

**LDC WATCH**

**ANNUAL REPORT 2003**

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**CIVIL SOCIETY'S ASSESSMENT OF THE  
IMPLEMENTATION OF THE BRUSSELS  
PROGRAMME OF ACTION**

JULY 2003

# LDC WATCH

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## INTRODUCTION

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### LEAST DEVELOPED COUNTRIES

There are 49 Least Developed Countries (LDCs), where over half the population lives on less than \$1 a day. These countries are caught in a poverty trap and the current form of globalisation is making the situation worse. Current international trade and finance relations reinforce the poverty cycle as, while these countries are encouraged to trade themselves out of poverty, they are shut out of Western markets by trade barriers. Their overall share of world exports is just 0.4%, and they are burdened by unsustainable debts.

### THE THIRD UNITED NATIONS CONFERENCE ON LEAST DEVELOPED COUNTRIES

Least Developed Countries fall into a special United Nations' category of countries which, because of their extreme poverty, are supported by special programmes. Every ten years a conference is held to debate their needs. The Third United Nations Conference on Least Developed Countries, held in Brussels in May 2001, was hosted by the European Union. Conference delegates drew up an action plan designated the Brussels Programme of Action (BPoA) to run until the next conference planned for 2010.

The Programme comprised seven 'Commitments' tailored to help LDCs work their way out of poverty:

- 1) Fostering a people-centred policy framework;
- 2) Building good governance nationally and internationally;
- 3) Building human and institutional capacities;
- 4) Building productive capacities to make globalisation work for LDCs;
- 5) Enhancing the role of trade in development;
- 6) Reducing vulnerability and protecting the environment; and
- 7) Mobilising financial resources.

This LDC Watch Report describes the progress of these Commitments since the conference and highlights the main issues for LDCs and the measures needed to push forward the 'LDC agenda'. It is based on reports from LDC civil society organisations from Asia, Africa, the Pacific and from international organisations.

As well as monitoring their governments' actions over the last two years, NGOs have organised their own activities.

### EXPLANATION OF THE METHODOLOGY

The LDC Watch Report is based on questionnaires submitted to NGOs. Under each Commitment we asked about government policies and for suggestions of additional measures to carry forward the spirit of the Commitment.

The NGO reports reflect the situation on the ground in two ways: first, some NGOs work closely with their governments, while others take a more critical role; some NGOs are very supportive of government plans and results, while others have been disappointed at what they perceive as a lack

of action. The same NGO can work with the government, while remaining independent and critical. Each LDC is different, and the way governments view NGOs will depend on the political, economic, and military situation and whether they feel their country is under threat.

Secondly, their reports demonstrate how plans drawn up in an international arena are played out on the ground in the countries themselves. Small differences at a local level can make a big difference internationally. Many NGOs suggest extremely concrete action – build more roads, stabilise the currency, reform the tax system, develop agriculture, while others have a more international impact – bring down trade barriers, and reform development policies.

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## COMMITMENT I: FOSTERING A PEOPLE-CENTRED POLICY FRAMEWORK

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The aim of Commitment I was to steer government thinking into policies that empowered its citizens to work with them to fight poverty.

### AFRICA

NGOs in Africa record some government activity. The **Sudanese** and **Benin** governments have established National Forums to implement their national programmes. **Angolan** NGOs note that their government has drawn up its interim poverty alleviation strategy, which has been discussed with NGOs, and that the government is also decentralising state administration to bring policies closer to its citizens. In **Sierra Leone**, NGOs report that the government has taken up a package of measures which includes an education policy with a special provision for educating girls, a policy on HIV/AIDS, a gender policy and a micro-finance facility. NGOs also recorded that a full Poverty Reduction Strategy Paper (PRSP) is being developed. They were optimistic that these measures would help to empower women, in relation to health and economically, by giving them greater access to micro-credit.

**The governments of Zambia, Malawi and Guinea-Bissau** have drawn up PRSPs which, in Zambia, includes a gender content. NGOs felt that it is too early to gauge the impact, although they noted that in Zambia this has resulted in Heavily Indebted Poor Country (HIPC) funds going to poverty alleviation projects. The Zambian government has also set up the Zambian Social Investment Fund (ZAMSIF) with World Bank Funds, which has helped to restore health, education, water and sanitation facilities.

### ASIA AND THE PACIFIC

NGOs in **Bangladesh** report that their government has prepared a draft Interim PRSP (IPRSP) on which they have asked sections of the intelligentsia, political parties, trade unions and NGOs to comment. They have also started to improve physical infrastructure by developing family welfare centres made up of several villages with an average population of about 30,000 people. In the **Maldives**, NGOs reported that the government has taken a wide range of initiatives, although not always in the context of the BPoA. Policy has shifted towards improving the welfare of people living outside the capital, and there are now specific development programmes targeting people living in the Atoll region. This has involved infrastructure development, such as roads and public services, and has been complemented by restructuring local administrative systems including establishing the Island Development Committees (IDCs) and Women's Development Committees (WDCs). NGOs report that this is good for participatory development although, despite improvements to education and health, poverty is still rife in rural areas.

The **Laotian** government has responded by drawing up a Poverty Reduction Fund Project (PRFP) in conjunction with the World Bank. This supports its five-year national Development Plan (2001-2005) and will cut poverty by half by 2010. The project helps poor villages to develop community infrastructure and manage and implement their investments. Unfortunately, NGOs in

**Nepal** reported that their government has failed to take any action and feel that the resulting increased frustration could have fuelled the country's civil unrest and violent insurgency.

In the Pacific state of **Samoa**, NGOs report that the government has taken a number of actions to move the BPoA forward. These include improving access to both economic and social services and to credit facilities. They have also initiated tax reforms and have exempted food from import duties.

**The World Confederation of Labour (WCL)**, an international trade union organisation which polled its members about the BpoA follow-up, says that greater emphasis should be put on the ILO labour standards and other UN Declarations which emphasise the key role played by women in reconstruction and in the search for peace.

### ***FURTHER MEASURES NEEDED***

NGOs added the following comments about the policies and suggested measures which would help to empower people and improve their access to public services:

- There is not enough stakeholder participation in many of the programmes, partly because NGOs and civil society organisations lack the capacity to make an informed input. Work is needed to build local capacity at all levels so that NGOs can become more involved in governance and development issues.
- In some countries, because of the political uncertainty, governments are uneasy about NGO or civil society organisations' motives in participating in national forums or other implementation programmes. Concrete measures should be taken to insist on NGO participation in the national implementation programmes.
- Some NGOs are concerned about development projects and international donor financing. Communities that develop projects with external support fear they could lose government funding, so they are reluctant to undertake their own initiatives. This could be overcome by strengthening the ability of community institutions to coordinate government and donor funds.
- While PRSPs include more public participation, the process is too slow and restricted by too many conditions. They need to be simplified, and capacity building should be introduced to encourage greater public participation.

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## COMMITMENT II: BUILDING GOOD GOVERNANCE NATIONALLY AND INTERNATIONALLY

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Commitment II aimed to foster transparent and accountable governance and promote an independent judicial system. As well as improving the delivery of services, more accountability reassures donors and investors about the effective use of their funds.

### AFRICA

On a regional level, Africa is using NEPAD (New Partnership for Africa's Development) to encourage greater transparency in government, through its 'peer review' system, to gain investor confidence. The **WCL** notes that where good governance is increasing, this results in more openings for social partners, such as trade unions; but it is critical of NEPAD's lack of a gender perspective.

On a country-by-country basis, and according to local NGO information, **Angola** – a country which has been criticised in the past for the 'disappearance' of funds paid to the government for oil revenues – has made some small moves to counteract criticisms, for example by creating a web page about the state's financial activities. However, NGOs noted that this does not address wider criticisms raised by political parties, civil society and international financial institutions about accountability and transparency. NGOs felt that government attitudes to criticisms about corruption were neither conducive to an atmosphere of national reconciliation and rehabilitation nor to encouraging investment or donor funds.

In **Malawi**, the government is promoting greater transparency through the creation of a Human Rights Commission, an Ombudsman, a Law Commission and an Anti-Corruption Bureau. However, with the exception of the Anti-Corruption Bureau, NGOs believe this has had only a moderate impact, although moves to promote an accessible and independent judicial system are bringing some results. The government also passed the Communication Regulatory Act, but NGOs report that the public media remains closed to civil society or to any opposing views. In **Sierra Leone**, which is still recovering from civil war, there have been moves to improve transparency and accountability. An Anti-Corruption Commission and police-community relations councils have been set up. Other measures include the review of aid coordination mechanisms and of public contracting procedures, a new public expenditure tracking system and decentralisation of some government activities. NGOs report that these measures are aiding the reintegration of combatants, internally displaced people (IDPs) and refugees into their communities and that more people are involved in local decision-making. The new **Zambian** government is prosecuting former leaders (including former President Chiluba) for economic plunder and now has a policy of 'zero tolerance' to corruption, which includes firing top officials. According to local NGOs, this is encouraging leaders in all sectors be more transparent and accountable.

### ASIA AND THE PACIFIC

In **Bangladesh**, NGOs report government pledges to fight corruption and increase transparency, and to ensure that bodies such as the anti-corruption bureau and the electoral commission are independent of the government. There have also been plans to separate the judiciary from the executive. However, none of these measures have yet been put into practice which, NGOs

believe, is the result of government dilly-dallying tactics. Unfortunately it is the same story in **Nepal** where NGOs report that government inaction has resulted in increased cases of corruption and minimal participation at decision-making levels. Instead, the elected government of Nepal has been sacked and the king himself has appointed the government. All the government structures, including parliament, district and village governments, are no longer functioning and finances have been diverted to military spending. In the **Maldives**, NGOs report that corruption is becoming endemic and spreading to the corporate sector and private enterprise which they believe could threaten future development. They report that the government has concerned itself with restructuring the system, including establishing the Public Service Division of the Presidential Office, although these measures have yet to lead to significant improvements. They also mention that the current situation in Iraq has damaged the credibility and image of the United Nations, and has resulted in a loss of trust in democracy itself at both international and national levels.

**Samoa** NGOs note that annual budgets are now publicly available following the Forum Island Leaders' adoption of the 'Eight Principles of Good Governance'. Stakeholder participation in policy development is improving and a code of ethics for public office holders is being developed.

#### **DEVELOPMENT PARTNERS**

The **European Union** is the world's major donor to developing countries. One of its main instruments is the 2000 Cotonou agreement, a mechanism to give development funds to African, Caribbean and Pacific (ACP) countries, most of which were former colonies of EU member states. Many ACP countries are also LDCs. Under the Cotonou agreement, recipient governments must show the effective and open use of funds. This is one way in which the European Union works with governments to improve good governance and transparency.

#### ***FURTHER MEASURES NEEDED***

NGOs made the following comments on measures to implement Commitment II:

- The government executive should be separated from the judiciary.
- Revise moribund constitutions and scrap obsolete laws. Modernise public administration systems to make them more efficient and transparent.
- Governments should set up a policy of zero tolerance for corrupt officials and politicians. Anti-corruption commissions should have powers of prosecution.
- Use the tax system to promote good governance and accountability.
- Improve procedures for state-owned enterprises. Separate community services from commercial operations.
- Set in place measures to improve the quality and availability of statistical information and use it to help promote good governance.
- Appoint more women to decision-making bodies.

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### COMMITMENT III: BUILDING HUMAN AND INSTITUTIONAL CAPACITIES

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Commitment III of the BpoA urged governments to build their country's human and institutional capacity by taking measures to improve basic social services, particularly in education and health.

#### AFRICA

African LDCs are beginning from a position of massive disadvantage – 19 out of 33 African LDCs have maternal mortality rates above 1 per 100 live births, and in ten LDCs less than half the children are at school. Nevertheless, some governments are taking up this almost impossible task. According to NGOs, in **Togo** the government is working to improve health facilities by constructing sanitation facilities, dispensaries, creating more waterholes, and setting up training schemes for water management. NGOs believe that this will improve the living conditions of women and children. In education, the government has speeded up school construction, and is encouraging girls to go to school. In **Angola**, where millions of children are still not in school and health services for the poor remain very precarious, NGOs report that the government is concentrating on child vaccination campaigns for polio and German measles, and has initiated a school building programme. **Malawi** is offering free primary school education, but the infrastructure is still poor and a large number of girls continue to drop out. **Zambian** NGOs report that the ZAMSIF project (the Zambian Social Investment Fund with World Bank Funds) is leading the way in health and education, with some visible improvements in the infrastructure of these services. In **Sierra Leone** there are special programmes for children and adults affected by the war, resulting in greater access to education and improved public exam results. Health personnel are being given HIV/AIDS training, and the government has pledged long-term support for education and health.

#### ASIA AND THE PACIFIC

The **Bangladeshi** government has waived tuition fees up to secondary school level and for girls up to higher secondary level, resulting in an increase in the number of girls enrolling and a reduction in drop-out rates. **Nepalese** NGOs report that for several years the government has formulated a long-term health policy, but its implementation has not been very effective. School enrolment is not compulsory and, because the school system has been privatised, ordinary people cannot afford quality education. According to local NGOs, the government in the **Maldives** has prioritised expanding and strengthening its basic health and education services. They report an 80% primary school enrolment and the government is now seeking international funds to provide tertiary education. It is also expanding health services in rural areas and increasing regional hospital services.

In **Samoa**, government health and education spending has increased – these departments receive the highest Official Development Assistance allocations. NGOs report that the government claims to have surpassed all ten 'Millennium Development Goals'.

The **WCL** comments that nowhere does the BpoA mention the need to create and guarantee decent work, one of the ways to build human and institutional capacities

### ***FURTHER MEASURES NEEDED***

NGOs made the following comments and suggested some measures:

- Before LDCs can make improvements in social services they need to be strong economically: development partner governments should support LDC development by opening up their markets and providing more assistance such as technological measures to enable LDC countries to bridge the gap.
- Improve performance indications for education and health ministries.
- Include more women and young people in decision-making about these services.
- Provide free school uniforms.
- Provide scholarships for girls to attend schools.
- NGOs believed that funding primary services such as health and education with outside funds could lead to long-term problems as it lets governments off the hook. Instead, governments should be forced to commit adequate resources themselves.
- In countries where tertiary education is expanding, there should be more employment opportunities in higher-qualified jobs to keep the students who are reaching higher-level education in the country.
- The Programme of Action should refer to the importance of creating and guaranteeing decent employment

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## COMMITMENT IV: BUILDING PRODUCTIVE CAPACITIES TO MAKE GLOBALISATION WORK FOR LDCS

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This Commitment outlined measures to be taken to mobilise domestic and foreign finance and to build up programmes for food security and rural development.

### MOBILISING FINANCIAL RESOURCES

#### AFRICA

NGOs in **Zambia** believe that the government's anti-corruption crusade has encouraged foreign direct investment and official development assistance. The Zambia Revenue Authority has improved tax collection, although the current income base is too low to raise the level of tax collection and therefore to generate more government expenditure. In **Sierra Leone**, NGOs report that the government is using a National Recovery Strategy until its full-blown PRSP has been developed, while in **Angola** the situation is still so critical that the government does not have sufficient funds to channel into post-war rehabilitation. Civil society also believes that the government has so far failed to create a favourable environment for mobilising foreign direct investment. The **Malawian** government is stimulating local infrastructure by developing the National Electricity Board. However, NGOs report that, despite government efforts, indigenous people are now poorer than they were ten years ago.

The **WCL** sees New Partnership for Africa's Development (NEPAD) as a positive mechanism for foreign investment, although it feels it should include conditions for creating and guaranteeing decent employment.

#### ASIA AND THE PACIFIC

In **Bangladesh**, NGOs note that the government has maintained public stock for open market operation at times of economic distress. In **Nepal**, according to NGOs, the government's privatisation, liberalisation and open market policy is increasing the gap between the rich and the poor. The government of **the Maldives** has launched new initiatives to stimulate domestic finance. Official Development Assistance (ODA) and Direct Foreign Investment (DFI) have helped to boost its economy and diversify its narrow base in the tourism and fishing sectors. It appears that many donors now question whether the Maldives should be considered as an LDC, a move which the government opposes as it would mean a significant decrease in ODA. The **Samoan** government has encouraged partnerships with the private sector, and is improving its financial systems through the Financial Liberalisation Programme launched in 1998. However, some NGOs feel that trade liberalism is having a negative impact on local industry.

### FOOD SECURITY AND RURAL DEVELOPMENT

#### AFRICA

**Togo's** NGOs report that their government is creating and training village development committees and agricultural committees which, it believes, is having a positive effect on the quality of life of the local population and has created more local employment. **Angolan** NGOs say that all new government food security programmes are developed with funds from

multilateral organisations, such the European Union, the World Bank and International Fund for Agriculture and Development (IFAD) and other UN Agencies, and they are waiting for the results. In **Zambia**, the new government is putting agricultural support measures such as subsidies and marketing strategies in place which, the NGOs report, has resulted in the country being self-sufficient in food production for the first time in many years. The **Sierra Leone** government has prioritised food security and rural development and has transferred responsibility for rural development to the local government.

#### **ASIA AND THE PACIFIC**

**Nepalese** NGOs report that the government priority is to tackle the violent insurgency, so it is concentrating resources on building up its defence capabilities, although they question whether the social unrest could be caused by food insecurity and poverty. In **Bangladesh** the tariffs for the import and export of food grain have been made more flexible, while NGOs from the **Maldives** report that the country has had a limited success in improving food security. The Maldives has started to develop two new centres of growth with harbour facilities and a road network, and is also developing international ports and airports to stimulate economic growth. The **Samoan** government has revitalised the cultivation of taro (one of the country's major crops which was devastated by the taro leaf blight), and taro exports have now resumed.

#### ***HOW CAN GLOBALISATION SUPPORT LEAST DEVELOPED COUNTRIES?***

NGOs made the following comments and suggestions on how feasible it is to expect globalisation to work for the benefit of LDCs:

- NGOs felt that it was unrealistic to believe that small LDCs with a limited resource base, few economic sectors, and limited human resources could benefit from globalisation. They suggested that the only way for them to reap benefits would be for LDCs with similar socio-economic features to collectively lobby for a legitimate share of globalisation's benefits.
- Reactivate LDC rural commerce; remove agricultural subsidies in industrialised countries as this is creating unfair competition.
- Governments should put measures in place to offset the impact of globalisation through a structural adjustment facility to improve competitiveness.
- Producers in LDCs should receive training to improve the quality of their goods to help sales on the international market.
- Globalisation should reflect special local circumstances – a 'one-fits-all' strategy does not help individual LDCs.

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## COMMITMENT V: USING TRADE TO IMPROVE DEVELOPMENT

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This Commitment suggested using trade measures to enhance development, either through integrating trade into national poverty eradication policies or by encouraging sub-regional and regional (South-South) cooperation.

### INTEGRATING TRADE INTO NATIONAL POVERTY ERADICATION POLICIES

#### AFRICA

Once again in **Angola**, the destruction brought about by the civil war has hampered development – our NGO sources describe how the national infrastructure such as roads and bridges are in such a poor state that these have to be repaired before trade can stimulate development. The government of **Sierra Leone** has been using the AGOA initiative to stimulate development – AGOA is the USA Africa Growth and Opportunity Act (December 2002) under which the US Government made 38 sub-Saharan African countries, including 25 LDCs, eligible for tariff preferences. The government is also developing a micro-finance policy as part of its National Commission for Social Action. NGOs in **Malawi** and **Zambia** feel that their governments are not doing enough to develop trade for development, and Zambian NGOs believe that the government's PRSP lacks trade content. They also report that while production is being stimulated, not enough is being done to development trading arrangements, and producers cannot find markets for their products.

#### ASIA AND THE PACIFIC

NGOs in **Bangladesh**, **Nepal** and the **Maldives** report that as yet their governments have not taken any major policy decisions to integrate trade into development strategies. However, in **Samoa** the government has developed a stable macroeconomic framework with the private sector, as well as improving standards and quality control measures. They have also worked to develop niche market opportunities such as ecotourism.

The question of **joining the WTO** is important for many LDCs, and the Doha Round was described as a 'development round'. The **Samoa** government has increased its training opportunities to prepare Samoa for WTO accession, and for its part the European Union has provided funds for a Geneva office to help countries to negotiate with WTO headquarters. However, one LDC, **Vanuatu**, which had been a member of GATT and applied for WTO membership in 1995, decided in 2001, after what it described as "a difficult six-year process", that it could not meet the stiff requirements set down by industrialised countries, in particular, the United States. It said it could not afford the domestic adjustment costs, so its application is currently in abeyance.

### Encouraging sub-regional and regional cooperation

#### AFRICA

NGOs say that governments have been very active in this area. The **Zambian** government works through the Southern African Development Community (SADC), the Southern African Customs Union and COMESA, which sometimes means a duplication or competition among its efforts. **Angola** is also integrated into SADC's Free Trade Zone. It is reported that as South Africa is the

major player and dominates the sub-region, many local producers have been pushed out of business.

#### **ASIA AND THE PACIFIC**

The governments of **Bangladesh, the Maldives and Nepal** are politically committed to strengthening South Asian Association for Regional Cooperation (SAARC) and, in particular, the South Asia Free Trade Association. However, NGOs are unsure that the benefits will trickle down to poor people in the smaller countries in SAFTA. The **Maldives** is also in the process of establishing stronger bilateral trade ties with its neighbouring countries of India and Sri Lanka.

The **Samoan** government is a member of the Pacific Free Trade Area, and is also part of the negotiating body for Economic Partnership Arrangements under the Cotonou Agreement with the European Union. However, the **Pacific Network on Globalisation** is concerned that the Pacific Islands Countries Trade Agreement (PICTA), which is currently being negotiated, could have a detrimental social impact on island countries.

#### ***WHAT OTHER MEASURES SHOULD BE TAKEN TO ENHANCE THE ROLE OF TRADE IN DEVELOPMENT?***

NGOs came up with the following comments and suggestions:

- Governments should set up capacity-building training schemes to encourage efficient production, reliability and good trading relations, and should encourage trade through national or regional trade fairs.
- Governments should encourage regional trade by cutting down on procedural bureaucracy involved in trading agreements and by maintaining a stable macro-economic framework.
- Governments should examine ways of minimising freight costs between LDCs, particularly between Island States.
- Ensure the stability of any national currency used for trade agreements.
- Governments and local trading networks need to come up with viable and development-orientated trade policies that can guide local as well as international trade efforts.
- LDCs should be allowed to accede to the WTO under conditions no less favourable than those available to existing WTO members.
- All industrialised countries' export subsidies should be phased out as this enables them to compete with a very strong advantage over LDCs.

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## COMMITMENT VI: PROTECTING THE ENVIRONMENT

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The aim of the sixth Commitment was to reduce the vulnerability of LDCs to environmental disasters, as well as to protect them from environmental degradation.

### AFRICA

This is an important Commitment for LDCs, particularly in southern Africa as in recent years they have been hit alternately by prolonged drought and terrible flooding. The **Zambian** government has set up an Environmental Council, but this has had limited impact so far because it reportedly lacks appropriate enforcement mechanisms to give it teeth. Unfortunately, **Angolan** NGOs report that in their country environmental degradation continues, particularly in urban areas. **Malawi** has formed the Malawi Economic Justice Network to support Environmental Protection, while **Chad** has set up a water bureau to help overcome the country's periodic droughts.

### ASIA AND THE PACIFIC

NGOs report that the **Bangladeshi** government has gone as far as preparing a draft national water management plan which will prevent urban flooding, although this has not yet been put into action; in **Nepal** it appears that very little has been achieved. NGOs in the **Maldives** report that environmental protection measures are being incorporated into guidelines for construction projects. They say that while people are highly sensitive to environmental issues, there is a problem reconciling the need for sustainable development with human development. For example, they describe how the construction of a public sewage system is causing problems in the surrounding lagoon.

In **Samoa**, all high-cost development projects are subject to an Environmental Impact Assessment, and the government is improving the coordination between development projects and the National Plan.

The **WCL** has pointed out that two major activities that despoil the environment are extracting natural resources, particularly minerals, and intensive agriculture for export. Given LDC dependence on the foreign revenues these bring in, governments are in a weak position to set conditions on how these activities are carried out, particularly by foreign companies.

### MEASURES BY DEVELOPMENT PARTNERS

The Earth Summit took place in Johannesburg a year after the LDC Conference, and it was at this meeting that the European Union set up a number of environmental partnership agreements with developing countries, including LDCs. Under these measures, the EU will give practical support in terms of training measures, sharing research facilities and other schemes.

### ***WHAT OTHER MEASURES SHOULD BE TAKEN TO PROTECT THE ENVIRONMENT?***

NGOs came up with the following national and international measures:

- Improve the enforcement of current legislation to protect the environment, with stronger implementation measures and appropriate fines.
- Enhance community participation in the management of local natural resources.
- Poverty can adversely affect the environment quite significantly, so the fight against despoiling the environment must begin with the fight against poverty, and vice versa.
- Enforce a 'polluter pays' clause for extracting natural resources.

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## COMMITMENT VII: STIMULATING INVESTMENT AND PROMOTING FASTER ECONOMIC GROWTH

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Commitment VII stressed the need to mobilise financial resources, including domestic resources, the effectiveness of aid, cutting the external debt, and stimulating foreign investment. NGOs were critical of the success of the various countries in achieving this.

### STIMULATING DOMESTIC AND FOREIGN INVESTMENT

#### **Africa**

For Africa, NGOs commented that some countries are having to rely almost exclusively on UN agencies or other multilateral agencies or the European Union, for funds. Others use the PRSPs as a means of developing their financial strategies. In **Angola**, NGOs felt that the government had failed to mobilise direct investments, partly because the local environment – whether because of instability or the fear of corruption – was not conducive to investors. Some countries, such as **Zambia**, had brought in specific acts like the Investment Act, but it seemed that long-term investors were put off by the country's lack of infrastructure. The **Malawian** government has improved tax collection and made moves to improve its Revenue Authority, but NGOs feel that there is not enough transparency as regards public expenditure.

#### ASIA AND THE PACIFIC

Some governments in South-east Asia have instigated tax-reform programmes. In **Bangladesh**, the government uses VAT to increase revenue and has also instigated a bank reform programme. The **Nepalese** government has formed a high-level commission to stamp out corruption among government officials, particularly where illegal property deals are concerned.

Another approach among the smaller LDCs, such as **the Maldives**, has been to expand the banking services, and to stimulate economic investment by providing credit on softer terms, such as creating revolving funds. The government is also using development projects to develop local infrastructure.

**Samoa** has taken the private sector path, using Financial Sector Liberalisation Programmes to encourage more competition and reduce interest rates and give banks more freedom to set lending and deposit rates.

#### **Promoting faster economic growth**

This was an important commitment for many LDC governments as the ability to mobilise financial resources is crucial for development. Many LDC governments who attended the UN Financing for Development Conference in March 2002 strongly supported the aspects of the FfD final consensus in its calls to mobilise domestic resources, attract international flows, promote international trade as an engine for development, increase development cooperation, and address the need for sustainable debt financing and debt relief. NGOs at the FfD also gave their support to these measures.

## **AFRICA**

The **Zambian** government is promoting faster economic growth through more support to the agricultural sector, although with few results so far – it is reported that there is very little investment in Zambia at the moment. The **Malawian** government is encouraging foreign direct investment and other private financial flows, but NGOs believe that this needs to be more tightly controlled with a series of checks and balances.

### **Asia and the Pacific**

In **Nepal**, NGOs mention government reports that it will form a Poverty Alleviation Commission, and although it has created a Poverty Fund, its plans to reduce poverty lack suitable implementation mechanisms or adequate resources. In some **Asian** LDCs plans to attract foreign investment fail because investors consider that the countries lack a suitable investment environment.

In the **Maldives**, the government have been promoting growth through investment in economic sectors of fishing and tourism. Stimulating tourism was one of the means suggested by the Brussels Programme of Action for stimulating economic growth.

The **WCL** comments that many Reform Programmes involve a government-private-sector partnership. While this is in line with the Brussels Programme, it is not clear how much this has really improved countries' economic situations. It also notes that a tax on financial transactions (Tobin Tax) has not materialised, although favoured by a number of LDC governments. They also note that it is difficult to mobilise internal resources because most people have no decent and stable job, in particular because they depend on survival strategies in the informal economy.

## ***FURTHER MEASURES WHICH COULD HELP MOBILISE FINANCIAL RESOURCES***

Once again, NGOs which work on the ground have a number of concrete comments and suggestions to help mobilise financial resources:

- Create credit institutions offering affordable credit to stimulate domestic investment.
- Set up a good regulatory framework.
- Promote financial mechanisms to mobilise savings and deliver services to the less advantaged.
- Increase the efficiency and equity of tax-collection systems and broaden the tax base.
- Increase the speed of flow of information to banks and to the public.
- In the LDC island countries where tourism is being developed, transfer the ownership of the tourist resorts to local companies to float their share in the equity market. This move would generate growth and improve the distribution of benefits to the local population.
- Stimulating internal investment depends on the local resources available. Because many of the local population work in the poorly regulated and poorly paid informal sector, there are few resources to invest.

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## THE ROLE OF CIVIL SOCIETY AND NGOS

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A number of civil society organisations and NGOs have organised activities since the end of the conference – below we give some examples:

### AFRICA

**ADRA (The Adventist Development and Relief Agency)** in Angola has been working on NGO and civil society staff capacity building and training. This includes education on the role of globalisation and trade as the root causes of poverty. It has also organised capacity building workshops to empower the poorest and most excluded sectors of society. Civil society organisations in **Burkina Faso** organised a meeting shortly after the Brussels conference to which they invited NGOs, the government, and numerous international agencies and organisations. The **Zambian Trade Network** has been active in the **Zambian National Working Group** for implementing the ACP-EU Cotonou Agreement, as well as organising national workshops to sensitise NGOs on the Cotonou Agreement. It has received support from KEPA (Finland) to engage consultants to review the trade content of the country's PRSP.

**The WCL** organised a seminar for **African LDCs** in Togo in December 2001, and has been monitoring the following themes: mainstreaming LDC plans in different agreements, such as the Cotonou Agreement, WTO agreements and relations with the IMF and World Bank. It has carried the LDC III demands through into other UN conferences, even though it felt that the BPoA was fairly weak.

### ASIA AND THE PACIFIC

**The Centre for Policy Dialogue (CPD)** in Bangladesh organised a major international civil society forum on trade in Dhaka, on the eve of the LDC trade ministers meeting in May 2003, in order to prepare an LDC civil society trade declaration for the WTO Cancun meeting. The **Society for Health Education (SHE)** in the Maldives has constructed community centres supporting health services, one of which is being managed as a demonstration project to show how community members can formulate their own development programmes.

**Rural Reconstruction Nepal** has been working regionally to build up a civil society anti-poverty organisation – the South Asia Alliance for Poverty Eradication (SAAPE) which was founded in December 2001 to complement the SAARC.

**The Samoa Umbrella for Non Government Organisations (SUNGO)** is a member of the various forums on biodiversity, an important issue in the region. It is also working with the South Pacific Regional Environmental Programme (SPREP) in setting up community sustainable biodiversity environmental projects.

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## CONCLUSIONS

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### **NGOS AND CIVIL SOCIETY PLAY AN IMPORTANT ROLE IN DEVELOPMENT**

By demonstrating the work being done on the ground, this report shows the important role that NGOs and civil society play in development. It illustrates the strength of the ‘bottom-up’ approach, an approach governments should encourage.

This report reveals that governments have nothing to fear from NGOs. The BPoA encouraged civil society to be involved in LDC development but many governments are wary of working with NGOs. Their local knowledge, expertise and drive should be employed as they play a constructive role in making policies work on the ground and in being the engine for change.

### **POST-CONFLICT DEVELOPMENT**

In many LDCs, particularly in Africa, peace-building and national reconciliation and rehabilitation are the most important elements. Many commitments, such as providing an infrastructure for trade or developing economic opportunities, cannot begin until these elements are in place, which must be taken into account when assessing progress. Future plans should include conflict prevention, banning arms’ sales and post-conflict rehabilitation.

### **CAPACITY BUILDING**

Many NGOs point to the need for citizenship capacity building. The BPoA suggested including civil society in government plans, but many NGOs do not have the capacity or knowledge. Capacity building workshops would increase their ability to participate, and enable them to enter into constructive dialogue with governments.

### **FREE TRADE**

Some NGOs believe that trade is the key to lifting countries out of poverty; however, many mentioned the inequality in WTO negotiations. The lifting of trade barriers does not automatically improve LDCs’ trading ability since LDCs are the weaker partners and can be the recipients of cheap, low-quality dumped products. Strong international regulations and effective monitoring are needed to prevent this.

### **GROWING INCOME DISPARITY**

Growing income disparity exists in many LDCs. While working to increase trade and foreign investment, governments need to set in place structures which prevent the loss of local resources to outside companies, and a widening gap between their country’s rich and poor.

### **SUPPORT FROM THE INTERNATIONAL COMMUNITY AT ALL LEVELS**

The Brussels Programme of Action cannot succeed without clear, concrete support from development partners at government and NGO level. The relationship between LDCs and industrialised countries will always be unequal as LDCs depend on the industrialised countries increasing aid, making investment, bringing down barriers and offering concrete support. On the NGO side, power of leverage increases as LDC NGOs form strong alliances with international

NGOs which push forward their agenda in meetings such as the G8, the Paris Club, and with the international financial institutions.

#### **AVOIDING DUPLICATION OF EFFORT AND LINKING WITH OTHER UN PROGRAMMES**

Many of the elements in the LDC Programme of Action are similar to those in the Millennium Development Goals (MDG) Campaign. LDC governments and civil society are being asked to work on the Brussels Programme as well as the MDG Campaign, which have overlapping aims. This increases activities and reporting and can lead to duplication of effort. Clear measures should be put in place at international, government, agency and NGO level to coordinate programmes, policies and resources.

#### **IMPORTANCE OF NGO FOLLOW-UP**

LDC Watch has been set up to support and coordinate NGO activity. It will expand this role as it grows. Subsequent reports will receive more detailed responses from LDC NGOs, as they see the effect this one has had. The publicity and activity which NGOs generate both nationally and internationally will help to promote the importance of focusing on LDCs as a particular group of countries which has particular needs.

LDC Watch  
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#### **CONTRIBUTORS**

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With thanks to the following organisations which contributed to this report:

##### **National organisations**

<b>Angola:</b>	The Adventist Development and Relief Agency (ADRA)
<b>Bangladesh :</b>	The Centre for Policy Dialogue (CPD) Community Development Library (CDL)
<b>LaoPDR</b>	Enterprise Development Consultants Co.
<b>Malawi:</b>	Civil Liberties Committee (CILIC)
<b>The Maldives:</b>	Society for Health Education (SHE)
<b>Nepal:</b>	Rural Reconstruction Nepal (RRN)
<b>Samoa:</b>	The Samoa Umbrella for Non Government Organisations (SUNGO)
<b>Sierra Leone:</b>	Sierra Leone Association of NGOs (SLANGO)
<b>Togo:</b>	Hydrautex-Togo
<b>Zambia:</b>	Zambian Trade Network

##### **INTERNATIONAL ORGANISATIONS**

World Confederation of Labour  
ActionAid Alliance