned with the development of productive capacities, SDT provisions are: (a) intended to facilitate the implementation of the WTO Agreements by the LDCs and other developing countries; and (b) to encourage these countries to design and implement trade policies in conformity with WTO Agreements.

The end result is that de jure SDT provisions are de facto meaningless for development.

With regard to trade capacity building there is a special initiative to support LDCs — the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF).

Programme (UNDP), UNCTAD, World Bank, IMF, WTO and the International Trade Centre of UNCTAD/WTO (ITC) — were mandated to cooperate and combine their efforts to assist LDCs develop their trade capacities. But this did not work as initially intended, and an evaluation completed in June 2000 identified several weaknesses of the approach at that time, notably: poor links of the process of trade capacity building with overall development strategies, weak country ownership, and inadequate coordination and funding. In 2001, a number of changes were made to improve the IF's effectiveness, including a focus on increasing the capacity to mainstream trade into poverty reduction strategies, the introduction of the Diagnostic Trade Integration Study (DTIS) and an Action Matrix as key tools for identifying priority trade development projects. In addition, a trust fund was created with two windows: Window 1 would fund the DTIS and ancillary activities and Window 2 would serve as an interim bridging mechanism for funding priority capacity-building activities identified in the Action Matrix.

A long series of steps with high transaction costs for the LDC Governments were involved before any concrete projects stemming from the IF could be implemented.

A long series of steps with high transaction costs for the LDC Governments were involved before any concrete projects stemming from the IF could be implemented. Moreover, despite the revamping of the IF, LDCs continued to express concerns about what it delivered, alleging that it placed more emphasis on diagnostic activities than on concrete outcomes. For their part, the donors have always insisted that the aim of the IF process was not to deliver aid for trade but to increase the capacity of LDC Governments to obtain and effectively use aid for trade. An evaluation of the World Bank (2004) concluded that the programme had been raising awareness about the role of trade in development at the national level, for donors and also international agencies, including the World Bank. But it also identified a number of problematic issues, notably: (i) IF processes did not lead to a prioritization of Technical Assistance (TA) needs; (ii) IF was not sufficiently demand-driven or related to LDC development strategies; and (iii) governance was weak and division of responsibilities between agencies unclear. It also noted that LDCs and donors had different perceptions of IF objectives. Donors believed the objective of the IF was to improve the efficiency of the TA that had already been provided, but the LDCs envisioned it as an additional source of funding for TA and other activities (World Bank, 2004). Another evaluation concluded that IF's operational approach was "a sound approach capable of achieving positive results" (CAPRA-TFOC Consortium, 2003), but it also noted the divergent expectations of the IF. LDCs continued to stress the lack of adequate resources to implement the findings of the DTIS and the low level of disbursements, particularly in relation to transaction costs of engagement in the process, as well as slow implementation.

In the 2005 Hong Kong Ministerial Declaration, high priority was given to the effective implementation of the Integrated Framework...

In the 2005 Hong Kong Ministerial Declaration, high priority was given to the effective implementation of the Integrated Framework (paragraph 48). A task force was set up in 2006 to make proposals for an enhanced IF that could tackle the programme's weaknesses and be guided by the aid effectiveness principles set out in the Paris Declaration. Accordingly, the resulting Enhanced Integrated Framework for Trade-Related Technical Assistance (EIF) focused more strongly on outcomes, and recognized the need for predictable and sustainable funding — in line with the DTIS findings — and greater donor coordination. The governance structure of the EIF was revised, with a strengthened and accountable EIF secretariat that reported to an EIF Board, and there was an independent Trust Fund Manager (United Nations Office for Project Services). To increase ownership, the programme stressed the need for buy-in across government departments, especially at senior level, and envisaged stronger support for the national focal points.

... the resulting Enhanced Integrated Framework for Trade-Related Technical Assistance (EIF) focused more strongly on outcomes, and recognized the need for predictable and sustainable funding and greater donor coordination.

Since the new EIF became operational only on 1 July 2009, it is still too early to evaluate the EIF processes and outcomes. The EIF Trust Fund received more funding pledges (increasing from \$37 million in 2006 to more than \$100 million in 2010 as at June 2010), but as at 31 March 2010, only 27 per cent of EIF funds had been allocated. Half of these were for DTIS, DTIS updates and related activities, and the other half for the executive secretariat, agency funding, the Trust Fund manager and fees. Since October 2008, 20 LDCs have been able to receive funding for so-called Tier-1 projects (DTIS and related activities) which is indicative of a faster project approval process. However, up to June 2010, no Tier-2 projects had been approved as the procedures are still in the process of being finalized. Large-scale projects cannot and are not intended to be funded through this mechanism.

Since the EIF became operational only on 1 July 2009, it is still too early to evaluate its processes and outcomes.

All but two LDCs now participate in the programme and are at various stages of project formulation and implementation (table 16). However, the first 12 years of the IF show that this special international support mechanism for LDCs was ineffective in generating more resources for aid for trade in LDCs. The aid for trade commitments by OECD-DAC donors to LDCs and other developing countries have been on the rise and there has been an acceleration in this trend since 2002 (chart 16). But such commitments to LDCs have actually increased less than to other developing countries in spite of a dedicated mechanism for trade-related capacity-building, which should ideally provide the basis for securing more aid for trade. Turning to disbursements of aid for trade over the period 2002–2008, it is apparent that the LDCs' share in total aid-for-trade disbursements to all developing countries fell slightly, from 32 per cent in 2002–2003 to 28 per cent in 2007–2008. Total IF and EIF expenditures over this period were equivalent to less than 0.1 per cent of total aid for trade disbursements to LDCs (table 17). In aggregate, \$52 million has been allocated to LDCs through the IF process since 2000, on average amounting to a little more than \$1 million per country.

\$52 million has been allocated to LDCs through the IF/EIF process since 2000, on average amounting to a little more than \$1 million per country.

There is a consensus that the EIF has the potential to become an effective tool for delivering trade-related technical assistance. But the learning process has been very slow. Moreover, broad political will and commitment will be required to engineer a change from the past.

Table 16

Aid for Trade disbursements and IF/EIF expenditures, 2002–2008

(In millions of dollars and per cent)

	2002	2003	2004	2005	2006	2007	2008	Total
Developing countries	13 762	13 663	16 893	20 035	20 823	23 044	26 449	134 670
<i>Of which:</i>								
ODCs	9 404	9 199	12 016	14 403	15 524	16 609	19 093	96 247
LDCs	4 359	4 464	4 878	5 631	5 300	6 435	7 356	38 422
Share of aid to LDCs in aid to all developing countries (percentage)	31.7	32.7	28.9	28.1	25.4	27.9	27.8	28.5
IF and EIF expenditures								
Window 1 (IF)	2.71	2.09	1.86	1.48	2.91	0.77	0.99	12.81
Window 2 (IF)			0.05	2.46	4.14	2.73	6.06	15.44
Tier 1 (EIF), funds approved							1.20	1.20
Total IF and EIF expenditures	2.71	2.09	1.91	3.94	7.05	3.50	8.25	29.45
IF and EIF expenditures as percentage of total disbursements to LDCs	0.06	0.05	0.04	0.07	0.13	0.05	0.11	0.08

Source: UNCTAD secretariat calculations, based on OECD, *International Development Statistics* database; UNDP, IF Trust Fund reports (several issues); and UNOPS, Trust Fund reports (several issues).

Note: Values in constant 2008 dollars.

Table 17

Status of IF and EIF activities and funding, as of June 2010

Country	Technical review	First DTIS (validated)	DTIS update	Window I projects (IF)	Window II projects (IF)	Tier I projects (EIF)
Angola	x	WB DTIS 2007		DTIS		
Benin	x	WB DTIS 2005		DTIS	Projects approved	
Burkina Faso	x	WB DTIS 2007		DTIS		
Burundi	x	WB DTIS 2003	Funding approved	DTIS	Projects approved	NIU support and DTIS update (Feb 2010)
Cape Verde*	x	UNDP DTIS 2008		DTIS		
Central African Rep.	x	WB DTIS 2007	Funding approved	DTIS	Projects approved	NIU support and DTIS update (May 2010)
Chad	x	WB DTIS, awaiting validation		DTIS	Projects approved	
Comoros	x	UNDP DTIS 2007		DTIS	Projects approved	
Dem. Rep. of the Congo	x	WB DTIS 2010				DTIS (Oct 2008); pre-DTIS (Jan 2010)
Djibouti	x	UNDP DTIS 2004		DTIS	Projects approved	
Equatorial Guinea	Pending					
Eritrea	x			Programme support		
Ethiopia	x	WB DTIS 2004		Diagnostic study	Projects approved	
Gambia	x	WB DTIS 2007	Funding approved	DTIS, programme support		NIU support and DTIS update (Dec 2009)
Guinea	x	WB DTIS 2003		DTIS	Projects approved	
Guinea-Bissau	x	WB DTIS 2009		DTIS		
Lesotho	x	WB ~DTIS 2003	Funding approved	Diagnostic study	Projects approved	NIU support and DTIS update (Jan 2010)
Liberia	x	WB DTIS, 2008	Funding approved	DTIS		NIU support and DTIS update (Oct 2009)
Madagascar	x	WB DTIS 2003		DTIS	Projects approved	
Malawi	x	WB DTIS 2004	Funding approved	DTIS	Projects approved	NIU support and DTIS update (Sept 2009)
Mali	x	WB ~DTIS 2004		Diagnostic study	Projects approved	
Mauritania	x	WB ~DTIS 2001		Diagnostic study, programme support	Projects approved	
Mozambique	x	USAID/WB ~DTIS 2004		Diagnostic study support	Projects approved	
Niger	x	WB DTIS 2008		DTIS		
Rwanda	x	WB DTIS 2005	Funding approved	DTIS	Projects approved	NIU support and DTIS update (Sept 2009)
Sao Tome and Principe	x	WB DTIS 2006		DTIS	Projects approved	
Senegal	x	WB DTIS 2003		DTIS, programme support	Projects approved	
Sierra Leone	x	WB DTIS 2006	Funding approved	DTIS	Projects approved	NIU support and DTIS update (July 2009)
Somalia						
Sudan	x	WB DTIS 2007		DTIS		
Togo	x	WB DTIS 2010				DTIS (Oct 2008), Pre-DTIS (Jan 2010)
Uganda	x	WB DTIS 2006	Funding approved	DTIS, programme support	Projects approved	NIU support and DTIS update (Sept 2009)
United Rep. of Tanzania	x	WB DTIS 2005		DTIS, programme support	Projects approved	
Zambia	x	WB DTIS 2005		DTIS	Projects approved	NIU support (Feb 2010)
Afghanistan	x	DTIS expected to be completed before end of year				DTIS (Oct 2008)
Bangladesh	x	WB ~DTIS 2005		Programme support		Pre-DTIS (xxx)
Bhutan	x					Pre-DTIS (Jan 2010)
Cambodia	x	WB ~DTIS 2001	Funding approved	DTIS, programme support	Projects approved	NIU support and DTIS update (Sept 2009)
Kiribati	x	UNDP DTIS in process		DTIS		
Lao People's Dem. Rep.	x	WB ~DTIS 2006	Funding approved	Diagnostic study	Projects approved	NIU support and DTIS update (Jan 2010)

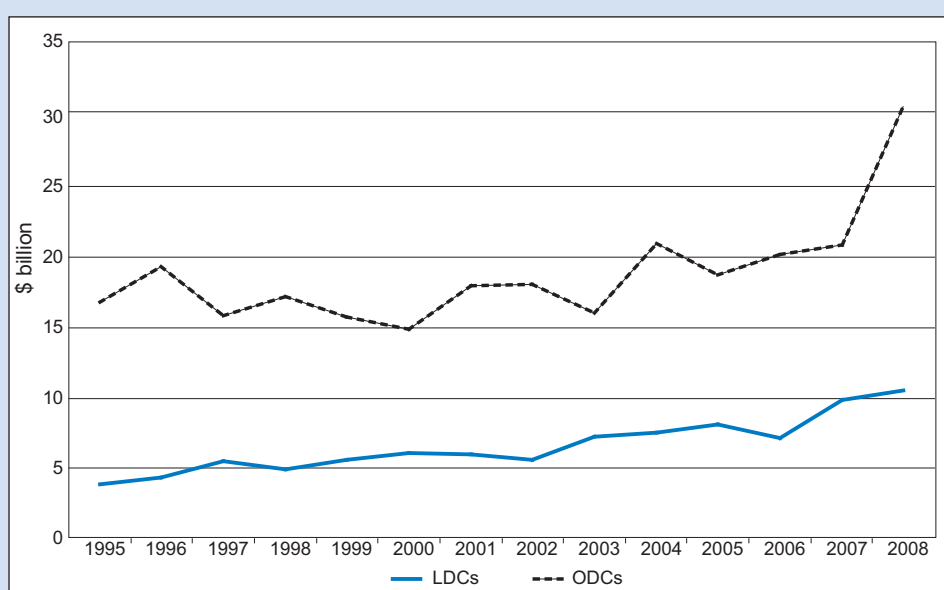
Table 17 (contd.)

Country	Technical review	First DTIS (validated)	DTIS update	Window I projects (IF)	Window II projects (IF)	Tier I projects (EIF)
Maldives	x	UNDP DTIS 2006		DTIS	Projects approved	
Myanmar						
Nepal	x	WB ~DTIS 2003	UNDP/ITC ongoing**	DTIS	Projects approved	NIU support (Mar 2010)
Samoa	x	UNDP DTIS in process		DTIS		
Solomon Islands	x	UNDP DTIS 2008		DTIS		
Timor-Leste	x					Pre-DTIS (Jan 2010)
Tuvalu	x	UNDP DTIS in process		DTIS		
Vanuatu	x	UNDP DTIS 2007		DTIS	Projects approved	
Yemen	x	WB DTIS 2003	Funding approved	DTIS	Projects approved	NIU support and DTIS update (July 2009)
Haiti	x			Programme support		
Approved funds (Dollars)						
				Window I projects (IF)	Window II projects (IF)	Tier I projects (EIF)
DTIS				10 500 000		1 200 000
Programme support				2 000 000		
Projects (WII or T2)					24 500 000	
Pre-DTIS						250 000
NIU support + DTIS update						13 500 000
TOTAL				12 500 000	24 500 000	14 950 000

Source: UNCTAD secretariat compilation, based on UNDP, Trust Fund reports (several issues), and UNOPS, Trust Fund reports (several issues).
 * Graduated from LDC status on 1 Jan 2008.
 ** With multidonor fund other than IF/EIF.

Chart 16

Aid for trade commitments to LDCs and ODCs, 1995–2008 (*\$ billion*)



Source: UNCTAD secretariat calculations, based on OECD *Stat* database.

Note: Data in constant 2008 dollars.

3. TECHNOLOGY TRANSFER – TRIPS ARTICLE 66.2

Technology has been an undeveloped area of international support measures for LDCs. However, there is one area of SDT within WTO agreements that is specifically concerned with this issue, namely Article 66.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights.

So far, technology has been an undeveloped area of international support measures for LDCs. However, there is one area of SDT within WTO agreements that is specifically concerned with this issue, namely Article 66.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It states: “Developed Country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country members in order to enable them to create a sound and viable technological base.” It therefore embodies a positive legal obligation (Correa, 2005: 253).

Clearly, the intent of the provision is to encourage the transfer of technology to those LDCs that are members of the WTO. But the extent to which this has occurred in practice is a matter of intense dispute. A fundamental point of contention relates to the very concept of technology transfer, which could amount to anything, from transfer of codified technology (as in machinery and equipment, products and processes), tacit knowledge and know-how, to just vocational training and educational activities. A second important issue relates to the absence of an operative institutional apparatus that could help LDCs realize the objective of the Article.

A fundamental point of contention relates to the very concept of technology transfer, which could amount to anything from transfer of codified technology, tacit knowledge and know-how, to just vocational training and educational activities.

Article 66.2 imposes an obligation on developed-country members to provide incentives to enterprises and institutions in their territories to promote and encourage technology transfer to LDC members of the WTO. But as Correa (2007a) points out, “the precise nature of the incentives is not established” and “unlike other obligations imposed by the TRIPS Agreement, there are no clearly set standards to assess compliance with this obligation” (p.18). Only the end is specified, namely to enable LDCs to create a sound and viable technological base.

The Council for TRIPS in February 2003 established a reporting mechanism to monitor implementation of the obligations of Article 66.2. It produces reports annually which provide information on: (i) the incentive regime established by developed-country members of the WTO, including any specific legislative, policy and regulatory frameworks, (ii) the type of incentives and the government agency or entity making those incentives available, (iii) eligible enterprises, and (iv) any information on the functioning in practice of those incentives, such as types of technology transfers and the LDCs to which the technologies have been transferred.

A second important issue relates to the absence of an operative institutional apparatus that could help LDCs realize the objective of the Article.

An assessment (Correa, 2007b) of the reports found that none of them “concretely inform about specific incentives made available to enterprises and institutions for the transfer of technology to LDCs”, and that at least one country (New Zealand) reported not providing “any direct incentives to organizations to promote technology transfer to LDCs” (p.25). Instead, developed-country members interpreted the obligation in different and “overly broad” ways. Thus, incentives for transfer of technology included “activities as diverse as trade and investment promotion, training of IP and customs officials, funding provided to multilateral organizations such as the World Bank, granting of general incentives to their own enterprises, building capacity to ensure pest surveillance and management and phytosanitary matters, assistance in developing legislation, scientific cooperation and governance issues” (p.23). One country, Australia, argued that “programmes designed to promote innovation and competitiveness of the Australian economy...in turn can contribute to increased transfers of technology in export markets, including

LDCs, through exports and outward or direct investment by Australian firms in other countries or through joint ventures between Australian firms and overseas companies” (p.23). In effect the major outcome of Article 66.2 is the reporting mechanism. The incentives offered so far are “inappropriate or insufficient” in relation to the obligation.

Another assessment sought to determine whether Article 66.2 has resulted in an increase in business between developed countries and LDCs (Moon, 2008). Based on country self-reports to the TRIPS Council between 1999 and 2007, and focusing mainly on the public policies and programmes that developed countries undertake to encourage their organizations/enterprises to engage in technology transfer, the study made two important findings. It concluded that a lack of clarity in definitions of key terms such as “technology transfer” and “developed country” render it difficult to conclude as to which WTO members are obligated to provide incentives, of what kind and towards what ends. Pointing to the fact that many countries did not submit the reports regularly to the WTO council and those that submitted did so irregularly, the review concluded that of 292 programmes and policies reported, only 31 per cent specifically targeted LDC members of the WTO. Of these, approximately a third of the programmes that targeted LDCs did not actually promote technology transfer. Thus, out of the 292 programmes, only 22 per cent involved technology transfer specifically targeted to LDC members (Moon, 2008:9). In order to generate more evidence on the issue, at the Fourth Session of the Committee on Intellectual Property and Development of WIPO in April 2010 the group of like-minded developing countries⁹ called for a study on the extent to which obligations contained in the TRIPS Article 66.2 have been fulfilled.

4. CLIMATE CHANGE – THE LDC FUND

The LDC Fund (LDCF) was established in 2001 to support the LDC Work Programme set up as a result of the commitment of all parties to UNFCCC in Article 4 (9) to “take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology.” The Work Programme and the LDCF have focused in particular on supporting the preparation and implementation of national adaptation programmes of action (NAPAs). This is important as it has offered LDCs a process through which they are able to “identify priority activities that respond to their urgent and immediate needs with regard to adaptation to climate change” and to obtain financing to support the activities they have identified (UNFCCC, 2009a: 5–7).

The LDCF relies on voluntary contributions from developed countries. Donor contributions to the Fund are held in trust by the World Bank, as part of its investment portfolio for all trust funds held by it (World Bank, 2010). According to that report, as on May 2010, 22 contributing participants had pledged contributions to the LDCF equivalent to \$221.5 million and the total amount deposited was \$169.1 million. The Global Environment Facility (GEF) secretariat had committed \$76 million, of which \$66 million related to LDCF projects (including preparation activities), \$7 million to fees and \$3 million were for corporate and administrative expenses. Only \$24 million had been transferred to GEF agencies, the remaining \$52 million were still outstanding for payment. Of the GEF agencies UNDP and the United Nations Environment Programme (UNEP) accounted for the largest share of LDCF commitments: 88 per cent and 10 per cent respectively.

In effect the major outcome of Article 66.2 is the reporting mechanism. The incentives offered so far are inappropriate or insufficient in relation to the obligation.

Out of the 292 programmes, only 22 per cent involved technology transfer specifically targeted to LDC members.

The LDC Fund (LDCF) was established in 2001 to help LDCs identify priority activities that respond to their urgent and immediate needs with regard to adaptation to climate change and to obtain financing to support the activities they have identified.

By June 2010, the LDCF had funded 36 projects in 32 LDCs, allocating \$126 million in total with an average project size of \$3.5 million.

By November 2009, 48 LDCs had received funding for the preparation of NAPAs and 43 had submitted their documents, with the remaining 5 expected to do so by 2011 (UNFCCC, undated). There were over 750 priority climate change project profiles identified in the submitted NAPAs. Of the priority project profiles submitted by October 2009, 20 per cent focused on food security, 16 per cent on territorial ecosystems, 14 per cent on water resources and 9 per cent on coastal zone and marine ecosystems (see chart 17). An important area was building the ability of the agricultural sector to adapt to climate change. By June 2010, the LDCF had funded 36 projects in 32 LDCs, allocating \$126 million in total with an average project size of \$3.5 million. The total cost of these projects (LDCF funding plus co-financing) is estimated to be \$370 million.

The level of the Fund's financing for implementation of priority adaptation projects is inadequate, given the scale of the adaptation challenge which LDCs face — rising from an estimated \$4 billion to \$17 billion per annum by 2030.

The activities of the LDCF comprise two stages: (i) preparation, and (ii) implementation of NAPAs. The first stage enables LDCs to identify priority activities, assess their vulnerabilities to current climate variability and extreme events due to climate change, and elaborate key adaptation measures and criteria for prioritizing activities, often in the form of potential projects or programmes of action. In stage two, the LDCF may support the implementation of activities identified and promote the integration of adaptation measures in national development and poverty reduction strategies. According to an informal ceiling agreed by the LDCF in conjunction with the LDCs, each LDC Party can access up to \$7 million from the Fund for implementing priority projects, and thus projects require co-financing, for example in the form of bilateral grants or loans from the International Development Association (IDA) of the World Bank.

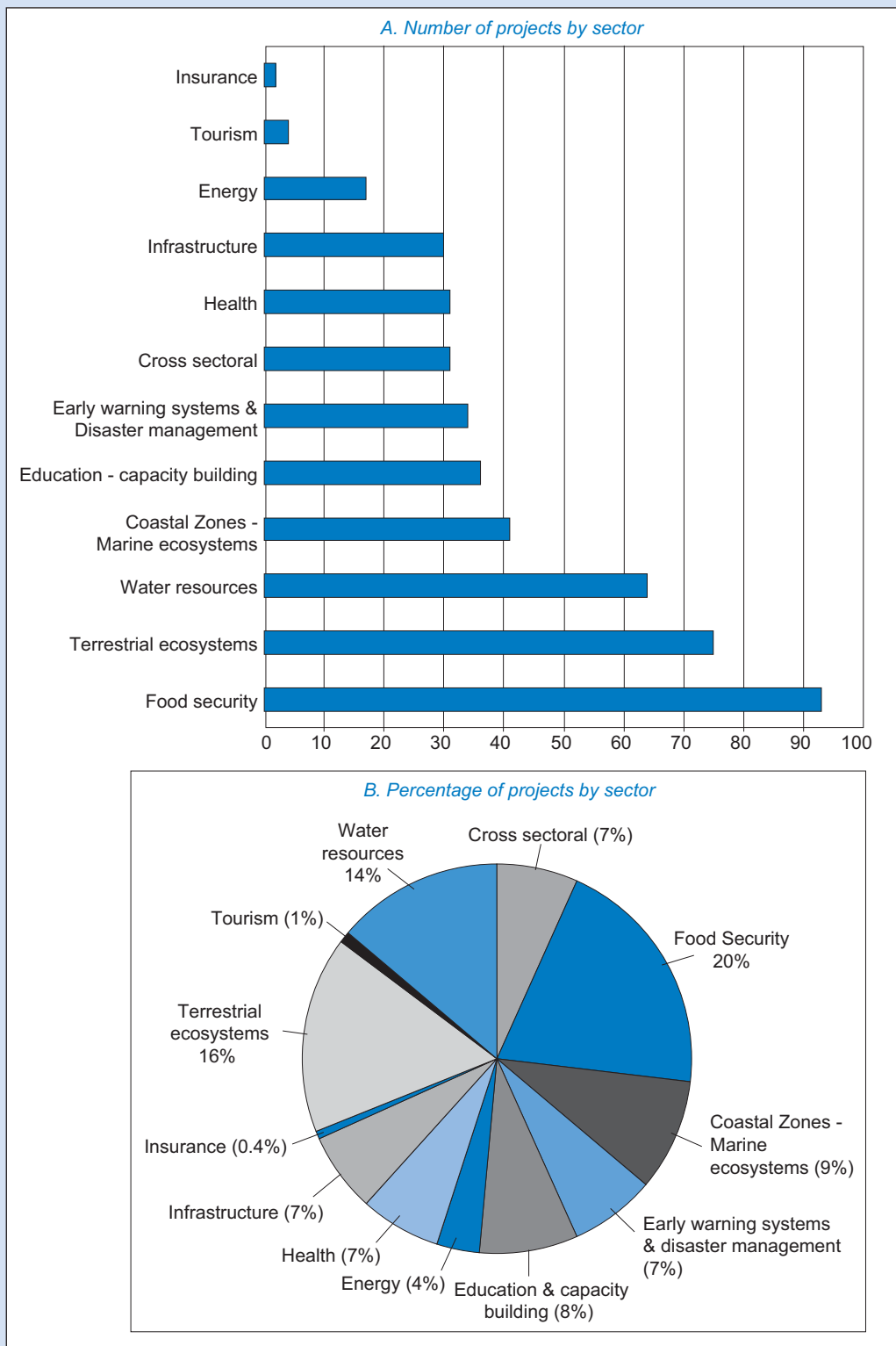
The process of developing a project for implementation under the LDCF begins with the LDC Party requesting a GEF agency to assist in submitting a project proposal to the GEF. GEF agencies¹⁰ receive the funds from the Trustee and deliver the applications for funding to the LDCF administration. LDCs can decide which GEF agency to collaborate with, but have limited negotiating power with the agency.

The Fund is dependent on the voluntary contributions of developed countries and therefore the security of funding is not reliable enough to enable its administration to plan a comprehensive programme of implementation of adaptation needs for all LDCs.

For most LDCs, the NAPAs represent a first attempt to implement planning for climate change adaptation. Prior to the inception of NAPAs, there were no mechanisms by which LDCs could identify adaptation requirements and cost them for the purpose of seeking finance. Through the NAPAs, LDCs have been able to communicate urgent and immediate adaptation needs based on a “bottom-up” assessment, and submit priority projects for financing through the UNFCCC. However, at present the LDCF has a number of shortcomings. First, the level of the Fund's financing for implementation of priority adaptation projects is inadequate, given the scale of the adaptation challenge which LDCs face — rising from an estimated \$4 billion to \$17 billion per annum by 2030 (UNFCCC, 2009b: 2; UNFCCC, 2007: paras 746–753). The Fund is dependent on the voluntary contributions of developed countries and therefore the security of funding is not reliable enough to enable its administration to plan a comprehensive programme of implementation of adaptation needs for all LDCs. Opportunities to effectively address the climate adaptation needs of LDCs through NAPAs and strategic programmes of cross-sectoral adaptation activities have been missed due to the lack of financial and technical resources.

Chart 17

Priority climate change adaptation projects identified in NAPAs through the LDCF by sector, as of November 2009



Source: UNCTAD secretariat estimates, based on UNFCCC Lists of NAPA Priority Projects by Sector database - http://unfccc.int/files/cooperation_support/least_developed_countries_portal/napa_project_database/application/pdf/napa_index_by_sector.pdf (accessed November 2009).

The lack of resources has led to a narrowing down of the NAPA processes, from a wide set of priority actions to a few top priority projects, usually on the basis of multi-criteria assessments and expert opinions rather than cost-benefit analyses.

Second, the lack of resources has led to a narrowing down of the NAPA processes, from a wide set of priority actions to a few top priority projects, usually on the basis of multi-criteria assessments and expert opinions rather than cost-benefit analyses. Although there are proposals for moving towards sectoral and programmatic approaches, including disbursing funds via budget support mechanisms,¹¹ the project-based approach now predominates (SEI, 2009: paras 62–70; UNFCCC, 2008: paras 199–204). Very few reports mention mainstreaming or policy reform co-objectives, which probably reflects the LDCF's funding constraints. NAPAs only cover a subset of LDCs' broader adaptation needs and address short-term requirements, thus neglecting medium- to long-term adaptation needs. Greater development coherence in adaptation funding is therefore difficult for the Fund to achieve because of the relatively small amount of funding available for priority projects. The LDCF's project-based delivery of climate-change-related financing limits comprehensive solutions to the adaptation and mitigation needs of the LDCs.

The project-based approach is weakly integrated into national development processes.

Third, the project-based approach is weakly integrated into national development processes. The LDCF's project-based delivery of climate-change-related financing circumvents national public expenditure systems and strategic planning (UNFCCC, 2008: paras 200–202). It also increases transactions costs, relies heavily on imported technical assistance and does not generally build local capacity (IDD and Associates, 2006 cited in UNFCCC, 2008: para 200). Less reliance on independent consultants, greater use of public sector expertise and efforts to establishing intragovernmental arrangements in NAPA processes could lead to improved technical sustainability of the NAPA outputs (DANIDA, 2009). Although 43 NAPAs have been developed in LDCs, very few actions have been identified in the context of national development strategies, and they have attracted little donor funding (SEI, 2009). Nevertheless, this is not inevitable. Some LDCs, such as Bangladesh and Rwanda, have successfully integrated NAPAs into their PRSPs and national development strategies. Similarly, since 2007 Mozambique and Madagascar have sought to mainstream climate adaptation strategies into their PRSPs to highlight the prevention and mitigation of natural disasters and to improve forecasting and the mapping of risk zones as priorities for future investment.

The LDCF's governance structure does not enable direct accountability and reporting between the GEF and the LDCs.

Fourth, the LDCF's governance structure should enable direct accountability and reporting between the GEF and the LDCs. The GEF agencies developing these projects are only accountable to the GEF; they are not directly accountable to LDCs who have no direct access or control over the funds. The LDCs do not even have effective control over the LDCF decision-making processes regarding resource allocation, nor does it routinely inform the UNFCCC about adaptation project outcomes. The LDCs have little control over the LDCF's resources and thus limited effective negotiating power vis-à-vis the GEF agencies (DANIDA, 2009).

Although funding through the GEF is not formally conditional, there are some burdensome reporting and co-financing criteria. GEF agencies such as the UNDP and the World Bank often add further bureaucratic requirements to the process (Ayres and Huq, 2008). There is also dissatisfaction on the part of LDCs about access to climate-change-related funds. Developing countries have called for direct access to funding, notably through the UNFCCC, rather than funding mediated through external agencies. They would also like to see greater coherence and predictability of fund disbursements (SEI, 2009: 67–

69). Additionally, finance provided through the LDCF mechanism often has co-financing requirements, as its own funding only covers “full incremental or additional costs” as opposed to “full costs” which have to be borne either by the recipient Governments themselves or through financing leveraged through other sources. Similar arrangements apply to the World Bank’s climate investment funds whereby access to the funds is mediated by multilateral development banks (MDBs), thus requiring eligible countries to have an “active MDB country programme” in place (World Bank, 2008a: para 17; see also World Bank, 2008b: annex A, para 16). Given current LDC institutional capacities, distinguishing “incremental or additional” costs of climate change impacts from baseline development needs is an extremely complex task. As most LDCs cannot afford to meet the baseline development costs, LDCF commitments of finance towards the additional costs are often inadequate in relation to the scale and urgency of their needs (Ayres and Huq, 2008).

Finally, a survey by an LDC Expert Group (LEG, 2009: chapter 3) conducted in 2009 emphasized the need for improving LDCs’ capacity for project management and for mainstreaming adaptation into national policy, implementation and planning systems. There should also be support for LDCs to establish intragovernmental organizational structures capable of fostering inter-ministerial concerted action on climate adaptation. Despite substantial public and civil sector experience in most LDCs of developing PRSPs and national action plans (e.g. related to the United Nations Convention to Combat Desertification and the Convention on Biological diversity), the use of this expertise has been largely ignored in the development of NAPAs; instead, GEF agencies have preferred to use independent consultants (LEG, 2009). The LDCF should seek to institutionalize the NAPA process within government agencies so as to build (rather than displace) public sector human resource capacity, improve efficiency, and enhance the impact and sustainability of NAPA outputs.

D. A comparative assessment

A juxtaposition of the assessments of how special international support measures for LDCs work in practice indicates some important commonalities which have prevented them from having real or substantial developmental impacts. These commonalities are related to either the design or the implementation of the support measures.

First, various features of the design of some of these special measures limit their effectiveness from the outset. Of the eight measures examined, the scope of SDT for LDCs within WTO agreements are for the most part not oriented to providing development benefits, but rather to providing transitional arrangements which facilitate implementation of those agreements by the LDCs. The other seven measures are targeted at bringing some concrete trade and development benefits, but these are limited by: (i) important exclusions which are explicitly incorporated into the design of the measures to protect commercial interests in the LDCs’ development partners, and (ii) a failure to take account of the economic constraints within LDCs, which prevents these countries from effectively seizing the opportunities created by the special measures.

As most LDCs cannot afford to meet the baseline development costs, LDCF commitments of finance towards the additional costs are often inadequate in relation to the scale and urgency of their needs.

Despite substantial public and civil sector experience in most LDCs of developing PRSPs and national action plans, the use of this expertise has been largely ignored in the development of NAPAs; instead, GEF agencies have preferred to use independent consultants.

Various features of the design of some of these special measures limit their effectiveness from the outset.

Very little action has been taken to implement two measures, namely SDT within WTO agreements and the decision to facilitate LDCs' accession to the WTO and exercising restraint in seeking concessions in the accession process.

There is a major breakdown in funding the implementation of special support measures which contrasts markedly with the United Nations system's expenditure on operational activities that is strongly focused on LDCs.

The development benefits to LDCs that could result from the special measures are sometimes stymied by inertia in existing policy practices. This is evident, for example, in the way the untying of aid actually works.

Implementation in ways which could bring greater developmental benefits to LDCs is also affected by different interpretations of what a measure actually means.

Examples of the exclusions are market access preferences that offer 97 per cent product coverage, making potentially these preferences commercially meaningless since the remaining 3 per cent in many cases coincide with the export basket of LDCs, or the exclusion of food aid and technical cooperation from the 2001 DAC Recommendation to untie aid. Economic constraints of LDCs limit their utilization of trade preferences and also the ability of their domestic enterprises to benefit from the untying of aid. In each of these cases, these constraints could be overcome by improving the design of the support measures. For example, rules of origin which enable more sourcing from other developing countries, or special efforts to reduce the contract size in aid provision and thus facilitate more local procurement, could considerably enhance the trade and developmental effects of these support measures.

Second, very little action has been taken to implement two out of the eight international support measures for LDCs, namely SDT within WTO agreements and the decision to facilitate LDCs' accession to the WTO and exercising restraint in seeking concessions in the accession process. With regard to SDT, the failure of implementation is due to LDCs choosing not to utilize the few opportunities of SDT which exist within the agreements. With regard to WTO accession, the developed- country members of WTO have actually sought concessions above and beyond those that had been required of existing LDC WTO members. It is unclear whether the aid target is also being implemented directly by donors or is a by-product of other aid allocation priorities. The econometric evidence shows that LDC status does not affect the geographical allocation of aid for the LDCs as a whole.

Third, there is a major breakdown in funding the implementation of special support measures. The financial flows which have followed from the DTIS and NAPAs have fallen far short of needs. The total amount allocated to LDCs through the IF process between 2000 and 2010 is little more than \$1 million per LDC, and the LDCF disbursed \$4 million per LDC (in 32 countries) to support climate change adaptation projects between 2001 and June 2010. Similarly, TRIPS Article 66.2 has been implemented in such a way that rather than offering financial incentives for technology transfer, existing activities have simply been reclassified which could — at a stretch of the imagination — be said to fall within the ambit of the Article. The lack of funding for the LDC-specific international support measures contrasts markedly with the United Nations system's expenditure on operational activities which are strongly focused on LDCs.

Fourth, the development benefits to LDCs that could result from the special measures are sometimes stymied by inertia in existing policy practices. This is evident, for example, in the way the untying of aid actually works. Increased technical assistance for the LDCs is also often necessary to enable them to derive benefits from these measures, but it is not provided, or not provided in a way that allows them to utilize the measures. In some instances, one of the outcomes of the process has been an improvement in the capacities of the implementing agencies. For example, the capacities of the World Bank and UNDP in support of trade and development, which both were very weak in 2000, have certainly been enhanced through their active engagement in the IF and EIF processes.

Fifth, implementation in ways which could bring greater developmental benefits to LDCs is also affected by different interpretations of what a measure actually means. A recurrent pattern is that LDCs and their development partners have different expectations of what the special measures, such as the

2001 DAC Recommendation or indeed the whole EIF process, are intended to deliver. Another example is the interpretation by developed-country WTO members of TRIPS Article 66.2, which actually ignores incentives to enterprises and institutions in their territories to encourage technology transfer.

Sixth, some of the special measures have extended beyond the LDC group and this can, though it does not necessarily, affect their overall developmental outcomes. Such extension of the geographical scope of measures is evident in market access preferences, some SDT provisions and the 2001 DAC Recommendation which was extended to non-LDC HIPCs in 2008. How this affects the development benefits of the measures requires further study. In the case of untying aid, for example, it may be expected to have no effects. However, for preferential market access, the effectiveness of the benefits depends crucially not simply on the preferential margins relative to MFN treatment but also on the kinds of preferences offered to other countries.

Seventh, many of these measures remain best endeavours, and are based on voluntary contributions. Moreover, there are no enforcement mechanisms.

Eighth, a positive feature arising from the comparison is that there is clearly a learning process occurring in the design of international support measures for LDCs. This is perhaps most apparent in relation to the Integrated Framework which, since 1997, has been first improved and then enhanced, but it is also apparent in relation to the design of market access preferences. However, from the LDCs' point of view this learning process has been painfully slow. For example, it has taken 13 years to make the IF initiative more effective. Moreover, the major difficulties affecting the utilization of market access preferences by LDCs were known at least 40 years ago, and indeed it was precisely these difficulties which provided the rationale for designing special preferences for the least developed amongst the developing countries.

Ninth, a recurrent important outcome of the international support measures is improved reporting and monitoring of what is happening. All five measures — Article 66.2, preferential market access (within the MDGs), the 2001 DAC Recommendation, the LDCF within UNFCCC and the associated Expert Group, and EIF — have instituted monitoring mechanisms. This has led to better data, for example with regard to reporting of the percentage of aid that is tied or the percentage of imports entering duty free in developed-country markets. Developed countries also now regularly report what they are doing in relation to TRIPS Article 66.2.

Tenth, one of the most important outputs of the special mechanisms has been studies which could lead to projects and programmes. This has been the major outcome of both the EIF, which has produced 38 Diagnostic Trade Integration Studies, and the LDCF under which 43 NAPAs have been prepared and 48 LDCs have received funding for their preparation.

Overall, existing special international support measures do not work in a way which is developmentally effective, either because of limits in their design or the manner in which they are implemented. The way these measures work reflects the fact that LDCs have little bargaining power. Therefore, LDCs tend to accept whatever assistance they are given. Commercial interests of rich countries and wide differences of interpretation between LDCs and their development partners also continue to stymie their implementation. It is clear that the learning process in the design and implementation of these

Some of the special measures have extended beyond the LDC group and this can, though it does not necessarily, affect their overall developmental outcomes.

Many of these measures remain best endeavours, and are based on voluntary contributions. Moreover, there are no enforcement mechanisms.

A positive feature arising from the comparison is that there is clearly a learning process occurring in the design of international support measures for LDCs.

One of the most important outputs of the special mechanisms has been studies which could lead to projects and programmes.

Overall, existing special international support measures do not work in a way which is developmentally effective, either because of limits in their design or the manner in which they are implemented.

measures has been painfully slow. During the past decade there has been significant progress in ensuring that special measures are multilaterally agreed and monitored. Now, there is a need to accelerate their improvement and introduce new LDC-specific international support mechanisms so that they have genuine development impacts.

Notes

- 1 The need to focus on actions within the Brussels Programme of Action was stressed by Mehmet Arda, Galatasaray University, and Government of Turkey Coordinator, Fourth United Nations Conference on LDCs, at the UN-OHRLLS brainstorming meeting on “Substantive Preparations for UNLDC IV- Towards a New Partnership for LDCs”, held in New York on 14-16 July 2010.
- 2 The only exception is a short annual report produced by OHRLLS (Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) for ECOSOC which is submitted in compliance with General Assembly Resolution 64/213. The last Report was UN (2010e). Economic and social trends in the LDCs are also described in some of UNCTAD’s annual Least Developed Countries Reports.
- 3 For a very useful summary of the identification of the LDC category and also an overview of special international support measures, see United Nations, 2008.
- 4 For a detailed early history, see United Nations, 2010c; Komlev and Encontre, 2004.
- 5 The UNFCCC is governed by the Conference of the Parties (COP) whose responsibility is to “keep under regular review the implementation of the Convention and any related legal instruments that the Parties may adopt” as well as to “make, within its mandate, the decisions necessary to promote the effective implementation of the Convention” (Article 7, UNFCCC, 2002).
- 6 These are: Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Democratic Republic of the Congo, Djibouti, the Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Togo, Uganda, the United Republic of Tanzania and Zambia.
- 7 See, for example, Francois, Hoekman and Manchin, 2005; Elliott, 2009; Carrere and de Melo, 2009.
- 8 For an overview of SDT provisions granted to LDCs, see UNCTAD, 2004. The WTO (2010b) provides a complete list of documents on SDT within the multilateral framework.
- 9 The like-minded countries comprise the African Group, the Arab Group, Brazil and India.
- 10 The GEF develops its projects through ten Implementing Agencies: the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the World Bank, the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the International Fund for Agricultural Development (IFAD), the United Nations Food and Agricultural Organization (FAO), and the United Nations Industrial Development Organization (UNIDO).
- 11 Budget support approaches have become a common means of delivering conventional ODA, and are increasingly used by bilateral and multilateral donors. There are many different modalities for budget support, but they generally involve channeling resources directly into a Government’s budget using recipients’ allocation, procurement and accounting systems” (UNFCCC, 2008: para 202), and expenditure is not ring-fenced around specific projects or activities. However, donors often insist on recipient Governments meeting pre-qualification criteria, including fiduciary standards and blueprints for achieving international development targets such as the World Bank and IMF-initiated PRSPs for low-income countries.

References

- Ayres JM and Huq S (2008). Supporting adaptation to climate change: What role for Official Development Assistance? Available at: <http://www.eed.de/fix/files/doc/DSA%20conf%2008%20paper%20Ayers&Huq1.pdf>.
- Brenton P (2003). Integrating the least developed countries into the world trading system: The current impact of EU preferences under Everything but Arms. World Bank Policy Research Working Paper 3018, Washington, DC, April.
- CAPRA-TFOC Consortium (2003). Evaluation of the revamped integrated framework for trade related technical assistance to the least developed countries. Interim report. Ontario, Canada.
- Carrere C and de Melo J (2009). The Doha Round and market access for LDCs: Scenarios for the EU and US markets. Discussion Paper Series No. 7313, Centre for Economic Policy Research, London.
- Clay EJ, Geddes, M and Natali L (2009). Aid untying: Is it working? Thematic study on the developmental effectiveness of untied aid: Evaluation of the implementation of the Paris Declaration and of the 2001 DAC recommendation on untying ODA to the LDCs. Synthesis

- report. Copenhagen, Secretariat for the Evaluation of the Paris Declaration and OECD Publication.
- Correa C (2005). Can the TRIPS Agreement foster technology transfer to developing countries? In: Maskus KE and Reichman JH, eds., *International Public Goods and Transfer of Technology under a Globalized Intellectual Property Regime*. Cambridge, Cambridge University Press, p. 229-32.
- Correa C (2007a). Technology transfer and IPRs. Background paper for the *Least Developed Countries Report 2007*. Geneva, UNCTAD.
- Correa C (2007b). Intellectual property in LDCs: Strategies for enhancing technology transfer and dissemination. Background paper for the *Least Developed Countries Report 2007*. Geneva, UNCTAD.
- DANIDA (2009). Operation of the Least Developed Countries Fund for adaptation to climate change: Joint external evaluation. Copenhagen, Ministry of Foreign Affairs/DANIDA, September; available at: www.evaluation.dk.
- Elliott KA (2009). Opening markets for poor countries: Are we there yet?. Working paper 184. Center for Global Development, Washington, DC.
- Elliott KA (2010). Open markets for the poorest countries: Trade preferences that work. The CGD Working Group on Global Trade Preference Reform. Center for Global Development, Washington DC.
- Farfan OH (2005). Understanding and escaping commodity-dependency: A global value chain perspective. Washington, DC, International Finance Corporation, World Bank Group.
- Francois J, Hoekman B and Manchin M (2005). Preference erosion and multilateral trade liberalization. World Bank Policy Research Working Paper 3730, World Bank, Washington, DC.
- GATT Secretariat (1994). The results of the Uruguay Round of Multilateral Trade Negotiations, Geneva.
- Komlev L, and Encontre P (2004). *Beyond conventional wisdom in development policy: an intellectual history of UNCTAD, 1964-2004*, United Nations publication, New York and Geneva.
- LEG (LDC Expert Group) (2009). The least developed countries national adaptation programmes of action: Overview of preparation, design of implementation strategies and submission of revised project lists and profiles. Bonn, UNFCCC secretariat.
- Moon S (2008). Does TRIPS Article 66(2) encourage technology transfer to least developed countries? An analysis of country submissions to the TRIPS Council (1999–2007). ICTSD Policy Brief No. 2, ICTSD, Geneva.
- OECD (2005). Paris Declaration on aid effectiveness: Ownership, harmonization, alignment, results and mutual accountability, Development Co-operation Directorate - Development Assistance Committee, Organisation for Economic Co-operation and Development, Paris.
- OECD (2010). Implementing the 2001 DAC Recommendation on Untying Aid: 2010 Review. Development Co-operation Directorate – Development Assistance Committee, Organisation for Economic Co-operation and Development, Paris.
- SEI (Stockholm Environment Institute) (2009). Bilateral finance institutions and climate change: A mapping of climate portfolios. Prepared for the Climate Change Working Group for Bilateral Finance Institutions, and submitted to the United Nations Environment Programme (UNEP) and the Agence Française de Développement (AFD); available at: <http://www.sei-international.org/>.
- Stevens C and Keenan J (2001). The impact of the EU's Everything But Arms proposal: A report to Oxfam, mimeo, Institute for Development Studies at the University of Sussex, Brighton, UK.
- UNCTAD (1969). *Special measures in favour of the least developed among the developing countries*, Report of the group of experts on special measures in favour of the least developed among the developing countries, TD/B/288.
- UNCTAD (1972). *Proceedings of the United Nations Conference on Trade and Development (IV)*. Special measures in favour of the least developed among the developing countries, action programme submitted by the Secretary-General of UNCTAD, TD/135.
- UNCTAD (1983). *The Least Developed Countries and Action in their favour by the International Community*. A/CONF.104/2/Rev.1.
- UNCTAD (1992). *Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s*, United Nations publication, Doc. No. UNCTAD/RDP/LDC/58.
- UNCTAD (2002). *The Least Development Countries Report 2002: Escaping the Poverty Trap*. United Nations publication, New York and Geneva.
- UNCTAD (2003). *Economic Development in Africa: Trade Performance and Commodity Dependence*. United Nations publication, New York and Geneva.
- UNCTAD (2004). *The Least Development Countries Report 2004: Linking International Trade with Poverty Reduction*. United Nations publication, New York and Geneva.
- UNCTAD (2007). *Erosion of Trade Preferences in the post-Hong Kong Framework: From "Trade is Better than Aid" to "Aid for Trade"*, United Nations publication, New York and Geneva.

- UNCTAD (2008). *The Least Development Countries Report 2008: Growth, Poverty, and the Term of Development Partnership*. United Nations publication, New York and Geneva.
- UNFCCC (2002). Report of the Conference of the Parties on its Seventh Session, held at Marrakesh, 29 October to 10 November 2001 (addendum), FCCC/CP/2001/13/Add.1. 21 January, Bonn.
- UNFCCC (2007). Investment and financial flows to address climate change. UNFCCC Secretariat publication, Bonn.
- UNFCCC (2008). Investment and financial flows to address climate change, An update. UNFCCC Secretariat Publication, Doc. No. FCCC/TP/2008/7, Bonn, 26 November.
- UNFCCC (2009a). Least developed countries under the UNFCCC. Bonn, UNFCCC Secretariat.
- UNFCCC (2009b). Financing climate action: investment and financial flows for a strengthened response to climate change. UNFCCC Secretariat Fact Sheet, June, Bonn.
- UNFCCC (undated). 'Frequently Asked Questions about LDCs, the LEG and NAPAs', modified 4 December 2009, available at: http://unfccc.int/cooperation_support/least_developed_countries_portal/frequently_asked_questions/items/4743.php
- United Nations (2002). Declaration and Programme of Action for the Least Developed Countries for the Decade 2001-2010, Adopted by the Third United Nations Conference on the Least Developed Countries in Brussels on 20 May 2001 and Endorsed by the UN General Assembly, United Nations publication, New York.
- United Nations (2008). *Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures*. United Nations publication, sales no. E.07.II.A.9, New York.
- United Nations (2010a). Report of the twelfth session of the Committee for Development Policy (ECOSOC), Doc. no. E/2010/33, New York, 22–26 March.
- United Nations (2010b). Report of the Expert Group Meeting on Special International Support Measures for the Least Developed Countries (LDCs). CDP2010/PLEN/5.
- United Nations (2010c). Assessing the impact of the international support measures for least developed countries: An analytical framework and some preliminary results. CDP2010/PLEN/6. Revised draft, 11 March, New York, United Nations.
- United Nations (2010d). Strengthening International Support Measures for the Least Developed Countries. Committee for Development Policy's Policy note. United Nations publication, New York.
- United Nations (2010e). Implementation of the programme of action for the Least Developed Countries for the decade 2001–2010. Report of the Secretary-General, Doc. no. A/65/80-E/2010/77, New York, 17 May.
- United Nations (2010f). Analysis of the funding of operational activities for development of the United Nations system for 2008. Report of the Secretary-General at the United Nations General Assembly and ECOSOC, Doc. no. A/65/79-E/2010/76, New York, 14 May .
- World Bank (2004). Integrated framework for trade-related technical assistance: Addressing challenges of globalization. An independent evaluation of the World Bank's approach to global programs. World Bank Operations Evaluation Department Publication, Washington, DC.
- World Bank (2008a). Clean Technology Fund. 9 June; available at: <http://www.climateinvestmentfunds.org/cif/node/78>.
- World Bank (2008b). Strategic Climate Fund. 3 June; available at: <http://www.climateinvestmentfunds.org/cif/node/112>.
- World Bank (2010). Status report on the Least Developed Countries Fund and the Special Climate Fund. World Bank publication, Doc. no. GEF/LDCF.SCCF.8/Inf.2/Rev.1. Washington, DC, May 31.
- WTO (2003). Accession of Least-Developed Countries, General Council's decision of 10 December, 2002, WT/L/508, 20 January, 2003, Geneva.
- WTO (2005). *Doha Work Programme Ministerial Declaration*, WT/MIN(05)/DEC, Hong Kong, 22 December.
- WTO (2010a). Market access for products and services of export interest to least developed countries. Doc. no. WT/COMTD/LDC/W/46/Rev.1, Geneva, 26 February.
- WTO (2010b). Special and differential treatment provisions in WTO agreements and decisions. Note by the WTO Secretariat. Doc. no. TN/CTD/W/33, Geneva, 8 June.