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SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION:
IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST
DEVELOPED COUNTRIES FOR THE 1990s

Report of the Secretary-General

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I. INTRODUCTION

1. The present report has been prepared in response to General Assembly resolution 50/103 of 20 December 1995, in which the Assembly requested the Secretary-General to submit to it at its fifty-second session a report on the implementation of that resolution. By that resolution the Assembly reaffirmed the Programme of Action for the Least Developed Countries for the 1990s as the basis for continuing cooperation between the least developed countries and their development partners¹ and endorsed the measures and recommendations agreed upon at the High-level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action.² The Assembly also called upon all Governments, international and multilateral organizations, financial institutions and development funds, the organs, organizations and programmes of the United Nations system, and all other organizations concerned to take immediate, concrete and adequate steps to implement the Programme of Action, taking full account of the measures and recommendations of the mid-term global review. In the same resolution, the Assembly emphasized the need for national policies and measures aimed at establishing macroeconomic stability by rationalizing public expenditure and adopting sound monetary and fiscal policies so as to ensure a dynamic private sector by such means as providing a sound legal framework and improving human resources development, living standards, health and the status of women, and called upon the international community to provide adequate support thereto. Further, the Assembly strongly urged all donor countries to implement fully and expeditiously their commitments in all relevant areas, including the agreed menu of aid targets and commitments as set out in the Programme of Action and support to reinforce structural adjustment reform, as well as the measures agreed upon at the mid-term global review so as to provide a significant and substantial increase in the aggregate level of external support for the least developed countries.³

2. In the light of the above, section II below gives an overview of the recent economic performance of the least developed countries, and the policies and measures adopted by them in line with the provisions of the Programme of Action. Section III sets out the overall arrangements made for the implementation, follow-up and monitoring, and review of the Programme of Action; section IV describes in more detail the measures taken by the organs, organizations and bodies of the United Nations system; and section V presents available information on international support measures in the fields of external resources, debt and trade.

II. RECENT ECONOMIC PERFORMANCE AND POLICY DEVELOPMENTS IN THE LEAST DEVELOPED COUNTRIES

3. Over the past several years, many of the least developed countries have undertaken wide-ranging reform policies and measures, often under internationally agreed frameworks, for structural and sectoral adjustment. As they moved along the path of reform, their objectives became more complex and ambitious, shifting from the limited concerns of macroeconomic imbalances and stabilization to the promotion of development by a plethora of market-oriented reforms, including the improvement of economic efficiency, curbing of public

sector intervention, encouragement of the private sector and liberalization of the external trade sector. The resulting improved and sustained macroeconomic stability in several least developed countries and the good weather conditions and strength in the international demand for the exports of African least developed countries are the main reasons for the third year of relatively strong growth and rising per capita output in the least developed countries.

4. Preliminary estimates indicate that the growth rates of gross domestic product (GDP) in the least developed countries for which data are available averaged 4.7 per cent in 1996.⁴ The growth rate of the African least developed countries in 1996 was estimated at 4.6 per cent, which implies that per capita output rose for the second consecutive year, after a very long period in which per capita output levels declined. Eleven African least developed countries achieved growth rates equal to or exceeding 6 per cent, the target set in the United Nations new Agenda for the Development of Africa in the 1990s,⁵ while the number of countries whose growth rate was negative had significantly diminished from seven in 1995 to two in 1996. There were, however, significant disparities in performance among individual African least developed countries. A number of African least developed countries, which have consistently implemented economic reforms and have avoided or could overcome serious political instability and civil strife, have begun to generate growth rates of 4.5 per cent or more which enabled significant increases in per capita income to be attained; this group includes Cape Verde, Lesotho, Malawi, Mauritania, the United Republic of Tanzania and Uganda. In contrast, least developed countries which have been unable to resolve serious internal conflicts, maintain political stability or consistently implement the necessary economic reforms have experienced, at best, continued economic stagnation and, at worst, economic collapse.

5. The average growth rate of the Asian least developed countries rose slightly in 1996 but remained significantly lower than the regional average for developing countries. Buoyed by strong growth in agriculture, the economy of Bangladesh grew at 4.7 per cent in 1996, compared to 4.5 per cent in 1995. In the Lao People's Democratic Republic, the economy grew by 6.9 per cent in 1996 compared to 7.2 per cent in 1995. The economies of Cambodia and Myanmar grew by 6 per cent in 1996 compared to 7.6 per cent and 9.8 per cent, respectively, in 1995. Good weather for agriculture facilitated a marked acceleration in economic growth in Nepal, from 3.4 per cent in 1995 to 6.1 per cent in 1996.

6. Among the Pacific and Indian Ocean island least developed countries, there was robust growth of over 6 per cent in Maldives, and 4 per cent in Solomon Islands in 1996. Haiti, the only least developed country in the Western hemisphere, experienced an economic slowdown in 1996, with growth in GDP falling to 2 per cent from 4 per cent in the previous year.

7. While the overall economic performance in the least developed countries has improved, poverty remains pervasive and the majority of the population in the least developed countries suffers from reduced caloric intakes, increased mortality and morbidity, the re-emergence and spread of disease and lower school enrolment.

III. ARRANGEMENTS FOR THE IMPLEMENTATION, FOLLOW-UP AND
MONITORING, AND REVIEW OF THE PROGRAMME OF ACTION

8. The Programme of Action emphasized the importance of effective follow-up and monitoring mechanisms to support the development efforts of the least developed countries as crucial to the successful implementation of the Programme during the 1990s. Arrangements for the implementation, follow-up and monitoring, and review of the Programme were built on a three-tier structure of national, regional and global levels.

A. Follow-up at the national level

9. At the national level, review arrangements, such as the United Nations Development Programme (UNDP)-sponsored round-table meetings and the World Bank consultative and aid groups, organized by the least developed countries with the support of the respective organizations, have been further consolidated during the early 1990s, with additional countries joining or rejoining the process and meetings taking place more frequently and on a more regular basis. A strengthened country review process was considered the principal means of policy dialogue and for coordinating the aid efforts of development partners with the development programmes of least developed countries, as well as for mobilizing the required resources for their implementation. In all, about 90 consultative aid groups and round tables or similar meetings were organized between the adoption of the Programme of Action and early 1997. While results in terms of resource mobilization have varied between countries, those meetings have played an important role in improving aid flows to the least developed countries and in aid coordination. An important aspect of the country review process in recent years has been the attempt to link those arrangements more closely to national policy-making and programming.

10. Nineteen of the least developed countries (typically among those with large populations) had or are having consultative or aid group arrangements co-sponsored by the World Bank, while most others have had recourse to UNDP-supported round-table meetings since that aid coordination process was set up on a broader scale after the first United Nations Conference on the least developed countries in 1981. In 1995-1996, consultative or aid groups were convened for 10 of the least developed countries, while round-table meetings were held for 7 least developed countries. Country review activities also included special meetings of donors and sectoral meetings held in the recipient countries.

B. Follow-up at the regional level

11. The Programme of Action for the Least Developed Countries for the 1990s called upon the regional commissions to contribute to the follow-up process by addressing, as part of their ongoing work, the needs and problems of the least developed countries. Moreover, the regional commissions were asked to monitor, in coordination with the United Nations Conference on Trade and Development (UNCTAD), the progress made in economic cooperation among the least developed countries and other developing countries, particularly those in the same region, and to organize, on a regular basis, cluster meetings with all countries

concerned in order to improve and strengthen existing cooperation arrangements at the regional and subregional levels.

12. From 1997, the activities of the Economic Commission for Africa (ECA) in favour of the African least developed countries will be carried out in the context of the new programme orientation, known as "Serving Africa better: strategic direction for the Economic Commission for Africa". Under the strategic direction, the focus will be on facilitating economic and social policy analysis, enhancing food security and sustainable development, strengthening development management, harnessing information for development, and promoting regional cooperation and integration. Two issues, relating to the promotion of women in development and capacity-building, will underpin the five areas of focus. Since 33 of the 53 States members of ECA are least developed countries, special emphasis will be placed on problems of particular concern to them, such as social development issues, and on strategies to alleviate poverty.

13. The following activities were carried out by ECA in each of the above-mentioned areas: in collaboration with the World Bank, a forum on cost-sharing in the social sectors of sub-Saharan Africa was held at Addis Ababa, from 18 to 20 June 1997, at which most of the Government delegations were from least developed countries; a regional workshop on poverty monitoring, measurement and public expenditure in sub-Saharan Africa, held at Addis Ababa, from 24 to 27 June 1997, at which 4 of the 13 Government delegations were from least developed countries, namely Ethiopia, Lesotho, Malawi and Uganda; and, together with the World Bank, a road management initiative seminar for countries members of the Economic Community of West African States (ECOWAS) was convened at Abidjan, in June 1997.

14. Several activities are in preparation: a study on the problem of inter-country cooperation in the Zambesi area; a study on the magnitude of physical impediments (tariff and non-tariff barriers) and their impact on intra-African trade, and trade and production factors, mobility and regional development patterns; an evaluation report on the projects of least developed countries during the Second United Nations Transport and Communications Decade for Africa, which will be submitted to the Ministerial Conference on Transport and Communications to be held in November 1997; and a study of the dynamics of food security, population and environmental conservation, which will focus on the least developed countries and whose objective is to determine the interlinkages between population growth and environmental conservation on the one hand and food security on the other.

15. The Economic and Social Commission for Asia and the Pacific (ESCAP) continues to give priority to assisting the 13 least developed countries in the ESCAP region, in particular, in areas emphasized in the Programme of Action and the mid-term global review. An analysis of macroeconomic performance in these countries appears every year in the Economic and Social Survey of Asia and the Pacific. These countries are also given priority in accessing the United Nations regular programme of technical cooperation and in benefiting from economic and technical activities offered by other developing countries of the region. The Special Body on Least Developed and Land-locked Developing Countries, established in 1992, is an intergovernmental body which meets every two years to review and monitor economic and social progress in the least

developed countries and to identify and recommend new policy measures. At its fifty-third session, the Commission, in a resolution on the restructuring of ESCAP, recommended that the Special Body on Least Developed and Land-locked Developing Countries should meet in 1999 to conduct a final review of the implementation of the Programme of Action in the Asian and Pacific region. In addition, the terms of reference of the five committees of the Commission require that the special concerns of the least developed, land-locked and Pacific island developing countries be adequately addressed.

16. The ESCAP secretariat is executing several projects for least developed countries in the area of exchange of experience among policy makers in the least developed countries and with their counterparts from the more advanced developing countries in the region. This activity directly responds to the concerns and recommendations contained in the Programme of Action and the recommendations of the High-level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action. In addition, during the period January 1996-March 1997, ESCAP undertook a number of other activities in favour of the least developed countries, such as meetings, training courses and fellowships, in areas related to export promotion and trade facilitation, infrastructure, energy and water, transport facilities, development of strategies for sustainable agriculture, youth participation in development and drug demand reduction. Advisory services were also provided under the United Nations regular programme of technical cooperation to 11 least developed countries during 1996.

17. The Economic and Social Commission for Western Asia (ESCWA) has carried out several studies and reports with respect to the economic and social situation in Yemen. The country has also been regularly covered in the annual survey of economic and social developments in the ESCWA region. Moreover, it has been given priority in the area of technical assistance in various economic and social fields. During the past four years, a number of research activities have been undertaken in different socio-economic areas. During 1996-1997, ESCWA provided technical assistance to Yemen in the preparation of several technical documents, and in the strengthening of planning and programming capabilities of relevant ministries, women organizations and non-governmental organizations.

18. Action undertaken by the Economic Commission for Latin America and the Caribbean (ECLAC) has been focused on the systematic analysis of factors influencing the economic performance of Haiti, with a view to making policy recommendations and the formulation of projects in priority areas. As a result of the restoration of the constitutional civil regime in October 1994, this work is being followed up in the field by means of periodic mission contacts with the Haitian authorities, private institutions and bilateral and multilateral organizations in the country. Interaction with various institutions, as well as a regular update of economic performance and dissemination of its results, have facilitated the formulation of projects by the Government and several United Nations and inter-American organizations and agencies.

C. Follow-up at the global level

19. The Programme of Action and the General Assembly entrusted UNCTAD with the focal role, at the global level, for the monitoring, follow-up and review of the implementation of the Programme of Action. The document adopted by the United Nations Conference on Trade and Development at its ninth session, entitled "A Partnership for Growth and Development",⁶ reaffirmed that mandate.

20. Issues pertaining to the least developed countries were considered by the United Nations Conference on Trade and Development at its ninth session. The Conference recognized the plight of the least developed countries and the need to ensure their effective participation in the world trading system. In the Midrand Declaration,⁷ member States of the Conference stated that it should be recognized that countries entered the new rules-based system of the World Trade Organization (WTO) from very different starting points; that, accordingly, the impact of globalization and liberalization was uneven; and that the least developed countries, particularly those in Africa, remained constrained by weak supply capabilities and were unable to benefit from trade. It was also stressed in the Declaration that special attention should be paid to creating an overall enabling environment at a policy and institutional level for the least developed countries.

21. The Conference called for action to be taken, as appropriate, to maximize the opportunities and to minimize the difficulties of the least developed countries in adjusting to the changes introduced by the Uruguay Round of multilateral trade negotiations agreements.⁸ Governments were urged to implement fully and expeditiously the Marrakesh Ministerial Decision on Measures in Favour of Least Developed Countries. The Conference also called for the effective application of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries.⁹

22. The Conference decided that issues relating to the least developed countries would be considered throughout the intergovernmental machinery of UNCTAD. Furthermore, it decided that the responsible entity in the secretariat of UNCTAD for the least developed, land-locked and small island developing countries should coordinate the sectoral work, monitor the implementation of the Programme of Action for the Least Developed Countries for the 1990s and other relevant United Nations programmes of action and provide input for review by the Trade and Development Board. To give operational content to those decisions, the Secretary-General of UNCTAD launched a special initiative on the least developed countries comprising both substantive and operational activities on a cross-sectoral basis throughout the UNCTAD programme. The substantive activities include policy research and analytical work, and are aimed at assisting the least developed countries to formulate national policies and actions in a changing world, and at contributing to the policy dialogue between the least developed countries and their partners in different forums. The operational activities seek to provide practical assistance to the least developed countries. An important aim of the activities is to strengthen the supply capacities of the least developed countries in tradeable goods and services. The Secretary-General of UNCTAD has established the Office of the Special Coordinator for Least Developed Countries and the Steering Committee on

Least Developed Countries. The Steering Committee, which is chaired by the Secretary-General and meets on a regular basis, is the highest level planning body for the major analytical and substantive work of UNCTAD on the least developed countries. Its objective is to promote, at the policy level, coordination and coherence of action related to the least developed countries.

23. In accordance with General Assembly resolution 45/206 of 21 December 1990 and the outcome of the ninth session of the Conference, the Trade and Development Board conducted, at its forty-third session, the sixth annual review of the progress made in the implementation of the Programme of Action for the Least Developed Countries for the 1990s. As a background document for the discussion, it had before it The Least Developed Countries 1996 Report.⁴ The Board reaffirmed the outcome of the High-level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action and the outcome of the ninth session of the Conference, as they related to the trade of the least developed countries and trade-related issues.

24. The Board emphasized the importance of strengthening the supply capacity of the least developed countries to produce exportable goods and services on a competitive basis in order to reap the potential benefits from the Uruguay Round of multilateral trade negotiations agreements. It encouraged the Secretary-General of UNCTAD to elaborate throughout UNCTAD integrated country-level programmes for selected least developed countries by pooling the contributions of its Divisions, in accordance with the priorities identified by the least developed countries concerned.

25. The Board also called upon UNCTAD to closely collaborate and coordinate with the organizations concerned, such as WTO, the International Trade Centre (UNCTAD/WTO) (ITC), the World Bank, UNDP, the United Nations Industrial Development Organization (UNIDO) and other development organizations, in the design and implementation of the above activities in order to ensure coherence in policy advice and support. In pursuance of that decision, the UNCTAD secretariat has initiated in Bangladesh, Cambodia, the Gambia and Madagascar integrated country programmes for strengthening the export supply capacities of the least developed countries.

26. The Board requested the UNCTAD secretariat and the three UNCTAD intergovernmental commissions, in carrying out their tasks, to pay particular attention to the special needs of the least developed countries. It also decided that, in presenting their reports to the Board, the commissions should, wherever possible, seek to highlight the results of particular relevance to the least developed countries.

D. Other follow-up action

27. As the focal point in the United Nations system for monitoring the implementation of the Programme of Action at the global level, UNCTAD coordinates and programmes its work with regional commissions and other organizations within and outside the United Nations system and draws upon the substantial research and analytical capacity existing in the system on the social and economic situation of the least developed countries. It provides

substantive services to the machinery of the Administrative Committee on Coordination (ACC) on issues relating to the least developed countries, participates in UNDP round-table meetings and consultative group processes of the World Bank, and the Paris Club meetings on debt related to the least developed countries. It also assists the least developed countries to undertake consultations among themselves on matters of common interest to them in the context of the implementation of the Programme of Action, and it contributes to the work of the Committee for Development Planning related to criteria used for the identification of the least developed countries.

28. In setting out the overall arrangements for the review and monitoring of the progress made in the implementation of the Programme of Action at various levels, the General Assembly, by resolution 45/206, also decided that the organizations of the United Nations system should undertake sectoral appraisals at regular intervals. A number of organizations have continued to make arrangements for the required follow-up to the Programme of Action and the conclusions and recommendations arising from its mid-term review.

29. By the same resolution, the Assembly recommended that necessary links should be established between the follow-up to the Programme of Action at the national, regional and global levels and decided that the Conference, apart from serving as the focal point for follow-up at the global level, should continue to provide support at the national and regional levels. In the context of establishing the necessary links between follow-up at the national and global levels in particular, the UNCTAD secretariat has been requested to participate in and contribute to the country-review process mentioned in paragraph 141 of the Programme of Action. In response to those provisions, UNCTAD participated in round-table meetings held in 1996 and 1997. It also participated in the fifty-third session of ESCAP, the fourth session of the ESCAP Special Body on Least Developed and Land-locked Developing Countries, and in the thirty-second session of ECA. Participation in those meetings provided an opportunity to brief the ECA and ESCAP secretariats on various activities undertaken by UNCTAD, in particular the integrated country programmes in Asian and African least developed countries. They were also briefed on arrangements for the high-level meeting on the integrated initiatives for the trade development of the least developed countries, which is scheduled to be held on 27 and 28 October 1997. It was agreed that UNCTAD would convene a meeting with representatives of ECA and ESCAP after the adjournment of the forty-fourth session of the Trade and Development Board in October 1997 in order to discuss matters of mutual cooperation in preparing for the third global review of the Programme of Action.

30. In accordance with the recommendation of the ninth session of the Conference, the Secretary-General of UNCTAD established the Trust Fund for the Least Developed Countries. The Trust Fund, which came into operation in early 1997, will facilitate new activities in the four main areas of work of UNCTAD, namely: globalization and development; international trade in goods and services, and commodity issues; investment, enterprise development and technology; and services infrastructure for development and trade efficiency. The Governments of France, India, the Republic of Korea, the Netherlands and Switzerland have made contributions or pledges to the Trust Fund.

31. In cooperation with UNIDO, UNCTAD organized a pilot seminar on the mobilization of the private sector in order to encourage foreign investment flows towards the least developed countries. The Seminar, which was held at Geneva from 23 to 25 June 1997, discussed policy issues related to the establishment of foreign equity funds in the least developed countries and recommended that the Trade and Development Board consider, as a follow-up, the convening of regional expert seminars on issues identified during the pilot seminar, such as the flow of information on investment opportunities and improvement of financial infrastructure.

IV. ACTION BY ORGANS, ORGANIZATIONS AND BODIES OF THE UNITED NATIONS SYSTEM

32. In its resolution 50/103, the General Assembly, *inter alia*, called upon international and multilateral organizations, financial institutions and development funds, the organs, organizations and programmes of the United Nations system, and all other organizations concerned to take immediate, concrete and adequate steps to implement the Programme of Action, taking full account of the measures and recommendations of the mid-term global review so as to ensure sustained economic growth and sustainable development in the least developed countries and to enable them to participate in and benefit from the process of globalization and liberalization.

A. United Nations

33. United Nations technical cooperation activities undertaken through the Department for Development Support and Management Services of the United Nations Secretariat were focused heavily on support to the least developed countries. The Department has taken steps, within the framework of the Programme of Action and the measures and recommendations of the mid-term global review, to assist the least developed countries in achieving sustainable economic development and growth and to assist them to participate in and benefit from the process of globalization and liberalization. More than two thirds of the total of expenditures of the Department were in relation to programmes and projects in the least developed countries. The Department provided technical support to the least developed countries in economic and social areas, and executed a number of regional projects on peace, reconciliation and the rehabilitation of African least developed countries. It has also provided technical assistance to a number of least developed countries in areas such as the management of water resources, minerals, energy financial management, public enterprises, privatization and environmental issues.

34. The Disaster Reduction Division of the Department of Humanitarian Affairs of the United Nations Secretariat organized, financed and conducted subregional workshops on natural disaster reduction in 1994 and 1995, with participants from 48 African States drawn from Governments, non-governmental organizations, university research entities and specialized agencies of the United Nations system. They examined strategies to manage the prevailing natural hazards and thereby ensure food security and social stability, by arresting land

degradation, minimizing the effects of drought and insect infestations, desertification control, better food and epidemic management.

35. Progress has been made with regard to the exchange of information, raising awareness and the general recognition of needs in the fields of natural hazard assessment, vulnerability analysis, and the formulation of reduction strategies. A crucial gap remains with regard to the effective integration of disaster reduction into national development planning, bilateral or multilateral development strategies, and programmes and projects at all levels, and - most importantly - with regard to the availability of adequate financial support for the least developed countries for those purposes within the context of official development assistance (ODA).

36. There are strong similarities in the priorities identified in the United Nations New Agenda for the Development of Africa in the 1990s and the Programme of Action for the Least Developed Countries for the 1990s and the recommendations made in their respective mid-term reviews, particularly as they relate to creating a positive external environment for development. In view of the above, the Special Coordinator for Africa and Least Developed Countries, Department of Economic and Social Affairs of the United Nations Secretariat, has been very proactive in numerous forums in raising issues related to the need for the international community to assist in easing the debt burden faced by African countries, encourages foreign investment in Africa, expand market access and assist countries to diversify their export base. The Special Coordinator has also jointly organized a number of symposiums, workshops, expert group meetings and meetings in areas such as peace and development, the role of the informal sector in Africa, recovery and development, indicators of sustainable development and evaluation of special measures in favour of the least developed countries in Agenda 21.¹⁰

37. The United Nations Centre for Human Settlements (Habitat) is currently undertaking operational activities at the country level in 28 least developed countries, which contribute, both directly and indirectly, to socio-economic recovery and sustainable human development. The activities are mainly concerned with capacity-building programmes to address the increasing problems of urban poverty and the consequent deterioration of the living environment experienced by most least developed countries. In least developed countries affected by conflict, Habitat's major rehabilitation programmes provide direct support to affected communities and promote the indigenous capacity to develop longer-term support to human settlements development. Capacity-building programmes at the local government and community level in Bangladesh, Cambodia, Djibouti, Eritrea, Haiti, Madagascar, the Lao People's Democratic Republic, Myanmar and Somalia are directly concerned with strengthening the ability of local governments to work in partnership with communities in order to improve living conditions and create job opportunities through the construction and maintenance of urban basic services. Support provided by Habitat to the Governments of Bhutan, Burkina Faso and Nepal, is focused on maximizing the potential advantages for rural development of a reciprocal relationship between urban centres and their rural hinterlands. Habitat supported 34 least developed countries in their efforts to prepare national plans of action for the United Nations Conference on Human Settlements (Habitat II), and is currently formulating the Habitat Special

Programme for Africa which will focus on capacity-building in African countries and in particular for implementing national plans of action.

38. The United Nations Environment Programme (UNEP) has provided technical and capacity-building assistance in state-of-the-environment assessment reporting and associated data and database management to a number of the least developed countries. Since 1993, the environmental and natural resources information networking (ENRIN) project has assisted a number of developing countries, including least developed countries, in the definition of assessment, reporting and data and database management needs, the formulation of projects to meet those needs, and technical assistance in project implementation funding where funding has been secured. It has also promoted the strengthening of subregional intergovernmental organizational networks to exchange information for environmental management purposes.

39. Since 1990, UNEP has assisted many least developed countries throughout the world in the development and implementation of environmental legislation, and has provided training in environmental policy and law. The continuing work of UNEP at the global and regional levels relating to building an intergovernmental consensus on environmental issues and the action required to deal with them effectively, as well as promoting the implementation of environmental agreements and conventions, is of great relevance for better environmental management and promoting sustainable development in the least developed countries.

40. The United Nations Children's Fund (UNICEF) is currently in the process of modifying its system for the allocation of general resources to country programmes. Under the proposed system, the share of general resources for programmes allocated to the least developed countries would increase significantly from its current level of 44 per cent. Most of the benefits would accrue to the countries in sub-Saharan Africa. The proposal is expected to come into effect in 1999. The Fund is a strong advocate of the 20/20 initiative, which is aimed at mobilizing the additional resources needed from the national budget and official development assistance to achieve the internationally agreed social goals adopted at the World Summit for Social Development and other international conferences convened during the first half of the 1990s. The Fund supports the follow-up to the 1996 Oslo Conference on the implementation of the initiative by supporting several country studies on the 20/20 initiative, mainly in the least developed countries. The Fund has facilitated initiatives to alleviate the debt burden by introducing debt-for-development swaps in several least developed countries, including Madagascar, the Sudan and Zambia. It has also supported innovative schemes which can give women increased access to credit. Further, UNICEF is envisaging a number of country studies, including studies in the least developed countries, to assess the impact of globalization on the social sectors, in particular on the well-being and rights of children and women.

B. Specialized agencies and related organizations

41. The World Bank, the lead agency for consultative group meetings, is a major source of multilateral assistance to the least developed countries. Almost all of the least developed countries fall into the Bank's category of low-income

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countries and are thus eligible for financing on the highly concessional terms of the International Development Association (IDA). Total IDA lending to the least developed countries amounted to about US\$ 1.8 billion in 1995. Agreement was reached in March 1996 on the eleventh replenishment of IDA, amounting to US\$ 22 billion. Donor countries will provide US\$ 11 billion, while the balance would come from repayments of IDA credits, past contributions and income from the operations of the World Bank. The special commitment of IDA to Africa, including the 33 African least developed countries, within its overarching objective of poverty reduction was reaffirmed. Private sector growth and social and environmental sustainability were emphasized as the foundations of effective poverty reduction, and recipient countries were called upon to improve governance and to broaden participation by the poor in development. Access to primary education, clean water, health services and basic infrastructure were stressed as vital to the emergence of families from poverty.

42. The four main areas of action by the World Intellectual Property Organization (WIPO) with regard to the implementation of the Programme of Action for the Least Developed Countries for the 1990s are: reducing the financial burden; development of human resources; enhancement of cooperation between the least developed countries and other developing nations; and facilitating the transfer of technology. During 1994 and 1995, WIPO officials or consultants provided technical assistance to the majority of the least developed countries, and more than 180 officials from 35 least developed countries benefited from the WIPO training programme. During the biennium 1996-1997, particular emphasis is being placed on long-term training, automation of intellectual property administration and enhancing the role of the intellectual property system in technological, economic, cultural and environmental development. Accordingly, special attention is increasingly being given to the development of human resources, facilitating the creation or improvement of national or regional legislation, institution-building, and developing capacities and infrastructure for the management and exploitation of intellectual property rights.

43. The International Trade Centre UNCTAD/WTO has assigned top priority to the trade promotion needs of the least developed countries within the framework of the globalization of the market and the new international trading environment created by the Uruguay Round of multilateral trade negotiations agreements. Programmes for the least developed countries have focused on business enterprises and institutions and their adjustment to the new system, and on national capacity-building to take advantage of new market opportunities. In that regard, technical cooperation programmes with the least developed countries were designed to address those critical needs. The Centre has so far organized 15 seminars and workshops on the Uruguay Round agreements for least developed countries, and more events are planned for 1997 and 1998. It also continues to pursue integrated trade promotion programmes for the least developed countries, in close collaboration with other relevant agencies, notably UNCTAD and WTO.

44. The activities of the World Meteorological Organization (WMO) are closely related to the component of the Programme of Action for the Least Developed Countries on development, particularly expansion and modernization of the economic base. Under that activity, action for the environment and disaster mitigation, preparedness and prevention is directly in line with the technical cooperation programme of WMO. This programme comprises, mainly, the organized

transfer of meteorological and hydrological knowledge and proven methodology among the members of the organization, with the overall objective of enabling the national meteorological and hydrological services of members States, especially the least developed and other developing countries, to provide the best possible level of services so as to ensure public safety, management of water resources, support sustainable socio-economic development and safeguard the environment. The programme also provides equipment and spare parts, expert services, long-term and short-term fellowships, training and seminars. Each year about 130 countries, including the least developed countries, benefit from the programme.

45. Most of the least developed countries, being low-income food-deficit countries, benefit directly and indirectly from the wide range of technical activities of the Food and Agriculture Organization of the United Nations (FAO) in the areas of agriculture, fishery and forestry. Of the 30 crop and food supply assessment missions carried out in 1996 within the framework of the FAO Global Information and Early Warning System, 21 were fielded to the least developed countries. Many least developed countries also benefit from FAO work on the agro-econological zone (AEZ) database and Geographic Information System (GIS). Through its Special Relief Operation Service, FAO responds to requests for emergency assistance in agriculture, forestry, fisheries and animal production and health submitted by countries affected by natural or man-made disasters. In 1996, 57 requests for humanitarian emergency assistance were approved, with a total budget of US\$ 26.3 million, of which US\$ 7.5 million was for 15 least developed countries. The pilot phase of the Special Programme for Food Security (SPFS), which came into operation in 1994, and which is aimed at helping low-income food-deficit countries, covers 13 least developed countries. Programmes in four least developed countries have either been formulated or are under preparation. The plan is to extend the coverage, upon request, to all 87 low-income food-deficit countries, which include all of the least developed countries.

46. During the period January 1996-May 1997, 14 agriculture projects in the least developed countries, prepared with substantial input from the FAO Investment Centre, were approved for financing, mainly by the International Fund for Agricultural Development (IFAD), IDA and the African Development Bank. The Investment Centre also assisted least developed countries in completing the preparation of a further five projects for eventual approval and funding by financing institutions.

47. Many least developed countries have benefited from the FAO programme directed at improving nutrition and food quality and safety, including for export. After the conclusion of the Uruguay Round of multilateral trade negotiations, the FAO programme of work on policy assistance on the impact of changes in the external trading environment for agricultural commodity markets and implications for individual countries, in particular the least developed countries, was intensified and, in that connection it offers, in collaboration with the World Bank and WTO, sponsored regional workshops to review the basic provisions of the Uruguay Round of multilateral trade negotiations agreements and to consider specific issues of interest, such as commodities of export interest, the relationship of food security concerns to structural adjustment

programmes, and the impact on small farmers. By early 1997, a total of 19 least developed countries had benefited from technical assistance of this nature.

48. In the fisheries sector, FAO has provided direct technical assistance to almost two thirds of the least developed countries. This activity has been intensified, particularly since the adoption of the Programme of Action for the Least Developed Countries for the 1990s. In the area of forestry, activities in institution-building and capacity-building, planning and programming have been carried out in several least developed countries.

49. The International Civil Aviation Organization (ICAO) has provided, in the 1990s, assistance in relation to the various aspects of civil aviation to 22 least developed countries in Africa and Asia, with due emphasis on air transport safety and sustainable human resource development. In addition, ICAO has prepared many project documents for future assistance to the least developed countries and is seeking the financial resources to implement them.

50. The Administrative Board of the Universal Postal Union (UPU) adopted, in October 1996, the Programme of Action in favour of the least developed countries for 1996-1999. This Programme of Action comprises a number of workshops and consultancy missions to the least developed countries in the areas of postal development, postal security and international postal accounting. In 1996, a number of technical assistance activities were provided by UPU to these countries within the framework of this Programme of Action. Moreover, UPU also implemented a number of projects financed by UNDP in Cambodia, Haiti, Kiribati, the Lao People's Democratic Republic, Nepal, Sao Tome and Principe, the United Republic of Tanzania and Yemen. Training activities organized or envisaged in 1997 by UPU, from which the least developed countries will also benefit, are in the areas of postal development, postal security, service quality, and planning of human resources. Moreover, within its programme of technical cooperation for 1996-2000, UPU is implementing 25 multi-year projects in favour of the least developed countries.

51. The financial resources of the International Monetary Fund (IMF) are made available to member countries through various facilities. During 1996, gross disbursements of concessional resources from IMF to the least developed countries totalled SDR 240 million, and net disbursements SDR 14 million. As at end-April 1997, the outstanding use of IMF resources under all facilities by the least developed countries, including non-concessional resources, totalled SDR 4.2 billion. The Fund has provided its member countries, including the least developed countries, with technical assistance and training in the following areas: (a) advice on the design and implementation of macroeconomic policy measures; (b) support for institution-building; (c) improvement of the quality and timeliness of statistical information; and (d) training of officials.

52. In addition to providing policy advice, financial and technical assistance, IMF has been catalysing additional financial and technical assistance, including debt relief, from other donors since the successful implementation of adjustment programmes is dependent on the timely availability of external financing in an appropriate amount and form. Adjustment programmes under the Enhanced Structural Adjustment Facility (ESAF) have been supported by increasing the

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disbursement of aid from multilateral and bilateral donors. In addition, further progress has been made in recent years in debt rescheduling on concessional terms and debt forgiveness. The Fund and the World Bank have initiated the heavily indebted poor countries (HIPC) initiative¹¹ which was first implemented in April 1997, and which envisages exceptional assistance to a qualifying country from all its bilateral and multilateral creditors to reduce the current value of the country's debt to a sustainable level.

53. Of particular relevance to the least developed countries is the increasing attention that has been paid in recent years to the social impact of adjustment programmes. Policy framework papers associated with ESAF-supported programmes have included a discussion of the social impact of adjustment and in many cases mitigating social measures. Social policies are also increasingly incorporated as an integral part in the design of programmes supported by IMF, and targets for spending on basic social services, particularly in primary health and education, are specified. Under the HIPC initiative, programmes supported by IMF and the World Bank for countries qualifying for assistance are expected to emphasize social policies, including the improvement of the quality of social expenditure, strengthening of institutional capacity and the delivery of basic social services.

54. The intensified cooperation with countries in greatest need (IWC) initiative of the World Health Organization (WHO) was launched in five countries in 1990. Since then, there has been a slow but steady expansion in the number of countries participating. The IWC initiative is country-specific and is multisectoral and capacity-building in approach. It is aimed at ensuring the most effective use of all three levels of WHO support (country, regional and global) in each country, by assisting in the creation of comprehensive country strategies and plans, promoting intersectoral action in support of health sector development, and addressing specific country problems, especially those related to poverty alleviation and the protection of disadvantaged groups.

55. By 1996, IWC comprised more than 30 of the world's poorest countries, mostly least developed countries. Pursuant to the resolution in 1996 by the governing bodies of WHO to expand the initiative to embrace at least 40 countries, there has been many requests for participation. This expansion has, however, been limited by lack of funds. Up to 1997, 35 least developed countries had taken part in the initiative.

56. In accordance with its medium-term strategies for the period 1996-2001, the United Nations Educational, Scientific and Cultural Organization (UNESCO) has assigned the least developed countries priority as beneficiaries of its activities and will allocate to them an important part of its resources. Since 1996, all UNESCO programmes have important activities of direct interest to the least developed countries. Furthermore, specific programmes in favour of the least developed countries are being implemented in the major areas of competence of UNESCO. In the field of education, the least developed countries have benefited from activities under the following programmes: widening access to basic education; improving the quality and the relevance of basic education; general and professional education; and higher education and development. In the area of development and social sciences, activities were undertaken in least developed countries in the areas of social transformation and development, and

youth and social development. In the field of culture, and in the context of the World Decade for Cultural Development, UNESCO, in cooperation with the United Nations Institute for Economic Development and Planning at Dakar, has initiated a special training project on culture and development. Assistance was provided to several least developed countries in the area of protection of sites, monuments and cultural properties.

57. The least developed countries have also benefited from UNESCO activities in the areas of communication, information and informatics. Activities in favour of the least developed countries have been undertaken in the context of the following programmes: towards a peace culture; contribution to the elaboration of national strategies for the elimination of poverty; contribution to meeting basic needs; contribution to the access to productive resources; and contribution to the access to credit and to access to information.

58. The programme for the least developed countries enjoys fundamental priority in UNIDO and constitutes one of the seven thematic priorities of the organization. Furthermore, the programmes and special measures for the least developed countries are regularly reviewed, discussed, amended and approved by all Ministers of Industry of the least developed countries during their biennial symposium, held in conjunction with the General Conference of UNIDO. The recommendations of those symposiums, after endorsement by the General Conference, establish the action programme of industrialization of the least developed countries. The fourth ministerial symposium will be convened at Vienna, from 27 November to 5 December 1997. The organization has also cooperated with UNCTAD in the organization of the pilot seminar on the mobilization of the private sector in order to encourage foreign investment flows towards the least developed countries.

V. INTERNATIONAL SUPPORT MEASURES

A. External resources

59. The commitment by the international community, particularly the developed countries, to enhance aid to the least developed countries in order to achieve a significant and substantial increase in the aggregate level of external support to those countries, was one of the key provisions in the Programme of Action for the Least Developed Countries for the 1990s. To that end, a set of alternative aid targets and commitments were adopted to encourage donor countries to increase their efforts and improve their aid performance vis-à-vis the least developed countries. Since 1990, however, a number of major international and humanitarian crises, a global economic downturn, and domestic preoccupations and budgetary pressures in a number of the donor countries have dominated aid policies.

60. Resource flows to the least developed countries have remained stagnant in current dollar terms so far throughout the 1990s, and have diminished in real terms. The share of aid to the least developed countries in the combined gross national product (GNP) of the Development Assistance Committee (DAC) donor countries has dropped from 0.09 per cent in 1990 to 0.06 per cent in 1995.

Collectively, donors have failed to meet the special aid targets and commitments for the least developed countries set out in the Programme of Action.

61. Few of the DAC donor countries have improved their performance with regard to the aid targets for the least developed countries since 1990; in most of these countries, the share of aid to the least developed countries in GNP was lower in 1995 than in 1990. However, four DAC countries continue to meet the 0.20 per cent target: Norway (the top performer with a percentage share of aid to the least developed countries of 0.31 per cent of GNP in 1995), Denmark, the Netherlands and Sweden. In volume terms, Japan, the United States of America, France and Germany were the largest sources of ODA to the least developed countries in 1995.

62. In recent years, new resource flows to the least developed countries have consisted mostly of ODA from DAC sources, such flows reaching a level of US\$ 16.6 billion in 1995. Since there was a net outflow of non-concessional resources from the least developed countries totalling US\$ 0.6 billion, the recorded total flow of external resources to them amounted to US\$ 16 billion on a net basis. Official flows other than ODA have diminished in importance as DAC countries, as well as international financial institutions, have shifted to providing mainly concessional finance to the least developed countries. Developments in external financing for developing countries as a whole, characterized by a steady increase in private investment and in total resource flows, have hardly affected the least developed countries at all. There has been no perceptible increase in private financing flows to the least developed countries, with the contribution of private capital remaining modest and fluctuating from year to year.

63. The trends in resource flows to the least developed countries reflect the decline in total ODA (to all developing countries) from DAC donor countries. The share of total ODA in the GNP of DAC countries dropped sharply, from 0.33 per cent in 1992 to 0.27 per cent in 1995. According to preliminary estimates, that share declined further to 0.25 per cent in 1996, the lowest ratio recorded since the United Nations adopted in 1970 the overall ODA target of 0.7 per cent of donor country GNP. Details about the geographical distribution of 1996 flows are not yet available but unless there has been a significant shift in aid allocations to the poorest countries, a further deterioration in aid performance vis-à-vis the least developed countries may well have taken place in 1996.

64. The external financing requirements of the least developed countries remain high because of the urgent need to overcome structural constraints and low human resource development. Securing an adequate share of available ODA resources, enhancing aid effectiveness and lessening aid dependency over time are the major challenges confronting the least developed countries in the future. Attracting assistance from countries other than DAC members and promoting the flow of foreign private investment to the least developed countries should be given high priority in view of the sluggish outlook for ODA from DAC countries.

B. External debt and debt relief

65. The external debt situation of the least developed countries remains a cause for serious concern. With scheduled debt service payments estimated to be in the order of one third of the aggregate export earnings of those countries, external debt-servicing obligations continue to be an important drain on resources and clearly exceed the capacity to pay of many of the least developed countries. As a consequence, they have accumulated massive payments arrears. The debt overhang compounds the pressures on the least developed countries attempting to implement structural adjustment programmes and tends to inhibit growth, as well as to dampen prospects for private capital inflows.

66. From the end of 1990 to the end of 1995, the outstanding external debt of the least developed countries increased by some US\$ 20 billion, or 18 per cent, to US\$ 135 billion. Most of the increase was due to new concessional lending by the international financial institutions. The total multilateral debt of the least developed countries increased from US\$ 38 billion at the end of 1990 to US\$ 55 billion at the end of 1995. Bilateral long-term debt to countries members of the Organisation for Economic Cooperation and Development (OECD) and the Organization of Petroleum Exporting Countries (OPEC) decreased slightly over the same period as a result of limited new lending and of debt relief operations.

67. The actual debt service payments made by the least developed countries, which had reached US\$ 5.8 billion in 1989, fell steadily during the ensuing four years and remained far below the scheduled debt service. Correspondingly, the debt service ratio for the least developed countries as a group decreased, from 29 per cent in 1989 to 14 per cent in 1993 and 1994. This reflected difficulties in payment, as the debt service actually paid fell short of the scheduled debt service. Aggregate debt service payments by the least developed countries increased to US\$ 6.4 billion in 1995, mainly as a result of repayments and clearance of arrears by Zambia as this country completed its rights accumulations programme with the IMF. Debt service payments by other least developed countries, however, increased. As a group they paid US\$ 3.7 billion in external debt service in 1995, compared with US\$ 2.9 billion in 1994. Excluding Zambia, debt service on multilateral debt made up just over 40 per cent of debt service payments made by the least developed countries in 1995.

68. Various debt relief schemes continue to be implemented. Since December 1994, the Paris Club has applied Naples terms to the rescheduling of the bilateral official debt of the poor and heavily indebted countries. The Naples terms offer a reduction of up to 67 per cent of the present value of eligible debts. By mid-1997, 19 least developed countries had obtained a restructuring of their debts under the Naples terms. Four of those agreements concerned the reduction of eligible debt stocks.

69. An important development in debt relief for the least developed countries came at the annual meetings of the World Bank and IMF in September 1996, with the endorsement of the heavily indebted poor countries (HIPC) initiative.¹¹ This initiative provides a useful framework for implementing a strategy of burden-sharing among all creditors to reduce the debt of heavily indebted poor

countries to sustainable levels. Debtor countries will have to show a track record of sustained strong policy performance, in principle over a six-year period. There are 29 least developed countries in the group of the 41 countries that have been identified as heavily indebted poor countries.

70. The HIPC initiative builds on the existing mechanisms for providing debt relief, particularly the Paris Club. Other bilateral and commercial creditors are required to provide debt relief comparable to the treatment provided by the Paris Club. Where existing mechanisms would not permit the achievement of sustainability upon completion of a first stage of adjustment and reform, enhanced action under a second stage is envisaged. Paris Club creditors have indicated a willingness to provide debt reduction up to 80 per cent in net present value terms on a case-by-case basis during this stage. Multilateral creditors will also provide additional support and relief. The World Bank has established an HIPC trust fund for financing the scheme, and has earmarked US\$ 500 million as its own initial contribution to the fund. The IMF Executive Board in early 1997 also agreed on the modalities for IMF participation in the initiative through the Enhanced Structural Adjustment Facility.

71. As the first beneficiary, the eligibility of Uganda for assistance under the HIPC initiative was approved in April 1997. The eligibility of Burkina Faso might also be considered in 1997. Other heavily indebted poor countries will be considered on a case-by-case basis but because of the requirement for a long track record of policy performance, only a few least developed countries appear likely to benefit from the scheme during the current decade.

72. Another recent development in the field of external debt of particular relevance for the least developed countries is the understanding reached between the Russian Federation and the Chairman of the Paris Club in connection with the Denver Summit of Eight, held in June 1997, on the principles for the accession of the Russian Federation to the Paris Club as a creditor country. Provisions for adjustment in the amounts of outstanding obligations would have important implications for a number of least developed countries which owe substantial debts to the Russian Federation.

C. External trade

73. At the beginning of the 1990s, the share of the least developed countries in both world exports and imports fell by one half and one third from the already meagre levels of 0.6 per cent and 1.0 per cent, respectively, in 1980. Moreover, the ratio of their exports to GDP fell from over 17 per cent to 14 per cent during the same period. On average, the export patterns of the least developed countries have changed little over the past five years. Contrary to other successful developing countries, the least developed countries have not shared in the dynamism of export-led industrial growth: their share of manufactures in their total export has even decreased, from 44 per cent in 1990 to 38 per cent in 1995.

74. This deterioration in the foreign trade situation of the least developed countries has persisted throughout a period when many least developed countries have been engaged in major structural adjustment programmes and trade policy

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reforms. In many cases, the least developed countries have devalued their currencies, liberalized their import policies and exchange restrictions, reduced their tariffs, and reformed their trade policy institutions, instruments and procedures. Several least developed countries have recently opened up to world trade and now generally rely much more on market mechanisms.

75. Globalization and liberalization have increased the potential for international trade to become an unprecedented engine of growth and an important mechanism for integrating countries into the global economy. These processes offer the least developed countries important long-term opportunities to reverse the economic decline that they have experienced over the past two decades but they also raise serious concerns for them. More than any other group of countries in the world, the least developed countries, with only a few exceptions, have become marginalized from the mainstream of global economic activity and from sharing in its benefits. Globalization may do little to alleviate the trend towards marginalization and, without adequate international support measures, may accentuate it.

76. It is thus encouraging to note that the trading opportunities of the least developed countries have been significantly enhanced by the improvements, made subsequent to the Uruguay Round of multilateral trade negotiations agreements, by major developed countries in their Generalized System of Preferences (GSP) schemes in favour of these countries. Improvements were also made in the trading regimes applied under special preferential arrangements, such as the Lomé Convention and the Caribbean Basin Economic Recovery Act, for the least developed countries and other developing countries participating in such arrangements.

77. In May 1997, the Government of the United States of America introduced substantial changes into its GSP in favour of the least developed countries. It now grants duty-free access to more than 1,700 new products, specially in favour of designated least developed countries. This measure substantially expanded duty-free access to the United States market for a wide range of agricultural products, petroleum and petroleum products and industrial sectors not considered as sensitive. It also covers almost all food and processed food and fishery products, provided that imports find a place within the tariff quotas. This new facility is likely to create substantial new trading opportunities for the least developed countries. According to the indications provided by the Government of the United States of America, the new concessions for the least developed countries cover additional imports from African least developed countries of about US\$ 2.5 billion.

78. Instruments applied by the European Union in favour of the least developed countries have undergone important changes after the Uruguay Round of multilateral trade negotiations. The provisions of the Lomé Convention for duty-free and preferential market access for the African, Caribbean and Pacific (ACP) Group of States have recently been substantially expanded to include some sensitive agricultural products. Imports of industrial products and raw materials are already duty-free and benefit from relatively flexible rules of origin. Product specific tariff quotas and ceilings have been abolished. Instead, the European Union introduced a system of modulated tariff preferences.

79. The Government of Norway has substantially enlarged the coverage and treatment of agricultural products in favour of the least developed countries. Access is duty-free and quota-free for all agricultural products, except flour, grains and feeding stuffs, for which a 30 per cent preference is granted within indicative tariff ceilings.

80. Other preference-giving countries, in particular Canada and Switzerland, have also substantially revised their GSP schemes and expanded GSP benefits to a large number of new products. In Japan, the GSP provides for duty-free access for most industrial products imported from the least developed countries.

81. The World Trade Organization Ministerial Conference, held at Singapore in December 1996, adopted the Comprehensive and Integrated WTO Plan of Action for the Least Developed Countries. The Plan of Action includes measures in the areas of capacity-building and market access, and envisages, in particular, closer cooperation between WTO and other multilateral agencies assisting the least developed countries. The Ministers agreed to organize a meeting with UNCTAD and ITC as soon as possible in 1997, with the participation of aid agencies, multilateral financial institutions and least developed countries to foster an integrated approach to assisting these countries in enhancing their trading opportunities. A high-level meeting on the integrated initiatives for the trade development of the least developed countries is scheduled for 27 and 28 October 1997. Several intergovernmental and inter-agency preparatory meetings have also been convened. The high-level meeting will provide an opportunity for WTO members to announce, on an autonomous basis, the measures they are taking to enhance access for imports from the least developed countries. The meeting is also expected to adopt an integrated framework for technical assistance to support the least developed countries in their trade and trade-related activities.

82. In following up these commitments, the Government of the United States of America and the European Union have recently put forward proposals for further action in favour of the least developed countries in order to improve their export opportunities and investments.

83. The Government of the United States of America proposed a new Africa initiative with three components: the new concessions in favour of the least developed countries within the United States GSP scheme mentioned above; the establishment of a fund of US\$ 150 million to promote, through the Overseas Private Investment Corporation, private investment in Africa; and the establishment of another fund of US\$ 500 million to support infrastructural programmes in the region. This support is intended for African countries that pursue sound economic policies and establish open markets.

84. In June 1997, the Council of the European Union called for a further commitment by WTO members, including the main trading partners and advanced developing countries, to grant the least developed countries duty-free access with simplified rules of origin and to present proposals on the basis of the WTO Plan of Action for further opening their markets that should be comparable to the market access offered by the European Union.

85. The Council called for the further analysis of the possibility of considering a consolidated preferential scheme to which all members of WTO were committed. The Council strongly supported the comprehensive approach pursued in the WTO Plan of Action.

86. The Council agreed on immediate new measures by the European Union to improve market access for the least developed countries. The Council will establish an equivalent treatment for all other least developed countries to the preferential treatment already given to least developed countries in the framework of the Lomé Convention by 1 January 1998, and will improve the GSP rules of origin. The European Union will apply further subregional cumulation in favour of integration groupings among developing countries, and will respond positively to requests for derogations from the applicable rules of origin requested by least developed countries.

87. Developing countries also adopted important decisions with regard to expanding membership or deepening their integration and preferential commitments which have a substantial bearing on the trading opportunities of certain least developed countries. States members of the Association of South-East Asian Nations (ASEAN) agreed on the membership in ASEAN of the Lao People's Democratic Republic and Myanmar, for which ASEAN countries are amongst the most essential trading partners. The South Asian Association for Regional Cooperation (SAARC) decided to accelerate the establishment of the South Asian Free Trade Area, which should improve substantially trading opportunities for its least developed members Bangladesh, Bhutan, Maldives and Nepal.

VI. CONCLUSIONS AND RECOMMENDATIONS

88. While the recent economic performance of a number of least developed countries is encouraging, recovery is still fragile and the medium-term and long-term challenges facing these countries, in a world economy transformed by globalization and liberalization, are complex. The mid-term global review of the implementation of the Programme of Action for the Least Developed Countries for the 1990s identified the following as the main challenges facing the least developed countries in the second half of the 1990s: to reverse the decline in economic and social conditions; to promote sustainable economic growth, development and structural transformation; and to avoid becoming further marginalized in the international economy.

89. To succeed in coping with the above-mentioned challenges, the least developed countries will need to further strengthen their national development efforts which, as is evidenced by those countries that have improved their performance, can make a difference. It is imperative to sustain economic reforms and effect further trade liberalization measures, pursue policies to tackle supply-side constraints, and improve the efficiency of agriculture. For a number of least developed countries, bringing political conflicts and civil strife to an early and peaceful conclusion and the restoration of a viable system of government must be a prerequisite to commencing any development programmes.

90. The challenges facing the least developed countries are beyond their capacity to overcome on their own. International support measures - financial, technical and commercial - are of critical importance in continuing to influence their future growth and development.

91. In the area of external financing, a reversal of the current trend in donor performance with regard to the least developed countries will require both a recovery in overall ODA and a reorientation of aid programmes towards the least developed countries. There is also a need for continuing to enhance the quality and effectiveness of assistance to the least developed countries. External finance should help fund major investments programmes in the physical infrastructure and social services which are necessary for helping the least developed countries to encourage substantial private investment. In addition, the least developed countries will need the active support of non-traditional donors. The least developed countries should continue their efforts to provide improved incentives for both domestic and foreign investment to attract foreign direct investment and other private capital flows.

92. Debt-relief measures for the least developed countries would help to release scarce resources in order to boost social and human development expenditure and to finance investment in critical economic restructuring in the short term and medium term. Reducing the outstanding debt of the least developed countries to sustainable levels through debt-relief measures, especially through the flexible application of the eligibility criteria for the HIPC initiative, will help relieve the pressure on the least developed countries and improve prospects for private capital inflows.

93. The timely and effective implementation of recent initiatives in favour of the least developed countries would enable them to actively participate in international trade, production and investment. Action to remove remaining barriers to trade and enhance effective market access would contribute to this process.

94. Easing supply-side constraints is critical to enabling the least developed countries to utilize the enhanced market access provided by the Uruguay Round of multilateral trade negotiations agreements. Many of the structural constraints that have frustrated the response of the economy to the new policy initiatives, such as weak technological capacity, lack of entrepreneurial and managerial skills and inadequate physical infrastructure, have to be tackled systematically. The WTO Plan of Action for the least developed countries contains recommendations on policy measures and programmes to enhance the trading opportunities of the least developed countries in order to facilitate their integration into the multilateral trading system. At a broad level, technical assistance, complemented by adequate financial support, should be provided to the least developed countries through the common and coordinated efforts of all donors, including international organizations such as WTO, UNCTAD, ITC, UNDP, the World Bank and IMF. Member States should seek to give operational content to the WTO Plan of Action, for example, by enhancing conditions for investment and providing predictable and favourable market access conditions for the products of the least developed countries, in order to foster the expansion and diversification of their exports to the markets of all

developed countries and, in the case of relevant developing countries, in the context of the Global System of Trade Preferences among Developing Countries.

Notes

¹ See Report of the Second United Nations Conference on the Least Developed Countries, Paris, 3-14 September 1990 (A/CONF.147/18), part one.

² A/50/745, parts one to three.

³ The list of the least developed countries is currently comprised of 48 countries, the combined population of which was estimated at 588 million in 1995; the countries are: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen and Zambia.

⁴ United Nations publication, Sales No. E.96.II.D.3.

⁵ General Assembly resolution 46/151, annex, sect. II.

⁶ Proceedings of the United Nations Conference on Trade and Development, Ninth Session, Midrand, Republic of South Africa, 27 April-11 May 1996, Report and Annexes (United Nations publication, Sales No. E.97.II.D.4), part one, sect. A.

⁷ Ibid.

⁸ Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (General Agreement on Tariffs and Trade secretariat publication, Sales No. GATT 1994-7).

⁹ See *ibid.*

¹⁰ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992, vol. I, Resolutions Adopted by the Conference (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution I, annex II.

¹¹ For the objectives and details of the HIPC initiative, see IMF, "Debt relief for low-income countries and the HIPC initiative" (Working paper WP 97/24), Washington D.C., 1997.
