UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Building Productive Capacities: UNCTAD Support for LDCs

UNITED NATIONS

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Geneva

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UNITED NATIONS
New York and Geneva, 2011

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UNCTAD SUPPORT FOR LEAST DEVELOPED COUNTRIES

For almost a half century, UNCTAD has supported least developed country efforts to close the development gap.

Since its founding in 1964, UNCTAD has addressed the trade and development challenges of developing countries, consistently advocating special and differential treatment in support of least developed countries (LDCs) since its inception. Initial work on the “differing characteristics and stages of development of developing countries” resulted in the designation of the specific group of LDCs by the General Assembly in 1971.

Through its research and policy analysis, technical cooperation and consensus building, UNCTAD has been in the forefront of efforts in support of LDC development.

The United Nations has convened four decennial United Nations Conferences on the Least Developed Countries. The first three conferences – held in 1981, 1990 and 2001 – were coordinated by UNCTAD. The third conference in Brussels agreed on the Programme of Action for the Least Developed Countries for the Decade 2001–2010. The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) has organized the 2011 Fourth United Nations Conference on Least Developed Countries (LDC IV) in Istanbul.

DEVELOPING PRODUCTIVE CAPACITIES

UNCTAD has advocated a **paradigm shift** in designing development policies and strategies in the least developed countries, focusing more on **developing productive capacities**. This paradigm shift in recent years has brought into focus the imperative of putting the development of productive capacities, and the related expansion of productive employment, at the centre of LDC national strategies and policies.

Through Research and Policy Analysis

UNCTAD has published analytical reports on development in LDCs since 1984. The Reports offer fresh alternative policies for LDCs through its *Least Developed Countries Report* series and *Economic Development in Africa Reports*. The research and policy analyses identify pressing development challenges and recommend policy actions. The work contributes to consensus–building between LDCs and their development partners on the right policy mix.

LDCs have experienced recent rapid growth, but they and their development partners have identified major challenges, including:

(a) The nature, magnitude and extent of massive poverty confronting LDCs, despite the impressive and at times robust economic growth registered by these countries as a group;

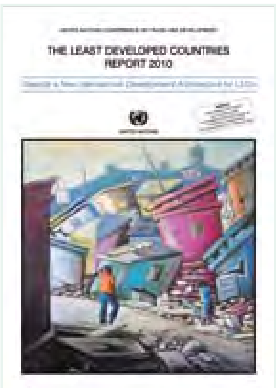
(b) The lack of durability or sustainability of economic growth achieved over recent years. The overdependence of LDCs on a few primary commodities for their export earnings is part of the reason for economic vulnerability and instability. Consequently, LDC economies remain fragile due to the excessive vulnerability of these countries to various shocks – economic or otherwise, exogenous or internal;

(c) The weak productive and supply capacities, perhaps the most daunting challenge facing LDCs and their development partners.

Developing productive capacities is essential for attaining the Millennium Development Goals (MDGs) and achieving substantial poverty reduction.

Building productive capacities has been a consistent focus in the cumulative analyses and policy recommendations during the 2000s, interwoven with discussions of contemporaneous events, most notably the global economic crisis. UNCTAD's *Least Developed Countries Report* Series describes the topics and policy analyses of the Reports from 2000 to 2010.

The *2004 Least Developed Countries Report: Linking International Trade with Poverty Reduction* introduced the concept of developing productive capacities for poverty reduction. Export revenues enable the acquisition, through imports, of the goods and services needed to develop productive capacities. The *2006 Least Developed Countries Report: Developing Productive Capacities* asserted that productive capacities develop within a country through three closely interrelated processes: capital accumulation, technological progress and structural change, for which demand creation is an essential stimulus. It called for a paradigm shift to speed these processes. The *2007 Least Developed Countries Report: Knowledge, Technological Learning and Innovation for Development* built upon this thinking by systematically exploring technological learning and innovation in LDCs, asserting that science, technology and innovation (STI) are vital even in the poorest countries. The *2009 Least Developed Countries Report: The State and Development Governance* focused on the role of the State in developing productive capacities, while the *2010 Least Developed Countries Report*: *Towards a New International Development Architecture for LDCs* examined how international support mechanisms have worked and proposed a New International Development Architecture (NIDA) for LDCs. An underlying theme of the Reports is helping LDCs to help themselves.



Workshops and seminars follow the release of the *Least Developed Countries Reports*. UNCTAD organized a subregional workshop for Asian LDCs on productive capacities, economic growth and poverty reduction in Cambodia, Ethiopia and Senegal. The workshops presented key findings from UNCTAD's research on productive capacities and poverty reduction in LDCs, examined relevant country experiences in the light of these findings, and assessed national development strategies and policies. Workshops discussing the *2010 Least Developed Countries Report* were held in Nepal (March 2011) and in Ethiopia (April 2011).

The annual *Economic Development in Africa Reports* analyse key aspects of the continent's development challenges in the context of globalization, offering policy perspectives. The Reports have examined critical issues for African countries, including African LDCs, such as domestic resource mobilization, aid levels, the role of foreign direct investment (FDI), debt sustainability, trade performance, commodity dependence and capital flows. The *Economic Development in Africa Report* 2010 on *South-South Cooperation: Africa and the New Forms of Development Partnership* is described in the section on South-South Cooperation.

A series of workshops on domestic resource mobilization followed release of *Economic Development in Africa 2007: Reclaiming Policy Space: Domestic Resource Mobilization and Developmental States* and the *Economic Development in Africa Report 2009: Strengthening regional economic integration for Africa's development*. Workshops in Benin, Burundi, Chad, the Democratic Republic of the Congo, Mauritius, Rwanda, Sierra Leone, Uganda and Zambia discussed the decline in external financial flows to African countries during the global economic crisis, concerns about accumulating excessive external debt, and the ways and means of boosting domestic resource mobilization.

Through Entrepreneurship Training and Support

Empretec inspires entrepreneurs in LDCs to take a vision and turn it into reality – their own enterprise.

Beatrice Ayuru Bvaruhanga of Uganda knows the satisfaction of turning a vision into reality. She founded Lira Integrated School in northern Uganda in 2000 after completing an Empretec Training Workshop. Lira now provides education at the nursery, primary and secondary level to over 1,500 students, with plans to expand into a university. Ms. Bvaruhanga won the UNCTAD's 2010 Empretec Women in Business Award. An Ethiopian woman, Guenet Fresenbet Azmach, was another of the 10 finalists. Both countries are landlocked LDCs.

The UNCTAD Women in Business Award is granted every two years to women entrepreneurs in developing countries who have benefited from the business development services of Empretec and have excelled in developing innovative business ideas, providing jobs and increasing income. In 2008, on the occasion of the UNCTAD–XII Ministerial Conference, UNCTAD launched the first Women in Business Award. The second Women in Business Award was given in April 2010 and the third will be announced in 2012 at UNCTAD–XIII.

UNCTAD has been active in promoting the creation of small and medium-sized enterprises (SMEs) and supporting the expansion of their productive capacities through its Empretec and Business Linkages programmes.

"With Empretec, I received very practical entrepreneurship training that helped me build my skills when it came to planning, researching opportunities and drawing up business plans." Dédé Léa Medji, Benin

Since its inception in 1988, Empretec has been established in 32 countries, including 6 LDCs, and has supported aspiring entrepreneurs to found or expand businesses, creating jobs in the process. An evaluation of the Ugandan programme showed growth of up to 460 per cent, a 100 per cent increase in employment, and a 25 per cent improvement in productivity in SMEs involved in the programme.

> Microentrepreneurship – Empretec has been adapted for use with communities and groups with low literacy levels. The basic course is shortened from 72 hours to 32 hours, while exercises and training materials are based on visual information.

African Empretec representatives launched a regional networking group, the Empretec Africa Forum, to discuss the best ways to mobilize resources, establish effective communication, devise marketing strategies, ensure the consolidation of existing programmes, and create new country programmes, with the support of UNCTAD.

Empretec supports the development of young entrepreneurs, including participation in the Global Entrepreneurship Week – a global initiative to inspire young people around the world to embrace innovation, imagination and creativity (www.unleashingideas.org).

Empretec Centres also serve as a business matchmaking platform. For example, Jordan and Uganda are currently examining ways, through their respective Empretec Centres, to initiate water projects in Uganda using the technology of a Jordanian enterprise.

Business Linkages

The Business Linkages Programme fosters new linkages, and deepens existing relationships between foreign companies' affiliates and domestic SMEs in developing countries, thereby making them more sustainable.

Charles Mulamata is Managing Director of Uganda Electronics & Comp. Ind. Ltd. (UECI), a company that supplies doors and windows to a large national company in the house-building business. When he attended the 10-day Entrepreneurship Development Workshop in December 2006, he was concerned about being away from his business too long.

> "After the second day, my view on the workshop completely changed. I realized what I should do for my business to grow. I reorganized my office and recruited more staff. I started a radio programme and set a budget for advertising. The radio programme focuses on customer education about solar power, the energy source and its benefits. Then people started to call with enquiries on solar; we were receiving 8 to 10 calls per day after the programme started."

Delegations from Empretec Centres in Mozambique and the United Republic of Tanzania visited barley growers in Eastern Uganda to get a better understanding of the organizational and linkage arrangements between East African Breweries Limited and Kapchorwa Commercial Farmers.

Among the many successes of the programme was increased interaction with financial institutions. Farmers can now access farming equipment on a lease basis upon recommendation from the association. One bank has extended a portfolio of up to 1 billion Ugandan shillings to farmers and established a branch in town for ease of access to financial services.

Business Linkages Programme Coordinator in Mozambique, Evaristo Jordão Vilanculos, describes the benefits: "Through the Business Linkages Barley Project developed in Mozambique, the rural population in the Manica province got the opportunity to access a new source of income generation. Now hundreds of Mozambican small producers have the chance to improve their quality of life and get out of the condition of absolute poverty."

Maggie Kigozi, Director of the Ugandan Investment Authority on Business Linkages, sums up the powerful impact of Business Linkages. "This programme has tremendously enhanced the productive capacity, efficiency, competitiveness and sustainability of these (participating) businesses."

Innovative communications

Empretec employs multiple social media outlets to communicate their activities and celebrate successes of entrepreneurs who have completed their training programmes. Look for an interview with the Empretec Women in Business Award 2010 winner, Ugandan Beatrice Ayuru Bvaruhanga, on YouTube (http://www.youtube.com/user/UnctadEmpretec). Several regional offices can be found on Facebook, while photos are posted on Flickr (http://www.flickr.com/photos/empretec/).

Through Creative Economy Promotion

Creative industries are among the most dynamic emerging sectors in world trade, and offer significant potential for LDCs to leapfrog into new high-growth areas of the world economy. At the crossroads between creativity, culture, business and technology, they express the ability to transform ideas into creative goods and services. If adequately nurtured, the creative economy has the potential to generate income, jobs and export earnings while at the same time contributing to social inclusion, cultural diversity and human development.

Global exports of creative goods and services – products such as arts and crafts, audiovisuals, books, design work, films, music, new media, printed media, visual and performing arts, and creative services – more than doubled between 2002 and 2008. The total value of these exports reached $592 billion in 2008, and the growth rate of the industry over that six-year period averaged 14 per cent. LDC exports, although relatively small, have been expanding quickly in recent years. They totaled $344 million in 2002 but reached nearly $1.6 billion in 2008, of which SIDS exported $135 million in 2008.

Some of the "creative industry" products – particularly those that are domestically consumed, such as videos, music, video games and new formats for TV programmes – remained stable during the global recession.

Creative industries are overwhelmingly important in many LDCs, including Bhutan, Cambodia, Mali, Mozambique, Rwanda, Senegal, the United Republic of Tanzania and Zambia. The same is true for small island developing States (SIDS). However, despite an abundance of talent in music, dance, crafts and visual arts, and the rich cultural traditions and traditional knowledge, supply capacity and commercialization are very limited.

Most LDCs lack the know-how, investment, and business and marketing skills needed to generate diversified and competitive creative goods and services for trade and development gains. Bolstering small and micro creative enterprises could contribute to alleviating poverty and creating jobs for talented youth and women. Much of the cultural production occurs in the informal economy and the creative industries are very fragmented.

Yet the potential exists. Alphadi, a fashion designer from Niger and President of the annual International Festival of African Fashion (FIMA) suggests that, "with e-commerce and the Internet, information on African designs and products can easily be presented to potential customers in Europe and North America, and the quality of these designs and fashions can more easily compete on global markets".

UNCTAD has actively encouraged creative economy initiatives, emphasizing the development dimension. Activities include supporting government initiatives for concerted public policy and inter-ministerial action, working with governments, institutions, artists, creators, academia and civil society to strengthen the creative economy in developing countries, promoting networking, as well as sharing knowledge and information through its research analyses, studies and statistics.

The Biennial of Contemporary African Art of Dakar, Senegal makes a critical contribution to ensuring the promotion of artists and the diffusion of contemporary creative works within and beyond the continent, and is a good illustration of how the creative economy can foster an inclusive development in Africa. The economic spillovers of Dak'Art are linked mainly to the sales of important African art works. The event is also beneficial for several economic activities such as international tourism, international transportation, local transport, the hospitality industry and other services.

UNCTAD has also been working with civil society in several LDCs to improve the visibility of artistic work and enhance creative capacities. In Mozambique, for instance, a partnership with Nairucu Arts, a non-profit association created in Nampula, promotes the development of Makonde art exhibitions at the United Nations in Geneva, Switzerland and in other European countries. These exhibits convey the cultural identity and promote further recognition in global markets.

UNCTAD and the United Nations Development Programme (UNDP) jointly produced the *Creative Economy Report 2010*, the second in-depth United Nations survey on the topic. UNCTAD's Global Database on the Creative Economy can be freely accessed and the report downloaded at http://www.unctad.org/creative-programme or http://unctadstat.unctad.org.

The UNCTAD Creative Economy Programme will release at LDC–IV two policy-oriented country studies, titled "Strengthening the creative industries in Zambia" and "Strengthening the creative industries in Mozambique". These reports are part of a multi-agency technical cooperation project being jointly implemented by UNCTAD, the International Labour Organization (ILO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) in five African, Caribbean and Pacific Group of States (ACP) countries.

Through Tourism Development

Sustainable Tourism

One of the largest and fastest growing industries in the world, tourism is recognized as a high-potential sector for LDCs. Tourism is the only major service sector in which developing countries have consistently recorded trade surpluses relative to the rest of the world. For nearly half of the

48 least developed countries, tourism ranks among the top 3 export sectors. Tourism has also become the main source of income for an increasing number of small island developing States (SIDS).

However, the sector's dynamism and prospects for significant growth raise concerns that must be addressed through a sustainable approach to tourism that promotes long-term, balanced growth.

Actions and collaborations include:

- The Caen Meeting, an International High-level Meeting on Sustainable Tourism for Development in LDCs, defined 18 proposals to be integrated into the next Plan of Action of Istanbul (LDC IV). These include recognition of the capacity of sustainable tourism development to reduce poverty – first, through employment creation in the tourism industry, and second, through the wealth of economic opportunities that arises from linkages with local suppliers of goods and services;

- The UNCTAD-wide Task Force coordinates and expands the work on tourism as a tool for development, particularly for LDCs, landlocked and island developing countries;
- The Steering Committee on Tourism for Development (SCTD), an inter-agency initiative,[1] has produced a portfolio on tourism for development. It is a handbook that helps tourism stakeholders to know what can be done in tourism development, what the proposed methodologies are, what advisory resources are available, and what output can be expected from participating organizations. SCTD is organizing a special event on "Tourism Development, Poverty Reduction and Decent Work" at LDC–IV;
- The Global Partnership on Sustainable Development, an international initiative that includes all tourism stakeholders (governments, United Nations organizations, the Organization for Economic Cooperation and Development (OECD), international and business organizations, as well as non-governmental organizations (NGOs). UNCTAD is a member of the advisory committee.

1 SCTD includes UNCTAD, The World Tourism Organization (UNWTO), the International Labour Organization (ILO), the United Nations Development Programme (UNDP), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Industrial Development Organization (UNIDO), the World Trade Organization (WTO), and the International Trade Centre (ITC).

TrainForTrade capacity-building projects for sustainable tourism are flexible, client-oriented and designed to deliver the most recent and relevant knowledge. Based on a needs assessment, followed by subsequent plans of action devised with the beneficiaries, the integrated approach uses training, advisory services and technical assistance. Multi-stakeholder dialogue, participatory decision processes, networking and sharing of best practices characterize the process. Training workshops on "Sustainable Tourism for Development" were given for Angola, Benin, Cambodia, Guinea, the Lao People's Democratic Republic, Madagascar, Mali, Mauritania and Senegal.

Separated from mainland Africa for 165 million years, Madagascar has evolved biologically diverse plants and animals unique to the island. Wildlife tourism and ecotourism focus on lemurs, found only in Madagascar, wildly colored geckos and orchids, among other natural wonders. With 70 per cent of the population living in poverty, Madagascar's Government has promoted tourism as an economic development strategy. Tourism is currently the second largest foreign exchange earner in the country, and the Government hopes to increase this share. UNCTAD's TrainForTrade programme has been leading pilot projects in the area of sustainable tourism in Madagascar since 2006.

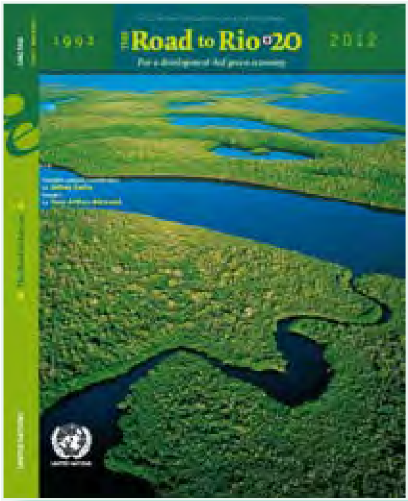
Cambodia promotes sustainable tourism, describing "a mysterious past and rich cultural heritages, the renowned ancient temple city Angkor Wat, the giant roots of ancient trees, the graceful shapes of Apsaras, temples buried in the jungle, hill tribes settled in the remote areas, colorful pagodas and strings of pristine islands." The TrainForTrade programme and the Ministry of Tourism of Cambodia organized a training seminar on sustainable tourism for development, which 30 Cambodian high-level officials and five government officials from the Lao People's Democratic Republic attended.

For an institutional presentation of the TrainForTrade Programme, visit www.youtube.com/watch?v=XLIbDIXP8Y8.

Tourism FDI

UNCTAD has conducted a multi-country empirical analysis of the scale and multi-faceted effects of tourism-related foreign direct investment (FDI), within the project "FDI in Tourism: The Development Dimension". In-depth case studies in LDCs, landlocked developing countries (LLDCs) and small island developing States (SIDS) were carried out to examine the trends and impact of FDI and transnational corporations. The findings suggest that the effects of investment depend on the specific country context, including the national policy framework, their location in the tourism industry life cycle, the corporate policy of investors and the extent to which the corporations can create linkages with domestic enterprises.

Through Sustainable Development[2]



Climate Change

As a prelude to the 2012 United Nations Conference on Sustainable Development, UNCTAD has published the first of several volumes focused on issues relevant to "green" economic growth. The concept entails a low-carbon, resource-efficient approach to development intended to raise living standards in sustainable fashion, while combating climate change, conserving biodiversity and concretely contributing to poverty eradication. *The Road to Rio +20* highlights critical topics and continues global discussion of the concept of sustainable development adopted at the 1992 Earth Summit in Rio de Janeiro. The publication *The Road to Rio +20* and other background material are available at: http://www.unctad.org/greeneconomy. The Rio +20 summit has as its main theme the green economy in the context of sustainable development and poverty eradication.

In the 14th Raúl Prebisch Lecture, Professor Jeffrey Sachs stated that current international attempts to respond to climate change are off track:

"We don't need global negotiations right now as much as we need global brainstorming, global problem-solving … the climate change problem is not a trade negotiation. It is simply the most complex engineering, economic, and social problem humanity has ever faced."

2 UNCTAD's substantial initiatives in sustainable tourism are described in the previous section.

Linking climate change to development, Sachs called for a massive, coordinated public–private effort with a great deal of input by experts to determine what can be done to allow substantial economic growth to raise living standards for hundreds of millions of poor while coping with environmental problems that already are unsustainable – highlighted by, but not limited to, climate change.

UNCTAD and the African Union Commission organized a side event during the United Nations Climate Change Conference Copenhagen on "Development opportunities for African countries under a post-2012 climate change regime." The *Trade and Environment Review*, along with the "Business of BioTrade: Using Biological Resources Sustainably and Responsibly" workshop look at promising areas of clean growth strategies, including energy efficiency, sustainable agriculture, and harnessing off-grid renewable energy technologies, especially for rural sustainable development.

Sustainable Commodities

UNCTAD has worked with LDCs in examining ways to enhance participation in new and dynamic sectors of world trade, especially organic agriculture (Burundi, Ethiopia, Rwanda, Uganda and the United Republic of Tanzania).

In support of sustainable development in LDCs, the BioTrade initiative encourages trade and investment in biological resources to promote sustainable development. The *Biofuels Market: Current Situation and Alternative Scenarios* identifies possible scenarios for the biofuels industry, and presents alternative decision paths that countries may take, as well as their possible implications.

The Sustainable Commodity Initiative was established with International Institute for Sustainable Development to improve the social, environmental and economic sustainability of commodity production and trade by developing multi-stakeholder strategies on a sector-by-sector basis.

Through Science, Technology and Innovation

UNCTAD believes that building science, technology and innovation capacity in LDCs is intrinsically linked with the development of productive capacities and is vital for long-term growth.

The 2011 Multi-Year Expert Meeting on Enterprise Development and Capacity–Building in Science, Technology and Innovation was the third in as many years. The outcome has been used to design a "policy toolkit" that governments may use to promote entrepreneurship and innovation in domestic firms. The meetings stressed the importance of developing national technological and innovation capabilities, accessing needed technologies, using existing technologies in novel ways, and creating national STI policies for reducing poverty, with a focus on the agricultural sector. An e-forum was created to support the exchange of views and information among the participants and between them and other stakeholders.

Per capita food production in LDCs has declined continuously since the early 1970s. Agriculture is important for food security, but building productive capacities in agriculture and linking it to other sectors is vital to supporting sustainable development. UNCTAD's efforts in identifying processes that will promote technological change, productivity increases and innovation, in support of agricultural development are represented in the *Technology and Innovation Report 2010: Enhancing Food Security in Africa Through Science, Technology and Innovation*. The Report includes case studies, a section on implementing a uniquely African Green Revolution, and policy recommendations.

In the *Science, Technology and Innovation Policy (STIP) Review* process, UNCTAD works with national science and technology institutions to improve their overall environment for the development of technology and innovation. Reviews have been done for LDCs Angola, Lesotho and Mauritania.

Through Information and Communications Technologies

Mobile phones allow people in LDCs to complete banking transactions, check agricultural market prices and confirm that their anti-malaria pills are not counterfeit. They allow rural stores to order goods, saving time-consuming trips to city markets. The rapid expansion of mobile phones in LDCs has created many new opportunities, even for small- and micro-enterprises, to enhance productivity.

Mobile access has become the most equitably distributed communication technology globally. The proliferation of mobile phones is striking: there were eight times as many mobile phones as fixed lines in LDCs in 2007. By 2008, almost half of the population in developing countries had a mobile phone.[3]

3 *Information Economy Report*, p. xii and p. 5

The digital divide has been shrinking for LDCs

SIDS mobile penetration is considerably above the world average, and their Internet penetration doubled between 2003 and 2008. The *Information Economy Report 2009* suggests that “geographic isolation, large diasporas, access to undersea fiber optic cables and offshore ICT industries in many SIDS help explain this elevated level of Internet access.” Except for SIDS, fixed and mobile broadband penetration in LDCs still lags behind, eight times lower penetration than in developed countries.

Improved broadband connectivity is vital for e-government, e-commerce, SME growth and e-tourism, all of which foster development gains. UNCTAD worked with the Governments of Mali and Rwanda in developing local e-government practices and regulations that enhance transparency in enterprise creation. Advisory services and training sessions supported Benin, Burkina Faso, Djibouti, Mauritania and Rwanda in improving capacities to take advantage of internet-based tourism market.

UNCTAD works with the East African Secretariat to support the harmonization of cyber laws in East African Community governments, including Burundi, Rwanda and Uganda, and the United Republic of Tanzania. UNCTAD is also working on a similar project for Cambodia and the Lao People’s Democratic Republic.

Through Gender Equality in Trade and Development

Trade liberalization generates complex and often contradictory effects on women’s access to employment, livelihood and income – sometimes increasing employment and entrepreneurial opportunities for women and sometimes worsening their economic and social status. Yet trade policies have long been gender-blind.

Mainstreaming gender in trade policy helps in better understanding the specific challenges and opportunities that women face from market liberalization, allowing policymakers to implement complementary policies aimed at maximizing opportunities for women.

UNCTAD has been conducting analytical and intergovernmental work on gender, trade and development since early 2000, and is the task manager of the Inter-agency Task Force on Gender and Trade within the United Nations Inter-Agency Network on Women and Gender Equality (IANWGE).

Country case studies on Angola, Bhutan, Lesotho and Rwanda will assess whether export growth improves or reduces employment and work conditions for women. Strategies allowing women to benefit fully from trade liberalization and/or mitigate the negative impacts that trade policies have on women are being identified. A Ugandan case study will examine the particular impediments encountered by women in existing innovation and support systems and will identify policy measures to overcome these impediments.

UNCTAD presented a study on "Gender, Science, Technology and Sustainable Livelihoods" at the panel on "Key policy initiatives and capacity–building on gender mainstreaming: Focus on science and technology" at the Commission on the Status of Women in February 2011.

"Who is benefiting from trade liberalization in Bhutan? A gender perspective" is a study produced by UNCTAD with support of the Royal Government of Bhutan and the United Nations Country Office in Bhutan. It focuses on agriculture because the sector is important for the country and, more specifically, for women. The agricultural sector absorbs 65.4 percent of the total workforce, of which 72.1 percent are women:

> "Enhancing women's participation in the production and export of agricultural and food products, including integration in international supply chains, is contingent upon enhanced education and skill accumulation, considering that 87 per cent of women who head households in rural areas have no schooling.
>
> "Given the potential of high-value niche products such as handicraft manufactures, mushrooms, aromatic herbs and other forest-based products, policy measures could be put in place to integrate Bhutanese women engaged in agriculture into export activities. Outgrower schemes, supermarket and off-taker-driven supply chains could represent suitable mechanisms for this to happen. Geographical indication and trademark protection could also be used to identify products of Bhutanese origin and benefit from potential niche markets."

Findings from the country case study will be presented at LDC-IV in Istanbul, in a Special Event jointly organized by UNCTAD and United Nations Women on "Making trade work for women in LDCs". Ministers from Bhutan, Liberia and Rwanda will participate in the event. A high-level event on women and development is planned for UNCTAD–XIII in 2012.

BUILDING INSTITUTIONAL CAPABILITIES

UNCTAD continues to support LDCs as they **build legal and institutional capabilities** to participate more effectively in global trade, to attract investment for development, to mitigate exposure to commodity price risk, and to ensure competition and consumer protection.

Through Partnership – The Enhanced Integrated Framework

The Enhanced Integrated Framework (EIF) is a multi-agency and multi-donor programme for the coordinated delivery of trade-related technical assistance and institutional capacity building for LDCs. It aims at enabling LDCs to mainstream trade into their national development plans, so that countries can mobilize the potential of trade to promote economic growth, sustainable development and poverty reduction at the domestic level and to become more active players in the multilateral trading system.

As one of the six core founding agencies of the EIF, UNCTAD is committed to the success of this programme. Based on its expertise on LDC issues and its many years of experience in policy analysis and assisting countries to design their development policies, UNCTAD's participation in the EIF is based on two main pillars:

(1) Research and policy analysis on LDC issues:

- UNCTAD EIF participation uses its expertise on LDC issues by translating research findings and recommendations into pedagogical materials for contributing to building national capacities for policy ownership through dissemination and training. Moreover, the expertise feeds into the development of trade strategy frameworks;

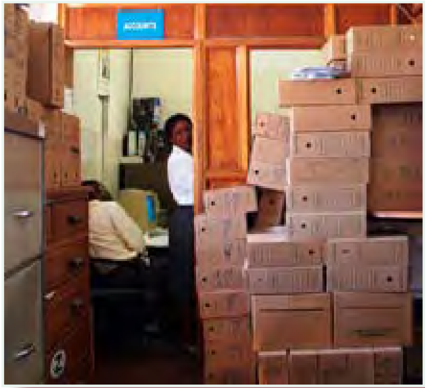
(2) Trade-related technical assistance and capacity-building tailored to the specific needs of LDCs and in accordance with the countries' diagnostic trade integration studies (DTIS):

- UNCTAD assists LDCs in the different phases of the preparation of LDCs' Diagnostic Trade Integration Studies (DTIS). It organizes pre-DTIS sensitization workshops, whereby it provides expertise and materials to discuss trade and poverty relationships, trade mainstreaming as well as other topics of interest to a particular LDC. Workshops were recently conducted in Bangladesh, Rwanda and Sierra Leone. A subregional workshop was recently conducted in the Democratic Republic of the Congo and a national workshop in Guinea-Bissau. UNCTAD has supported Angola, Burkina Faso, the Lao Democratic People's Republic and Vanuatu;
- UNCTAD shares the findings of its policy analysis and research related to trade mainstreaming and promotes greater awareness regarding UNCTAD's Trade-Related Technical Assistance (TRTA) that is made available in the context of the EIF.

Based on requests from LDCs, UNCTAD has successfully implemented country projects funded through the EIF, in Comoros, Mali, Niger, Rwanda and Sierra Leone. Workshops were held in Samoa for Pacific LDCs and in the Lao People's Democratic Republic for Asian LDCs.

Through Trade Logistics Support

The Automated System of Customs Data Analysis (ASYCUDA) is a computerized customs modernization system that covers the customs clearance process from (and prior to) the arrival of goods until their ultimate release after the payment of duties and taxes. Implementation of the system has led to shorter clearance times, strengthened customs controls and increased revenue collection by the national customs authorities in beneficiary countries. As UNCTAD's largest technical cooperation project, it has been implemented in over 90 countries, 37 of which are LDCs.



ASYCUDA allows the automation of all customs procedures and regimes (cargo control, declaration clearance process, transit monitoring), as well as accounting and risk-assessment/selectivity. As an output of the customs clearance system, the system produces timely and reliable trade statistical data that provide LDC governments with efficient information for analysis, economic planning and decision-making.

Through the ASYCUDA project, the Democratic Republic of the Congo registered an impressive 70 percent rise in revenue collection of $111 million in the first and second semester of 2008, as compared to $66 million in the previous semesters. Haiti reported a $5 million increase in customs revenue collected at Port-au-Prince in the month of December 2008.

Post-conflict Liberia is taking vigorous steps to catch up with global development trends after 14 years of civil war and destruction. The Government believes that modernizing the commercial elements of foreign trade to meet international standards is crucial for development. The Government signed an agreement with UNCTAD to introduce ASYCUDA in April 2009. By November, the first site was running at Free Port Collectorate. This prototype was refined and completed before the second operational site went live in September 2010. Nine training sessions for 236 customs staff and stakeholders, plus 21 public awareness presentations and study tours to Côte d'Ivoire and Jordan were completed in the first nine months of 2010.

In landlocked Afghanistan, an UNCTAD trade facilitation project helped to reform the Ministry of Commerce, developed a training-of-trainers course for the nation's freight forwarding industry, and helped the country negotiate a new transit agreement with neighboring Pakistan.

On the island LDC Comoros, UNCTAD helped strengthen the port governance in the country's two main ports – Port of Mutsamudu and Port of Moroni – by enhancing the collaboration and connectivity of the relevant stakeholders in the port communities. The project succeeded in providing a platform for the private and public stakeholders for developing practical solutions to improve operational efficiency.

More than 80 per cent of international trade in goods is carried by sea, thus maritime transport is vital to growth in LDCs exports, even for landlocked LDCs that ultimately access global markets through ports in transit countries. Since 1968, the annual *Review of Maritime Transport* has provided exporters, logistics experts and policymakers with important data, information and analysis on developments in seaborne trade and the maritime industry, including LDCs' connection to global shipping networks. In addition to maritime transport, it also covers some issues related to land-based multimodal transport systems and provides information on important legal and regulatory developments.

Each year, one chapter of the *Review of Maritime Transport* is dedicated to transport- and trade-related developments in one particular region. The 2009 *Review of Maritime Transport* reviewed transport and trade facilitation developments in Africa and examined transit and inland transport for landlocked developing countries. Most recently, the *Review of Maritime Transport 2010* examined transport developments in Asia and the Pacific with a specific focus upon the challenges faced by the region's 12 landlocked countries. The quarterly electronic *Transport Newsletter* also provides information on topical developments in transport and trade facilitation.

Through Trade Training and Technical Support

UNCTAD supports LDCs in analyzing, formulating and implementing trade policies and strategies, but also in strengthening their related human, institutional and regulatory capacities, to become more effective partners in global trade. For example, UNCTAD has supported Rwandan efforts in developing trade and competition policies, while Mozambique and Zambia have been developing creative industries trade policies. Lesotho and other African countries have explored ways to enhance participation in new and dynamic sectors of world trade, while Burundi, Ethiopia, Rwanda, Uganda and the United Republic of Tanzania have worked to develop organic agriculture policies.

> The third round of negotiations of the Global System of Trade Preferences Among Developing Countries (GSTP), also known as the "São Paulo Round" was successfully concluded on 15 December 2010 after six years of intense negotiations. Conclusion of the round creates an opportunity for the expansion and diversification of trade among participating countries and reaffirms the growing role of South–South economic cooperation. Six LDCs are GSTP members.

Other initiatives include working with LDCs in their participation in trade negotiations, especially in the Doha round negotiations on modalities for agriculture and non-agricultural market access (NAMA), trade in services, trade facilitation, the World Trade Organization (WTO) rules, Trade-Related Aspects of Intellectual Property Rights (TRIPS), and development issues such as aid for trade. The Competition Programme for Africa (AFRICOMP) works with countries to develop administrative, institutional and legal structures for effective policy enforcement in competition and consumer protection.

UNCTAD continues to provide support to LDCs on accession to WTO, on regional trade negotiations among developing countries (South–South), and negotiations between the African, Caribbean and Pacific Group of States (ACP) and the European Union (EU) on Economic Partnership Agreements (EPAs).

Supporting LDC efforts to expand export capacities, TrainForTrade offered "Modern Port Management" training workshops for Benin, Cambodia, Guinea, Senegal and Togo. Two "train the trainer" courses for Francophone African countries were held in (a) Marseille, France (attended by 20 participants from eight African countries, including Benin, Guinea, Madagascar, Mauritania, Senegal and Togo); and (b) Cotonou, Benin (five African countries, of which four were LDCs, including Benin, Guinea, Senegal and Togo).

Through Commodities Diversification

The boom–bust cycle of 2007–2008 and more recent price fluctuations for some agricultural, mineral and metal commodities demonstrate how volatile markets can adversely affect LDCs. Least developed countries will need to reduce their vulnerability to commodity price volatility if development objectives are to be met.

An understanding of the specific nature of commodity price volatility can inform innovative policy actions that could mitigate adverse effects. As a contribution, UNCTAD organized the third session of the Multi-year Expert Meeting on Commodities and Development with several objectives:

- Examine developments and challenges in commodity markets, current situations and outlook. Specifically, what has driven price trends, and what opportunities and challenges arise from these trends?
- Review and identify policy actions to mitigate the impact of highly volatile prices and incomes on commodity-dependent countries, and to facilitate value addition and greater participation in commodity value chains by commodity producing countries. Specifically, what mechanisms can be established for commodity-dependent developing countries to mitigate exposure to price risk in the commodities markets?
- Identify innovative approaches to resolving commodity-related problems based on effective multi-stakeholder partnerships. For example, what policy measures could commodity-dependent developing countries enact to enhance sustainable commodity production, and development of their commodity sector? What relevant partnerships could strengthen the contribution of commodities to development in these countries?

LDC commodity export diversification is an important contributor to development. Beyond traditional exports, non-traditional export areas with significant growth potential include horticulture and tourism.[4]

UNCTAD has worked with LDCs in their assessment of export potential in commodities, with emphasis on horticulture. A meeting in Kampala, Uganda and a report with case studies of

4 Tourism efforts are described more fully in the Sustainable Tourism section.

best practices and policy recommendations, *Assessing trade and development challenges and identifying the export potential of horticulture including tropical fruits in selected LDCs: Policy options, challenges and opportunities* in 2010 contributed to this initiative. Country-specific case studies on export potential and competitiveness in the horticultural sector were undertaken in Ethiopia, Mali, Senegal and Uganda in 2009.

UNCTAD's Appraisal of the Implementation of the Brussels Programme of Action for LDCs for the Decade 2001–2010 includes case studies of horticulture in Ethiopia, The Gambia, Senegal, Uganda and Zambia. Following an analysis of current conditions, the Report outlines specific opportunities and constraints for each country.

UNCTAD has worked closely with the United Republic of Tanzania in its efforts to strengthen its commodities trade capabilities, through technical assistance for the creation of the Agricultural Commodity Exchange (ACE). Stakeholders at an UNCTAD meeting discussed a Tanzanian Commodity Exchange (TCX), plus areas of collaboration with other donors and agencies, such as the Common Fund for Commodities (CFC), UNDP and Agrinatura. Agrinatura will implement a project to promote farm risk management tools for smallholder farmers in Africa.

In the Common Market for Eastern and Southern Africa (COMESA) Region, UNCTAD has worked to enhance existing commodity exchanges in Ethiopia, Malawi, Uganda and Zambia. It has promoted the creation of the African Commodities Exchange Forum (ACEF) as an outcome of the regional capacity-building workshop in Lusaka in October 2009. A workshop on "Improving the Functioning of Commodity Markets in Eastern and Southern Africa through Warehouse Receipt Systems and Market Interventions" was coordinated with COMESA and The Eastern Africa Grain Council (EAGC).

Through Investment in Development

UNCTAD supports LDCs as they create regulatory and institutional environments conducive to fostering investment in development. These initiatives enhance the capacity of national investment agencies to compile, disseminate and analyze data on FDI and operations of transnational corporations. The underlying goals include strengthening capacities of LDCs to target investors, promote opportunities and reach investment agreements.

UNCTAD produces annual *World Investment Reports*. The 2010 Report describes trends in LDCs, LLDCs and SIDS, while the 2009 Report focuses on both the economic crisis and investment in agriculture.

FDI in Least Developed Countries at a Glance: 2005/2006 reviewed trends in FDI flows to LDCs, as well as FDI regulatory framework policy developments. Country profiles for all LDCs provided information on greenfield FDI projects, inward FDI flows and stock (with breakdowns by industry and by country of origin), cross-border mergers and acquisitions (M&As), and the largest foreign affiliates and their operations in host economies. It also provided information on investment promotion agencies and on developments in the international legal framework, as well as bilateral and institutional agreements.

UNCTAD has worked with LDCs to design and implement policies and to encourage institutional change in order to boost their productive capacities and competitiveness. Outputs include:

Investment Policy Reviews (IPRs) that contribute to improving domestic investment frameworks have been completed for 12 LDCs, including Burundi, Ethiopia, Mauritania, Nepal and Sierra Leone. The *Issues in Brief* No. 4 describes the process in greater detail;

Blue Books on Best Practices in Investment Promotion and Facilitation are available for Cambodia, the Lao People's Democratic Republic, Uganda, the United Republic of Tanzania and Zambia;

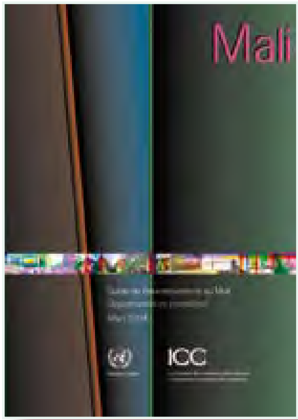
International Investment Agreements (IIAs) include policy analyses, technical assistance, as well as activities promoting consensus-building and the deepening of policymakers' and negotiators' understanding and analysis of the issues involved;

Good Governance in Investment Promotion (GGIP) assists LDCs in their efforts to promote good governance in investment promotion and facilitation. Beneficiary countries included Ethiopia, the Lao People's Democratic Republic, Lesotho, Maldives, Mali, Rwanda, Uganda, the United Republic of Tanzania and Zambia.

UNCTAD and the International Chamber of Commerce produced *Investment Guides*[5] for prospective investors, which describe reasons to invest, opportunities and challenges, the regulatory framework and private sector perceptions. Demographic and economic characteristics, plus a description of the operating environment give investors a sense of the country.

The *Investment Guide for Rwanda* observes that the potential for agriculture production in coffee, tea, horticulture, floriculture and herbal products has barely been tapped. Rwanda's scenic beauty and the unique mountain gorillas in the Virunga National Park suggest great potential for tourism. The Government has focused on attracting investors in information and communications technology, setting up a TechnoPark near the capital of Kigali.

The *Investment Guide for Mali* notes that the country borders seven others, and offers access to a regional market of about 73 million customers living in the West African Economic and Monetary Union (WAEMU) member States and 220 million people in the Economic Community of West African States (ECOWAS) member States. Major road, rail and river transport projects in the pipeline will foster further trade between Mali and its neighbors.



To support policymakers in designing and implementing investment policies that work for development and that are based on sound analysis and reliable statistics, UNCTAD produces a series of reports.

- The *Global Investment Trends Monitor* offers timely periodic assessments of global FDI trends and prospects;
- The *Global FDI Quarterly Index* monitors FDI inflows for 67 countries and economies, which together comprise approximately 90 per cent of global FDI inflows;
- The *Investment Policy Monitor* offers up-to-date information on national and international foreign investment policy issues; and
- The *IIA Newsflash* informs comprehensively the IIA community of the latest developments regarding treaties and arbitrations.

The joint High-level Meeting of the UNCTAD Commission on Investment, Enterprise and Development and the World Association of Investment Promotion Agencies (WAIPA) – as well as

5 For Bangladesh, Benin, Cambodia, the East African Community (EAC), Ethiopia, the Lao People's Democratic Republic, Mali, Mauritania, Mozambique, Nepal, Rwanda, Uganda, the United Republic of Tanzania and Zambia.

the UNCTAD World Investment Forum (WIF) 2008 in Accra, Ghana, and in 2010 in Xiamen, China – have provided a platform for LDC representatives to raise the issue of identifying best-fit policies, as well as the proper pacing and sequencing of investments.

Investment promotion officials from 41 LDCs participated in a series of training events, including five study tour programmes hosted by best practice investment promotion agencies (IPAs) from Australia, Japan, the Republic of Korea, South Africa and Sweden. Twelve interregional training workshops were held – four in Geneva and the others hosted by IPAs from China, Ghana, Mauritius, Morocco, South Africa, the United Republic of Tanzania, Trinidad and Tobago and the United Arab Emirates.

Other activities included investment training workshops in Ethiopia, the Lao People's Democratic Republic, Mail, Uganda and Zambia, and a national level training workshop on investor targeting in Ethiopia for participants from regional investment promotion offices.

Through Debt Management

UNCTAD has provided technical assistance for debt management through the Debt Management and Financial Analysis (DMFAS) Programme since 1981. This includes:

- Development, installation and maintenance of DMFAS software that meets the operational, statistical and analytical needs of beneficiary countries;
- Training and advisory services in needs assessment in technical and institutional debt management issues;
- Capacity-building in debt data validation, statistics, debt analysis and debt strategies.

DMFAS has been installed in more than 34 institutions in 29 LDCs, with Cambodia as the most recent beneficiary. Two new installations in the Ministries of Finance of Haiti and Guinea-Bissau are being finalized, while negotiations continue with Comoros.

Workshops on debt issues have benefited LDCs, including:

- Stakeholder Workshops on a *Policy Handbook on Enhancing the Role of Domestic Financial Resources in Africa's Development*, held in Burundi and Zambia; and
- Debt Statistics Workshop and Private External Debt Workshop, both held in Bangladesh.

Through Educational Opportunities

The Virtual Institute (Vi) helps universities in LDCs strengthen their capacity to teach and research trade and development issues.

With assistance from the Vi, universities in Senegal and the United Republic of Tanzania introduced Master's programmes in international trade.

The Vi provided LDC universities with up-to-date teaching materials on topics such as commodities, trade and poverty, and regional trade agreements, as well as UNCTAD and international publications, to support their graduate and undergraduate programmes.

Since 2006, 25 researchers from universities in Ethiopia, Mozambique, Senegal, the United Republic of Tanzania and Uganda have benefited from the Vi fellowship programme, which allowed them to spend six weeks at UNCTAD working under the guidance of experts on specific research projects of priority interest to their countries.

A February 2011 Vi workshop on international investment agreements helped 13 Ethiopian universities meet the requirements of a newly adopted nationwide curriculum, which requires students to have an understanding of the international framework for foreign investment issues.

The regional workshop on natural resources and economic development held in the United Republic of Tanzania in July 2010 provided 24 participants from 14 African countries with knowledge of the links between natural resources and development, which they subsequently used in their university courses and research.

Through Technical Cooperation

A Guide to UNCTAD Technical Cooperation describes technical cooperation activities carried out by UNCTAD and provides information on how to obtain technical cooperation. A State member of UNCTAD or a regional institution that wants to obtain technical cooperation from the UNCTAD secretariat should submit a request in writing, with an indication of the nature and contents of the assistance requested, as described more fully in the Guide.

RESPONDING TO NEW DEVELOPMENTS IN GLOBALIZATION

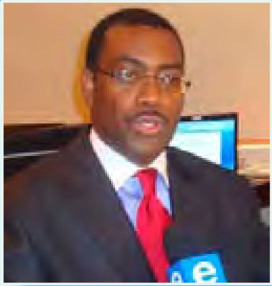
As the world evolves, bringing both the benefits and challenges of globalization, UNCTAD offers new perspectives and analyses of how LDCs can benefit from the changes.

Through Crisis Response

The recent food, fuel and economic crises underscore the need to reduce LDCs' exposure and increase their economic resilience to external crises. Measures include greater economic diversification, a deliberate shift away from primary products towards high value addition, efficient management of windfall revenues, increased investment – domestic and foreign – in agricultural research and development, innovation and technologies, and enhancement of domestic supply capacities in LDCs.

The combined effects of the multiple food, fuel and financial crises on LDCs were examined in the *Trade and Development Report 2009*.

Particular attention must be given to the prices of imported food and energy and the vulnerability of the general population to price-induced food shortages, since the root causes have not been resolved. Food prices are forecast to continue their long-term increase, driven by rising demand from income growth in developing countries, speculative distortions and natural events. Agricultural productivity growth is outpaced by population growth, urbanization and changes in dietary patterns. Several decades of low commodity prices have discouraged investment and innovation in agriculture production.



Akinwumi Adesina, the keynote speaker at the UNCTAD Trade and Development Board's interactive panel on "Food Security in Africa: Lessons from the Recent Global Crisis" in June 2009, described the neglect of the African farming sector in recent years, asserting that:

"We cannot let history repeat itself. We cannot once again allow Africa's farmers to be abandoned… I have never seen farmers so abandoned. They have had no help with seeds, no fertilizers, no financing, no price stability, and they have to pray for rain. They do not have the supports you see in Asia, in Europe, in the United States. They are locked in a poverty trap." (Akinwumi Adesina, Vice President of the Alliance for a Green Revolution in Africa)

Another panelist, Assistant Secretary-General David Nabarro, United Nations Coordinator for the Global Food Security Crisis and Avian and Pandemic Influenza (UNSIC), reminded the meeting that the conditions that created the 2008 food crisis were still present.

An UNCTAD report entitled *Food Security in Africa: Learning Lessons from the Food Crisis* examined the causes of the food crisis, highlighting the imperative of addressing production issues, improving rural livelihoods and tackling international market imbalances. The continent has gone from being a net food exporter in the 1980s to a net food importer.

The UNCTAD Short Courses on Key International Economic Issues for Geneva-based delegates held a session addressing the food crisis in November 2008. The course analysed key trade, investment and commodity policies, and their role in ensuring sustainable food security and alleviating poverty. After examining contributing factors to the global food crisis from a trade and development angle, the course outlined possible responses. The Virtual Institute has posted audio presentations at http://vi.unctad.org/resources-mainmenu-64/video-and-multimedia-mainmenu-129/219.

An UNCTAD Special Event on "Commodity Dependence and the Impact of the Multiple Global Crises on LDCs: Mapping the exposure to market volatility and building resilience to future crises" was organized for LDC–IV. Planned jointly by UNCTAD and the Common Fund for Commodities (CFC), one presentation on the recent food crisis will review the effect of price increases and price volatility on food security. The presentation and an ensuing exchange of views on policy conclusions and lessons learned on the subject are intended to assist in formulating a common platform for addressing food security problems.

During UNCTAD's first Public Symposium, titled "The Global Economic Crisis and Development – The Way Forward," representatives from civil society and the private sector, speaking from the floor, expressed concerns that the crisis would pass without meaningful reforms to the international financial system.

The need for a better balance between international economic governance instruments and national policy autonomy in all countries was addressed at a side event at the Doha meeting. UNCTAD organized the side event on "Financial Crisis, Global Imbalances and National Policy Space".

The fiftieth executive session of the Trade and Development Board, held in July 2010, discussed the background note "Financial crisis, macroeconomic policy and the challenge of development in Africa". Panelists included (a) Ms. Linah Mohohlo, Governor, Bank of Botswana; (b) Professor Akpan Ekpo, Director-General, West African Institute for Financial and Economic Management, Lagos, Nigeria; and (c) Professor Olu Ajakaiye, Director of Research, African Economic Research Consortium, Nairobi, Kenya. The panelists described the negative effects of the crisis on African economies. Professor Ekpo said that "while Africa was not the cause of the crisis, it felt the crisis's impact to such an extent that a number of its countries would not be able to meet the Millennium Development Goals". However, Ms. Mohohlo suggested that sub-Saharan African economies were more resilient than expected, with a five per cent growth forecast for 2010. But, she added, the "economic crisis had revealed once again that developing countries should keep their own economic and financial houses in order… and Africa should continue to take charge of its own development agenda".

The main challenges discussed were how to prepare for post-crisis recovery and ensure that policy responses did not lead to medium- and long-term problems of debt sustainability. An effective response to this challenge requires that African countries build robust regional markets, unleash the potential of local business and entrepreneurs for development, and build resilience to shocks. It also requires support by Africa's development partners. The discussion covered Africa's agricultural and industrial policies in the post-crisis period.

Through South–South Cooperation

South countries – especially Brazil, China, India and South Africa – are engines for growth and development, creating new opportunities and challenges for South–South cooperation that includes LDCs.

The timing of the global economic crisis and the conditions of buoyant South–South trade and investment are right for developing countries to turn to South–South cooperation and to expand on it – without undermining North–South relations – in order to cope with the impact of the crisis.

This was the underlying message of the February 2011 Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration, which explored growing economic linkages among developing countries and considered how South–South cooperation could ensure these linkages complement efforts to build productive capabilities in countries with different initial endowments, institutional histories and policy capacities.

South–South development cooperation is increasingly relevant to LDC growth. The *2010 Least Developed Countries Report* stated that, in 2007–2008, developing countries were the source of 62 per cent of LDC merchandise imports, and the destination of slightly more than half of their merchandise exports. Further opportunities for expansion of trade, technology and investment flows between LDCs and other developing countries, as well as exchange of policy experiences, should be seized.

The *Economic Development in Africa Report 2010: South-South Cooperation: Africa and the New Forms of Development Partnership* notes that growing trade, finance and investment with other developing countries offers an opportunity to diversify production, acquire technology, promote regional infrastructure projects, develop regional markets, as well as transfer knowledge and technology. Africa should take steps to ensure that its growing economic interactions with large developing countries, including China, India and Brazil, result in economic diversification rather than simply the sale of African commodities and raw materials – the traditional pattern of the continent's relations with the industrialized North.

The significant number of Africa–South cooperation arrangements since 2000 include the well-known Forum on China–Africa Cooperation. But new institutions also link Africa with India, Brazil, the Republic of Korea and Turkey, among others. In addition, there are new intercontinental strategic partnerships.

Africa's 2008 total trade with developing countries, including other African countries, exceeded the continent's total trade with the EU, traditionally its major trading partner, for the first time ever[6]. With the continuing growth of large developing countries, together with weaker growth prospects in advanced economies, the economic relationships linking Africa to other developing regions can be expected to grow in relative importance.

The *Economic Development in Africa Report 2010* urges African nations to take "Africa–South" trends into account in their planning for long-term economic progress, and to be assertive when negotiating cooperation with other developing countries, so that domestic concerns are addressed. The overall aim, the study says, should be to build Africa's productive capacities. Africa–South cooperation should be seen as a complement to, not a substitute for, relations with traditional partners in the North.

6 *Economic Development in Africa Report 2010*, Figure 3, page 31

SUPPORTING LANDLOCKED DEVELOPING COUNTRIES AND SMALL ISLAND DEVELOPING STATES

The special circumstances of some LDCs continue to receive the attention of UNCTAD, which works with these LDCs to devise programmes and policies specific to their needs.

Landlocked Developing Countries

Long distances to the nearest maritime port, the transit of overseas goods through the territory of at least one other country, and the frequent change in modes of transport result in transaction costs that are as much as 50 per cent higher than for coastal countries, reducing international competitiveness. Transit neighbours usually lack state-of-the-art highways, railroads and ports, and often set up impeding rules or fees, all of which enhance uncertainty and add to delivery time. All these disadvantages work in reverse, hindering LLDC imports.

The adverse effects of geographical isolation, compounded by small domestic markets, as well as weak institutional and productive capacities, diminish the capacity of LLDCs to benefit from global trade, discourage international investors, and create obstacles to larger flows of FDI to LLDCs.

UNCTAD-supported negotiations in February 2011 resulted in a new transit agreement between inland Afghanistan and coastal Pakistan. Afghan goods bound for overseas no longer have to be transferred to Pakistani trucks at the border – a slow and costly process. Paperwork has been simplified and sped up. Afghan transit cargo, previously limited to one Pakistani port, now may go to three. That encourages rate-reducing competition. Afghan trucks also may travel across Pakistan to India, although goods must still be transferred to Indian trucks at the border.

These improvements may seem modest, but for an impoverished country they can make a difference. Easing transit hurdles can boost traffic, initiating a virtuous circle of better roads and railroads, new investment, and the production of a broader variety of goods, which can lead to still lower transit costs and still more economic growth.

The *World Investment Report 2010* states that LLDCs face greater difficulties in attracting investment flows because of their inherent geographical disadvantages, compounded by inadequate infrastructure, inefficient logistics systems and insufficiently strong institutions. These limitations can be overcome – landlocked Botswana graduated from LDC status in 1994. While inward FDI has been concentrated in primary commodities projects, investment flows to other industries, especially telecommunications, has been increasing in African LLDCs.

UNCTAD specialists suggest that the development of transportation infrastructure is not the only option, nor necessarily the most appropriate. LLDCs might create competitive advantages in activities that are not sensitive to transport costs, in industries with high knowledge and information content. Or, LLDCs could encourage investments that use local content not dependent on imported inputs and materials, such as SABMiller beer brewing, which uses sorghum in Uganda. Regional integration would shift the focus from distance to ports to distance to closer markets.

UNCTAD activities in support of the 16 landlocked least developed countries include:

- **Supporting expanded regional trade and wider varieties of appropriate goods.** "South–South" commerce can expand regional markets for LLDC exports and broaden what LLDC economies produce – and build productive capacity. Among other efforts, UNCTAD worked with the Royal Philips Corp. and the Southern African Development Community from 2006 to 2008 to establish an energy-saving light bulb factory in landlocked Lesotho. The factory now employs 250 and sells bulbs in 14 neighboring countries;
- **Working on improved transport links and lowering customs and administrative barriers.** UNCTAD has helped with the establishment of several transport corridors that connect LLDCs to ports. An UNCTAD project to improve collaboration along the Lao People's Democratic Republic–Thailand and Zambia–Namibia corridors contributed to decreasing transit times by several days and to cutting costs by up to 25 per cent. UNCTAD's computerized customs system, ASYCUDA, has been installed in several LLDCs. UNCTAD's port training programme helps ports in developing countries operate more efficiently, saving time and money and encouraging more cargo, including from LLDCs. The port of Cotonou, Benin, now advertises for cargo from landlocked Niger. Overall, such efforts to eliminate bottlenecks can add up. Research suggests that reducing shipping delays by 10 per cent can increase a country's exports by 10 per cent;

- **Offering advice and training on investment.** UNCTAD activities in LLDCs are described more fully in the Investment in Development section.

A high-level investment forum for landlocked countries, in collaboration with The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and the World Bank, called for improved transport infrastructure and transit modalities, stronger regional integration and economic specialization in the production of tradables that are less affected by transport costs and distance.

Small Island Developing States

Small island developing States (SIDS) face a greater risk of marginalization from the global economy than many other developing countries, because of their small size, remote distance from large markets (with resulting high transport costs), and high vulnerability to economic and natural shocks beyond domestic control. With their fragile ecosystems, SIDS are also highly vulnerable to domestic pollution levels and globally induced challenges, such as a rise in the sea level.

The *World Investment Report 2010* notes that, despite the small absolute size of FDI, it provides a vital source of investment capital for SIDS. In Vanuatu and Kiribati, the ratio of inward FDI stock to GDP was over 150 per cent. The Report notes that the very characteristics common to SIDS tend to limit their ability to attract and retain FDI:

- Small market size, which makes it difficult to reach economies of scale in production, resulting in higher unit costs of production;
- Remote location, which entails higher transport costs. Air and sea transport are the only options for the movement of goods and people;
- High vulnerability to natural disasters, which increases the risk and volatility of economic activity; and
- Higher dependence on trade which, when combined with limited scope for economic and export diversification, exposes SIDS to higher risks of exogenous shocks.

These limitations favour investment in two major sectors: knowledge-based activities and services.

Significant advances in information technology and e-commerce reduce the barrier of location and distance, as well as the constraint of size. Adequate information and communications technology infrastructures need to be developed, which would benefit other key sectors such as financial services and tourism.

Tourism has also become the main source of income for an increasing number of SIDS. In four small-island LDCs, international tourism accounts for over 40 per cent of total earnings from exports. Despite a disappointing 2009 as a result of the global economic crisis, receipts from tourism generally rose in LDCs. Two countries that have graduated from LDC status, Cape Verde and Maldives, owe this development to growth in the tourism sector, the main driver of their socio-economic development.

Over the past decade, a substantial part of UNCTAD's action in support of SIDS focused on six countries that were facing the challenge of graduation from LDC status. The question of graduation was postponed for three of these countries – Kiribati, Tuvalu and Vanuatu. Two SIDS have graduated – Cape Verde in December 2007 and Maldives in January 2011. Because of the losses suffered by Samoa from the Pacific Ocean tsunami, graduation was deferred to January 2014.

UNCTAD has held two major conferences that examined the particular circumstances and needs of SIDS:

- The Global Conference on the Sustainable Development of SIDS (Barbados, April–May 1994) adopted the Programme of Action for the Sustainable Development of SIDS; and
- The International Meeting to Review the Implementation of the Barbados Programme of Action for the Sustainable Development of SIDS (Mauritius, January 2005) resulted in the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of SIDS.

WHAT ARE THE LEAST DEVELOPED COUNTRIES?

Forty-eight countries are currently designated by the United Nations as LDCs, with the recent graduation of Maldives. These include: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, the Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

The United Nations Economic and Social Council reviews the list of LDCs every three years, based on the recommendations of the Committee for Development Policy (CDP). CDP used three criteria for the latest review in March 2009;

(a) **A "low-income" criterion,** based on a three-year average estimate of the gross national income per capita, with a threshold of $905 for possible cases of addition to the list, and a threshold of $1,086 for graduation from LDC status;

(b) **A "human assets weakness" criterion,** involving a composite index (the Human Assets Index) based on indicators of (i) nutrition (percentage of the population that is undernourished); (ii) health (child mortality rate); (iii) school enrolment (gross secondary school enrolment rate); and (iv) literacy (adult literacy rate); and

(c) **An "economic vulnerability" criterion,** involving a composite index (the Economic Vulnerability Index) based on indicators of (i) natural shocks (index of instability of agricultural production, share of the population made homeless by natural disasters); (ii) trade shocks (an index of instability of exports of goods and services); (iii) exposure to shocks (share of agriculture, forestry and fisheries in GDP; index of merchandise export concentration); (iv) economic smallness (population in logarithm); and (v) economic remoteness (index of remoteness).

Three countries have so far graduated from LDC status: Botswana in December 1994, Cape Verde in December 2007 and Maldives in January 2011.

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