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Implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010

Report of the Secretary-General***

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Summary

The present report is submitted pursuant to Economic and Social Council resolution 2003/17 and General Assembly resolution 58/228.

It evaluates the progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 by the least developed countries and their development partners and provides conclusions and recommendations to all stakeholders in order to ensure a coherent approach to the effective implementation of the Programme.

The report identifies lack of country ownership, lack of institutional and human capacity, and lack of domestic and external resources as the main challenges to effective implementation of the Programme of Action. It recommends that the least developed countries and their development partners focus on the development of productive capacity: agriculture and agrobusiness, small and medium-sized enterprises, infrastructure, information and communications technology and energy. It underscores the crucial importance of partnership, South-South cooperation, good governance at the national and global levels for poverty eradication and sustainable development of the least developed countries.

Contents

I. Introduction

1. Both the Economic and Social Council in its resolution 2003/17 and the General Assembly in its resolution 58/228 requested the Secretary-General to submit an annual progress report on the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010,[1] adopted at the Third United Nations Conference on the Least Developed Countries in Brussels in May 2001, in a more analytical and results-oriented way by placing greater emphasis on concrete results and indicating the progress achieved in its implementation.

2. The present report is based mainly on the analysis of inputs, including 26 country-level inputs (16 from United Nations Resident Coordinators)[2] from least developed countries (LDCs), 17 from development partner countries, 27 from United Nations and other international entities, 8 from intergovernmental and regional agencies and 3 from non-governmental entities. Annual reports and other publications of the United Nations and its organizations and agencies, and the Organization for Economic Cooperation and Development (OECD)/Development Cooperation Directorate (DAC) provided additional inputs for the report.

II. Overall situation in the least developed countries and an overview of the implementation of the Brussels Programme of Action

3. Some 736 million people or 11.5 per cent of the global population now live in the 50 LDCs. It is estimated that their numbers will increase by 206 million and reach 942 million or 13.1 per cent of the global population, by 2015. At the end of the 1990s, 49 to 50 per cent of the population in the LDCs lived on less than $1 a day. If this trend continues, the number of people living in extreme poverty in the Least Developed Countries could increase from 334 million in 2000 to 471 million in 2015.[3]

4. There have been a number of major developments of relevance for the least developed countries since the first progress report, considered by the Economic and Social Council in July 2003, notably (i) the African Union’s decision in 2003 to institute a peer review mechanism under the New Partnership for Africa’s Development (NEPAD), (ii) the Third World Water Forum, held in Japan in March 2003, (iii) the Third Tokyo International Conference on African Development (TICAD III) in September/October 2003, marking the first decade of the TICAD process, (iv) meetings of the ministers of trade of the least developed countries in Dhaka in May-June 2003 and in Dakar in May 2004, (v) the Second International Conference on Early Warning, held in Bonn in October 2003, (vi) the World Summit on the Information Society, held in December 2003 in Geneva and (vii) the International Ministerial Conference on transit transport cooperation held in Almaty in August 2003.

5. In 2003, Timor-Leste was included in the list of the least developed countries, increasing their number to 50. The Committee for Development Policy, at its meeting in April 2003, recommended that two of these countries — Cape Verde and Maldives — graduate from their least developed countries status.

6. 2003 was a better year for the world economy. Trade and output growth, at 2.5 and 4.7 per cent respectively, were higher than in the two previous years. The acceleration in growth was not encouraging for the least developed countries, however. Trade and output growth in the least developed countries was 3.8 per cent, slightly lower than the 4.6 and 3.9 per cent in 2001 and 2002 respectively.[4] Since 2000, a larger share of official development assistance (ODA) has been going to least developed countries. In 2002, it was $17.3 billion, up by 35 per cent over the 2000 level and by 26.6 per cent over the 2001 level, and represented 28 per cent of all ODA.[5]

7. Despite many impediments, democratic State systems, the resolution of conflicts, and nation-building efforts have progressed remarkably well. Electoral practices have been reformed in many LDCs.

8. Poverty eradication remained at the top of the development agenda and globally 49 programmes are under implementation with the support of the Bretton Woods institutions. As of April 2004 the World Bank-International Monetary Fund (IMF) poverty reduction strategy paper (PRSP), initiated in 1999, is in operation in 31 LDCs. Three PRSPs were completed in 2004, in Bangladesh, Burundi and Nepal.

9. The increased interest of development partners and international and intergovernmental agencies in the development of LDCs is encouraging. The United Nations Development Assistance Framework (UNDAF) has been prepared for 37 LDCs and information on implementation of the Brussels Programme of Action has been furnished by 54 development partners, including non-governmental organizations (NGOs).

10. Resource shortfall is a major impediment to implementation of the Brussels Programme of Action by the least developed countries. Their domestic resource mobilization remains weak. Debt burden is an additional obstacle to LDC development. The efficient use of external assistance is still complicated, although the Rome agenda on harmonization holds out good promises. Dependence on single or limited commodities for export income further prevents LDCs from breaking out of the cycle of adverse terms of trade.

11. The Brussels Programme of Action recognizes that success in attaining its objectives will depend on effective follow-up, implementation, monitoring and review at the national, regional and global levels. At the national level the focal points and the national forums are the key institutions and at the regional and international levels the United Nations development system has the leading role. Forty-five least developed countries, as compared to 10 last year have designated national focal points for country-level coordination of the follow-up and implementation of the Programme of Action. Eighteen[6] LDCs have put in place their national forum for the follow-up and implementation of the Programme of Action at the country level.

12. At the regional level, the focus of the Economic Commission for Africa (ECA) activities for LDCs was on promoting policy dialogue, training and capacity-building, promoting information and communications technology (ICT), good governance and gender equality. The Economic and Social Commission for Asia and the Pacific (ESCAP) is planning to undertake a regional review of the implementation of the Programme of Action at the seventh session of the Special Body for the Least Developed and Landlocked Developing Countries in April 2005

in Bangkok. It has also included a section on implementation of the Programme of Action in its annual report. Relevant United Nations organizations and agencies and other multilateral organizations are paying special attention to development needs of the LDCs, as discussed below in chapter IV.

III. Implementation of the Brussels Programme of Action: Framework for Partnership

Commitment 1
Fostering a people-centred policy framework

13. The Brussels Programme of Action placed human beings at the centre of efforts for sustainable development. Comparison of key development indicators for poverty alleviation provides proof of whether people-centred policy frameworks are in place and are being implemented, and whether progress has been achieved. Three important targets in the Programme of Action, besides halving extreme poverty and hunger by 2015, are: an annual investment rate of 25 per cent of gross domestic product (GDP), output growth of 7 per cent for each LDC and aid commitment of 0.20 per cent of their GDP by developed countries.

14. Among 41 LDCs for which data are available, only seven registered a growth rate of more than 3 per cent in 2003. In 2003, 14 LDCs experienced a further decline in their GDP per capita, and the ratio of investment to GDP in the LDCs was on average only about 22 per cent in 2001.[7] In 1990s, only nine LDCs achieved a growth rate of more than 5 per cent.[8] The current decade has seen improvement in output growth in Angola, Benin, Bangladesh, Cambodia, Chad, Equatorial Guinea, Rwanda, Sierra Leone and Tanzania. The overall growth performance has marginally deteriorated from 4.6 per cent in 2001 and 3.9 per cent in 2002 to 3.8 per cent in 2003.[9] In Africa, according to the Economic Commission for Africa (ECA), only 18 LDCs improved their performance over the previous year and 16 suffered deterioration. In a number of LDCs, economic vulnerability has been accentuated by conflict situations.

15. Most LDCs articulated their development and poverty reduction strategy. Thirty-one countries have a PRSP and others, such as Bhutan, Maldives or Samoa, have adopted their own development strategy focusing on poverty eradication. In the countries going through or emerging from a conflict situation, such as Afghanistan, Angola, Burundi, the Central African Republic, the Comoros, Eritrea, Haiti, Liberia, Madagascar, Myanmar, Sierra Leone, Somalia, the Sudan and Timor-Leste, development strategy has not yet been fully articulated. Equatorial Guinea, Chad and Mauritania are planning to use their income from hydrocarbon exports effectively, for poverty reduction and overall development programmes.

16. Development partners intensified their focus on development strategy aimed at poverty eradication. The African Development Bank is pursuing a rural development for poverty reduction strategy in its lending programmes. The Asian Development Bank concluded Poverty Partnership Agreements with six LDCs in 2003: Kiribati, Samoa, Solomon Islands, Timor-Leste and Vanuatu. At the initiative of ECA, in November 2003, the third meeting of the African PRSP Learning Group considered lessons learned. The United Nations Volunteers (UNV) programme is active in 30 LDCs and half of its volunteers work in those countries in capacity-building

operations. The United Nations Capital Development Fund (UNCDF) is supporting programmes in 26 LDCs and it reports that 93.7 per cent of its resources were spent in them in 2003. The United Nations Children's Fund (UNICEF) and the World Food Programme (WFP) invested more than half of their resources in the LDCs. These organizations also make sizeable procurements of materials from the LDCs.

17. Among the development partner countries, Canada, Denmark, Finland, Germany, Japan, Mexico, Norway, Portugal, the United Kingdom and the United States of America reported providing support to poverty eradication strategies of the LDCs. The Government of Norway has a plan of action for the reduction of poverty by 2015 in the developing countries, with special attention to LDCs. The European Commission emphasized a holistic approach to poverty eradication. Japan gave importance to building social safety nets for the very poor. The United States signed into law the Millennium Challenge Account in January 2004 to promote growth in low-income countries with proposed funding of $1 billion for 2004.

18. The PRSP process has been participatory in LDCs but stronger national commitment to pro-poor policies and programmes is needed.[10] The three-year time horizon of PRSPs also needs to take into account a longer-term perspective for the economy.

19. National inputs indicate that devolution of both regulatory and service delivery functions is contained in the development strategies of Burkina Faso, Bhutan, Burundi, Cambodia, Ethiopia, Equatorial Guinea, Guinea, Lesotho, Maldives, Rwanda and Sierra Leone. But decentralized institutions are still weak in most LDCs and effective local governance remains a real challenge.

20. Based on the reports, gender equality features prominently in the development programmes of Bhutan, Burkina Faso, Burundi, Cambodia, Lesotho, Maldives, Mali and Mauritania. In Mali, the idea of setting up a "multi-activities platform for women" is promising. Remarkably, post-conflict LDCs are among the top 20 countries with the highest proportion of women in their parliaments. They are, Rwanda (48.8 per cent), Mozambique (30 per cent), Timor-Leste (26.1 per cent), Uganda (24.7 per cent) and Eritrea (22 per cent).

21. LDC Watch reports that Bangladesh, Maldives, Sierra Leone and Zambia demonstrated sensitivity to gender issues in their PRSPs. Among the development partners, the European Commission, Germany and Sweden, as well as most of the United Nations and other international agencies and organizations gave special attention to gender issues. The United Nations Development Fund for Women (UNIFEM) "Digital diaspora initiative in Africa" can assist the leapfrogging process in some LDCs.

22. Monitoring the results of gender orientation and interventions is practically non-existent. Each country should break down the Beijing Platform for Action into relevant and feasible activities at the country level, thereby making monitoring effective.

Commitment 2
Good governance at national and international levels

23. Success in achieving poverty reduction and sustainable development depends to a great extent on good governance (transparent, accountable and efficient public

institutions and practices), the dynamism of the private sector and civil society, democracy, rule of law and respect for human rights.

24. Nation building in post-conflict countries is not proving to be easy, as is being experienced in Afghanistan, the Democratic Republic of the Congo or Haiti, but it has progressed creditably in Cambodia, Mozambique, Sierra Leone, Rwanda and even Liberia. Electoral reforms have been instituted in most LDCs with the support of the United Nations system and, for African LDCs, in cooperation with African Union. The Department of Political Affairs of the United Nations Secretariat undertook electoral assistance programmes in 13 LDCs in 2003.

25. Many LDCs have embarked on the revision or codification of laws covering human rights and for establishing the rule of law. However, there is still a great need to mainstream human rights in development strategies. To address this issue, the Office of the United Nations High Commissioner for Human Rights launched draft guidelines on a human rights approach to poverty reduction strategies. Training of human rights workers and judicial personnel enjoys high priority in most LDCs. It is also supported by development partners, such as the Office of the United Nations High Commissioner for Human Rights, the European Commission, Finland, Germany, the United Kingdom and the United States, as well as the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Development Programme (UNDP) and the World Bank. Amnesty International, Transparency International and Social Watch activities have contributed significantly to sensitizing LDCs on human rights issues.

26. In a number of countries, attempts are being made to find sustainable peace in post-conflict situations. The Department of Political Affairs reports that task forces to manage conflict are proving useful in the Central African Republic, the Comoros, Guinea-Bissau and Niger. The European Commission, Finland, Germany, Italy, Japan, Norway, UNHCR, UN-Habitat and the African Union reported specifically about their support to LDC efforts for peace-building and conflict resolution.

27. Public administration reforms have been initiated in many LDCs, such as Bangladesh, Bhutan, Benin, Ethiopia, Lesotho, Mali, Mauritania and Zambia. Accounting systems and expenditure programming are being given priority in Bhutan, Cambodia, Lesotho, Maldives, Senegal and Zambia. A matter of concern, however, is that public administration reforms are usually ad hoc and reform measures are half-hearted. In Chad, a training programme on the management of oil revenues is a good governance initiative.

28. Several LDCs reported on their determination to curb corruption. Burkina Faso, Burundi, Cambodia, the Central African Republic, Guinea, Rwanda, Sierra Leone and Tanzania have made institutional arrangements for corruption control. The Bretton Woods institutions, the United Nations Conference on Trade and Development (UNCTAD), the United States of America and Germany report on the particular attention they have given in their development assistance programmes to the subject of corruption. Transparency International is performing an important advocacy role in this respect. However, anti-corruption measures do not always focus on the real targets and are bogged down by procedural complexities. Corruption control measures, therefore, need to be developed very carefully. The application of information technology in various public offices and processes greatly reduces corruption.

29. At the global level, good governance includes increased participation of the LDCs in the decision-making of the multilateral institutions and transparency, uniformity and simplicity in the procedures and reporting used by development partners in resource allocation to the LDCs. The issue of voice and representation of LDCs in multilateral financial forums is due for consideration in the World Bank-IMF annual meeting in 2004.

30. In February 2003, in the OECD/DAC meeting in Rome, bilateral and multilateral donors made a commitment to simplify, harmonize and align their policies and practices with partner developing country development frameworks and systems. The harmonization and alignment exercise now calls for the designing of country-based action plans by the LDCs.

Commitment 3
Building human and institutional capacity

31. People are the greatest asset of the LDCs, as both agents and beneficiaries of development, and their potential must be fully realized. The Brussels Programme of Action underscores capacity development as the major objective of the Decade, along with social integration. It accords high priority to access of poor people to health, education, nutrition, sanitation, as well as to fighting the HIV/AIDS pandemic, malaria, tuberculosis and other communicable diseases. Among the 18 targets of the Millennium Development Goals, 7 are included under commitment 3.

32. *The Least Developed Countries Report, 2004*, published by UNCTAD, provides statistics on the dismal situation with regard to education, maternal and child health, nutrition, sanitation and fertility rates in the least developed countries. The *Social Watch Report 2003* provides graphic information on poverty that needs to be overcome urgently.

33. Eighteen of the reporting LDCs furnished details of their activities in fulfilment of the commitment on capacity-building. Bhutan is devoting 25 per cent of its budgetary resources to the social sector and is confident that Millennium Development Goal targets on educational achievements will be realized. Equatorial Guinea is devoting 20 per cent of its investment to the social sector. Burkina Faso is emphasizing educational achievements, control of meningitis epidemics and HIV/AIDS, and population planning, especially reproductive health care. Lesotho's priorities are health services, primary education, medical drugs and rural water supply. Sierra Leone gives importance to health and education infrastructure, the quality of education and control of HIV/AIDS. HIV/AIDS features prominently in the programmes of Burundi, Ethiopia, Uganda, the United Republic of Tanzania and Zambia. Control of other epidemics, such as of tuberculosis or malaria are of interest in some other countries, for example, Benin. Cambodia is concerned about the control of the Severe Acute Respiratory Syndrome (SARS) epidemic. The capacity-building programmes of Maldives and Zambia encompass infrastructure and quality of education, health care and rural water supply. Zambia is also working on the provision of a social safety net. LDC Watch reports that under commitment 3 Angola, Bangladesh and Malawi are developing facilities for primary education and increasing female enrolment. Samoa and Togo are increasing investment in health and education.

34. There has been encouraging progress towards the goal of primary education. The LDCs have reached a net enrolment rate of 61.8 per cent and a primary

completion rate of 45.8 per cent, with a gender parity index of 0.89. The World Bank's Fast Track Initiative for primary education, launched in June 2002, has covered 10 LDCs — Burkina Faso, Ethiopia, Gambia, Guinea, Mauritania, Mozambique, Niger, Uganda, the United Republic of Tanzania and Zambia. In the second phase, another 12 have become eligible[11] for Fast Track Initiative financing. Unfortunately, the programme is facing financial constraints at the country level and its sustainability after the conclusion of World Bank support raises doubts.

35. The World Intellectual Property Organization (WIPO), UNAIDS, the Food and Agriculture Organization of the United Nations (FAO), IMF, the World Bank, the Asian Development Bank, UNV, the World Health Organization (WHO) and UNCDF all reported their involvement in capacity-building. UNAIDS developed national frameworks in all its client countries and constituted local AIDS authorities. It emphasizes monitoring and evaluation capacity at the country level. UNV deployed 29,000 volunteers to 30 LDCs to undertake education, health care and water supply programmes. UNCDF undertook 75 social investment projects for local capacity-building in 26 LDCs.

36. Canada is doubling its aid for social sector development in the LDCs between 2000 and 2005. The European Commission focused on capacity-building in the education, culture and HIV/AIDS sectors. Portugal's support to the social sector is mainly in the Portuguese speaking LDCs, such as Mozambique, Sao Tome and Principe and Timor-Leste, but Portugal also supported education programmes in Cambodia, the Lao People's Democratic Republic, Madagascar, Senegal and Sierra Leone. Germany gave special attention to fostering public-private partnership in capacity-building in 11 least developed countries in Asia and Africa. Norway is supporting Bangladesh, Nepal, Mozambique, the United Republic of Tanzania and Zambia in the education and health sectors. The Slovak Republic contributed to training manpower and supporting NGOs of the LDCs. Italy provided more than US$ 200 million to the Global Fund to fight AIDS, Tuberculosis and Malaria in 2002-2003, to fight those diseases in the LDCs. Japan continued with the Kananaskis Basic Education for Growth Initiative (BEGIN), launched in 2002 in support of universal primary education; the Okinawa Infectious Diseases Initiative, launched in 2000 in support of measures against HIV/AIDS, tuberculosis, malaria and polio; and the Initiative for Japan's ODA on Water, announced in March 2003. These initiatives resulted in human resource development and a substantial flow of aid. United Kingdom assistance to health, education and HIV/AIDS control was particularly robust in Africa. United States assistance was provided in the health sector in the areas of child and maternal health, infectious disease control and the HIV/AIDS global initiative. Half of Sweden's ODA is devoted to capacity-building; 44 per cent of Denmark's ODA is directed to the social sector.

37. The results of the actions by LDCs and the support of the development partners for capacity-building and social capital formation are difficult to assess, particularly from year to year. This is mainly because indicators are not always clear and a statistical compilation system is not in place in most LDCs. It is important, therefore, to develop monitoring capability and statistical systems in the LDCs. Indicators can be revised and updated annually and capacity-building achievements can then be assessed effectively. For this purpose, the following steps are needed:

- The statistical systems in all least developed countries should be strengthened, but it is important that the systems should not be burdened beyond their limits.

- The development partners need to rise to the challenge and support manpower training and provide assistance for social sector programmes.
- Access to social services, especially by the poor and women, is the most difficult part of the undertaking.
- Another challenge is that of maintaining the quality of the services, for which trained and motivated manpower is crucial.

Commitment 4
Building productive capacities to make globalization work for the LDCs

38. To benefit from an expanding global market, infrastructure development and adaptation of technology are basic first steps. Growth and sustainable development are most often impeded by structural and supply-side constraints. While direct investment in productive capacities is important for the LDCs, it is also necessary to focus on development of human resources for this purpose.

39. Reports received from LDCs and their development partners detail various actions under this commitment. United Nations organizations and agencies and the multilateral banks have programmes focusing on development of the productive capacities of the LDCs in five specific areas: agricultural and rural development and the objective of food security; small and medium-sized enterprise development; development of the ICT sector through human resource and related infrastructure development; development of physical infrastructure; and energy sector development.

40. Benin, Bhutan, Burkina Faso, Lesotho, Maldives and Sierra Leone furnished reports on elaborate programmes under commitment 4. Thus, Burkina Faso has a comprehensive programme covering the development of roads, telecommunications, the rural economy, the agro- and food industry, information technology and tourism. Promotion of the private sector and public-private partnership also feature in its programme. Bhutan has a comprehensive programme for road development, airport upgrading, the development and trade of energy resources, rural development, land use planning and tourism development. Benin's programme focuses on SME development and gives special attention to quality control and freedom from bureaucratic control. Benin also intends to become a hub for ICT and the opening of an exchange with TICAD support is a helpful move. Infrastructure development is also at the core of the Maldives development effort. Sierra Leone is focusing on road network, SME development, the ICT sector and both agriculture and manufacturing. Lesotho is setting up industrial estates, undertaking public-private dialogue, emphasizing agricultural development with subsidy and seed policy and inviting foreign direct investment, mainly to take advantage of the African Growth and Opportunity Act of the United States.

41. Within the context of the Growing Sustainable Business (GSB) for poverty reduction initiative, the United Nations Global Compact and UNDP provided assistance to the LDCs in order to contribute to poverty reduction and sustainable development by promoting and facilitating sustainable business and investments. A growing number of LDCs have been benefiting from the GSB initiative. In Tanzania, a series of multi-stakeholder workshops was convened and the local GSB was established; sustainable business projects are under development in the areas of solar energy, water and eco-tourism. In Madagascar, a multi-stakeholders working

forum was convened and sustainable business project concepts were developed. In Bangladesh, the United Nations Global Compact fielded a mission to identify potential partners and projects. In Angola, a country approach has been prepared for discussion at a multi-stakeholder forum.

42. Specific targets for infrastructure development have been listed and each LDC needs to set up its own national targets. For transport development in the landlocked and transit developing countries, regional cooperation is also crucial. In addition, it is very necessary to seek standardization of transport regulations. Nowadays, a large part of infrastructure investment comes from the private sector. In fact, the private sector has become so dynamic and innovative that, even for the provision of public goods, it can carry a fairly heavy burden. While private investment must be promoted, however, what needs to be assured is the overarching role of the public sector in ensuring equity and making necessary affirmative action interventions.

43. Rural development holds the key to growth stimulus and employment generation in the LDCs. Seventy per cent of the poor and food-insecure are rural dwellers. Agricultural growth is essential for food security as well as for development of the agro- and food industry. The FAO Special Programme for Food Security is operational in 46 LDCs. The FAO programmes of South-South cooperation and for the development of agro-processing are also very important. Twenty-eight per cent of FAO delivery in 2003 was in the LDCs. The African Development Bank is a strong supporter of rural development for poverty alleviation. The European Commission, Germany, Finland and Japan have been involved in food security and agriculture programmes. As reported by them, rural development, agricultural growth and diversification, and food security are at the core of productive programmes in Bhutan, Burkina Faso, Burundi, Cambodia, Ethiopia, Guinea, Lesotho, Maldives, Togo and Uganda. Rural development, however, must go beyond agricultural growth and focus on the expansion of non-farm activities, so that part of rural income is generated from the non-farm sector.

44. Bangladesh, Ethiopia, Mali, Nepal, Rwanda and the United Republic of Tanzania have important programmes for ICT development. A number of LDCs participated in the World Summit on the Information Society, in Geneva in December 2003. UNV assisted ICT development in 20 LDCs and the International Telecommunication Union (ITU) concentrated its assistance on ICT development in 14 LDCs in 2003.[12] ESCAP is involved in the promotion of ICT in Bangladesh, Bhutan, Cambodia, the Lao People's Democratic Republic and Nepal. Denmark has ICT and lifesaving drugs supply as priority items in its bilateral aid programme. The International Chamber of Commerce is also assisting development of the ICT sector.

45. Bangladesh, Benin, Cambodia, the Lao People's Democratic Republic, Nepal, Rwanda, Sierra Leone, and the United Republic of Tanzania are trying to set up SMEs. SME development needs skills and credit facility, along with linkage with the larger market or vertical production lines. Moreover, as Benin has recognized, quality control and freedom from bureaucratic control are two crucial elements of SME development. The United Nations Industrial Development Organization (UNIDO) is rightly focusing attention on the transition of 30 single-commodity-dependent LDCs to manufacturing activities. Such a transition can be made possible through SME development and technology diffusion.

46. Energy development is fundamental to production uptake in the energy-starved economies of the LDCs. But it is true at the same time that LDCs endowed with

hydrocarbon resources have not done very well in the past. From this point of view, plans made by Chad, Equatorial Guinea and Mauritania are highly welcome. Chad's new law on the distribution of income from oil exports is a healthy move. Equatorial Guinea's trust fund for emergencies must firm up its public investment programme expeditiously. Mauritania will be exporting hydrocarbons soon and is now engaged in discussing investment in hydropower generation with Senegal and Mali. Nepal and Bhutan also export energy, as they have the advantage of generating surplus hydroelectricity.

Commitment 5
Enhancing the role of trade in development

47. LDCs account for barely 0.4 per cent of world trade, but they are particularly dependent on trade expansion for boosting their overall output growth. Trade expansion is impeded by single-commodity dependence in 30 LDCs and is hindered by difficulties in production expansion and timely supply. The small island LDCs experience these difficulties more acutely. Limited market access and absence of quality control are other obstacles to trade growth. The landlocked LDCs have added problems with transit transport and transaction costs. Except for some tourism, there is virtually no export of services from LDCs. LDCs are also subject to external economic shocks, which they cannot easily withstand or overcome.

48. The LDCs focused attention on utilizing concessions relating to market access and simultaneously acquiring negotiating skills for succeeding rounds of multilateral trade negotiations. In their endeavour, they were supported by UNDP, UNCTAD, WTO, the International Trade Centre (ITC), IMF and the World Bank. The regional economic commissions, particularly ECA and ESCAP, have been playing a facilitatory role in regional integration initiatives. The Common Market of Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) in Africa and the Association of Southeast Asian Nations (ASEAN) and the South Asian Association for Regional Cooperation (SAARC) in Asia are all engaged in promoting regional integration and free trade zones. South-South cooperation has also become attractive, particularly because of the difference in the stages of development of the LDCs vis-à-vis other developing countries. Following the articulation of the Doha Development Agenda in November 2001, the process of integrating trade issues into national development programmes and implementation of concessions granted to LDCs began. It was agreed unanimously that trade measures should be linked with the Millennium Development Goal of poverty eradication. In the progress reports submitted by the LDCs, 15 countries[13] gave an account of the trade measures they have adopted or the capacity-building they have undertaken to ease the process of integration into the global market.

49. As for trade-related capacity-building, the LDCs have been beneficiaries of the Integrated Framework for Trade-related Technical Assistance, which was initiated soon after the establishment of the World Trade Organization (WTO). Launched initially as a pilot project in Cambodia, Madagascar and Mauritania, it was later extended to an additional 11 LDCs. In 2003, the second phase of the Joint Integrated Technical Assistance Programme was launched in six LDCs: Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia. Over half of the activities under the 2003 Technical Assistance Plan of WTO target the LDCs. Other development partners, such as Canada, Denmark, the European Union, Japan, Norway, the Republic of Korea, Sweden and the United Kingdom are also providing technical

assistance to the LDCs. Capacity-building both for promoting trade and for negotiating in WTO is the sole objective of these technical assistance programmes. The meeting of LDC ministers of trade held in Dhaka in May-June 2003 on the eve of the Cancun negotiations was helpful for coordinated action by the LDCs. The meeting of these ministers in Dakar in May 2004 further strengthened the coordinated action plan of the LDCs on post-Cancun trade negotiations.

50. Effective use of preferential arrangements and general concessions is not an easy task. The EU Everything but Arms initiative, made effective in 2002 is for all LDCs, whereas Africa, Caribbean and Pacific (ACP) State concessions were available to only 40 of the LDCs. In the United States, the African Growth and Opportunity Act (AGOA), passed in 2000 and amended in 2002, gives duty- and quota-free entry to exports of 37 countries, 24 of them LDCs. The United States Generalized System of Preferences (GSP) has a special category of “Least developed beneficiary developing countries” that enjoy duty-free treatment for some 2,000 additional products that other GSP beneficiaries do not receive. Japan extended duty-free quota-free access to cover virtually 93 per cent of LDC products in 2003. Canada has extended such access to 48 LDCs. The Republic of Korea has also granted duty-free quota-free market access for 87 items exported by LDCs, including coffee, cotton and lumber. According to the Director-General of WTO, 28 members of WTO have autonomously improved market access opportunities for LDCs. The United States reports that in 2003 it imported $1.2 billion of agricultural, fish and forestry products and another $1.2 billion of apparel from AGOA-eligible countries, a 50 per cent increase over 2002. It is also documented that AGOA concessions resulted in FDI growth in some of the sub-Saharan countries, such as Mali, Sierra Leone, the United Republic of Tanzania and Uganda. But LDCs themselves have considerable difficulties in fully utilizing the concessions. Complex and complicated trade legislation causes difficulties for LDC exporters in utilizing market access. Export business practices, the timely shipment of goods, rapid response to demand, the maintenance of quality and the fulfilment of trade procedures and formalities require painstaking efforts on the part of the exporters. In addition, they have to overcome or bypass bureaucratic restrictions and controls imposed by their own Government and institutions.

51. Agricultural products face various difficulties, although LDCs trade a great deal in agriculture. Subsidization of developed country products, dependence on limited items by the exporting LDCs and the decline in the terms of trade for primary commodities present obstacles. Diversification of exports into manufactures of various products is the usual answer suggested. UNCTAD and UNIDO have had programmes for the promotion of diversification in place for years. The UNCTAD programme covers 43 LDCs. What is warranted is a specific but comprehensive industrialization policy on the part of the LDCs.

Commitment 6
Reducing vulnerability and protecting the environment

52. Environmental and natural disasters or adversities regularly confront the LDCs. In addition, poverty forces LDCs to denude forest resources, overutilize water resources and put marginal lands under the plough. Archaic agricultural practices reduce the fertility of land and cause the erosion of top soil. The lack of sanitary facilities results in water and air pollution.

53. Small island LDCs face a debilitating situation in view of their particular vulnerability to natural and environmental disasters, as well as to climate change and sea level rise.

54. Most of the LDCs have well-articulated environment management plans, developed in the 1990s. Environment plans are followed in Bhutan, Burkina Faso, Maldives, Togo, Uganda and Zambia. Biodiversity is of special concern to Bhutan, Maldives and Uganda. Environmental impact studies are compulsory in Burundi, Bhutan, Lesotho and Samoa. Rwanda considers environmental management in a regional context. A disaster management strategy has been articulated in Lesotho and Sierra Leone. LDC Watch has identified only a few initiatives as noteworthy in 2003, such as the water master plan in Bangladesh, the water bureau set-up in Chad, the economic justice network in Malawi, the construction code and housing policy in Maldives and the environment impact study requirement in Samoa.

55. In 2003, UN-Habitat attended to the issues of cities without slums, water for the African continent, secure land tenure in post-conflict areas and housing in Afghanistan. UNEP has been active in the implementation of the Brussels Programme of Action. In Africa, 25 LDCS[14] were supported by UNEP and poverty eradication featured prominently in these interventions. In Asia, UNEP remained involved in Afghanistan, Bangladesh, Bhutan, Cambodia, the Lao People's Democratic Republic, Maldives, Myanmar, Nepal and Timor-Leste. It also assisted programmes in all the Pacific LDCs — Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu. UNDP has probably the greatest involvement in environment and disaster projects, assisting countries in both policy-making and capacity-building. FAO, ESCAP, the United Nations Capital Development Fund, UNV and WFP also get involved in environment protection projects in LDCs.

56. Norway is essentially involved in capacity-building in the LDCs in this area. The European Commission is interested in water, energy and forest-related programmes. Finland also has interventions in forestry programmes in LDCs. Finland has a long-term partnership with five LDCs, Ethiopia, Mozambique, Nepal, the United Republic of Tanzania and Zambia. An evaluation of the results of this partnership will be very instructive.

57. An early warning system, made substantially accurate by developments in space technology, is of great help to LDCs. Relief and rehabilitation mechanisms has been credibly set up in a few LDCs. National preparedness and exit strategies for natural disasters should be a matter for the serious consideration of the LDCs concerned.

Commitment 7. Mobilizing financial resources

58. Resource constraints are a major deficiency in the implementation of the Brussels Programme of Action. Hence, resource mobilization is as important for optimal productivity as the expenditure plan. In recognition of this, the theme for the high-level segment of the 2004 substantive session of the Economic and Social Council focuses on this aspect of the implementation of the Brussels Programme. The report of the Secretary-General on that theme (E/2004/54) addresses this matter at length.

59. Public revenue raising must improve and the financial sector should be so tuned as to promote savings and investment. Thus a private-public balance in

resource raising must be struck. A number of LDCs have adopted medium-term fiscal and/or expenditure plans. They have also introduced or strengthened expenditure oversight through efficient accounting and auditing systems. These are welcome steps in resource management and its efficient use. The main objective should be to improve the investment ratio in a sustained manner. The most productive recommendation can be minimizing waste and reducing transaction costs. This may require devolution or at least decentralization of authority for expenditure.

60. A worthwhile method of resource mobilization is attracting direct foreign investment. Most LDCs have updated their investment laws and given adequate incentives for FDI. UNCTAD has helped in designing investment-friendly regulatory regimes. At present, however, significant FDI flows are limited to only a few LDCs and are restricted to natural resource exploitation and the telecommunication sector. Hydrocarbon exploitation has attracted FDI in Angola, Chad, Equatorial Guinea, the Lao People's Democratic Republic, Mauritania and the Sudan, while gold mining has attracted FDI in Guinea and the United Republic of Tanzania. Telecommunication investment has gone to Bangladesh, the Democratic Republic of the Congo, Lesotho, Mozambique and the United Republic of Tanzania. Lesotho has attracted FDI in the apparel industry. Ease of transactions, transport and travel; access to a large market, possibly as a result of market integration; and assured availability of utility services are very important for attracting FDI.

61. Remittance has emerged as a new source of financing development of the LDCs. The World Bank estimates that 175 million people reside outside their country of birth and developing countries received about $90 billion in remittances from abroad in 2003.[15] Many LDCs receive sizeable remittances; in some the amount is larger than ODA. There are, however, problems associated with remittances. First, a substantial part of them are transferred through informal channels. This transfer fuels the informal market in the receiving country and is not always productively used. The second problem is that this resource input is not put to proper use because of the undeveloped capital market of the LDCs.

62. ODA is an important source of financing the development programmes of LDCs. In the Brussels Programme of Action and, subsequently, in the Monterrey Consensus, development partners reiterated their commitment to provide 0.20 per cent, and in any case not be less than 0.15 per cent, of their gross national product (GNP) as aid to the LDCs. Almost 85 per cent of the overall increase in ODA to LDCs in 2002 came from DAC countries. In 2002 only Norway, Denmark, Luxembourg, Netherlands, Sweden and Ireland provided more than 0.2 per cent and Belgium, Finland, France and Portugal provided 0.1 per cent or more. Others have to make added efforts to move towards the 0.20 per cent target. In absolute terms, the United States, Japan, France, Germany and the Netherlands are the largest donors to LDCs. The five largest beneficiaries in 2002 were Mozambique, Ethiopia, Afghanistan, the United Republic of Tanzania and Bangladesh. The increase in total ODA flow to the LDCs by 26.6 per cent in 2002 is a good sign. The Czech Republic, Italy, Poland and the Slovak Republic gave most of their assistance in terms of debt relief to African LDCs. Replenishment of the soft funds of the World Bank (the fourteenth) and the Asian Development Bank (the ninth) is under way now. The ninth replenishment of the African Development Fund was completed in January 2003. These are valuable sources of assistance to the LDCs and the importance of their timely conclusion is emphasized.

63. The Brussels Programme of Action envisaged untying aid for the LDCs and increasing the value of aid by other means. Procurement from LDCs with aid money adds to the value of aid. The action programme on the harmonization of donor procedures on the basis of the Rome Agenda is a promising step. The DAC Working Party on Aid Effectiveness and Donor Practices is due to complete its work by the end of 2004. An early positive decision is needed on the initiative concerning the participation of developing countries in decision-making on international aid policy in the World Bank and IMF forums.

64. The question of debt relief for LDCs under the HIPC Initiative needs special attention, particularly as it covers 30 LDCs. Only 10 of these countries have reached the completion point and 11 have reached the decision point, thus becoming eligible for full or interim debt relief, respectively. The HIPC process has turned out to be slow and cumbersome, although the Bretton Woods institutions have shown some flexibility in the course of its implementation by lowering the original thresholds, providing interim relief immediately after the decision point and "topping-up" debt relief after the completion point. They are also considering extending HIPC initiative beyond 2004. Nonetheless, debt cancellation or forgiveness remains the solution most preferred by the LDCs.

IV. Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

65. During the report period, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States has been actively and systematically pursuing the fulfilment of its mandate, as provided by General Assembly resolution 56/227.

66. In the context of ensuring the full mobilization and coordination of all parts of the United Nations system, the Office continued to encourage mainstreaming of the Brussels Programme of Action in their respective work programmes and activities. The governing bodies of 19 organizations adopted decisions to that effect. The governing bodies of FAO and UNCTAD have also undertaken regular sectoral reviews of the implementation of the Programme of Action. Given that the national implementation of the Programme of Action is of primary importance, the Office of the High Representative made concerted efforts to increase the number of national focal points and national forums in LDCs. As a result, their numbers increased from 9 to 45 and from 9 to 18, respectively, during the past 12 months.

67. A major endeavour for the Office has been the holding of the Workshop for National Focal Points on the Implementation of the Brussels Programme of Action for the Least Developed Countries from 17 to 21 May 2004 in New York. It was attended by focal points of LDCs and donors, United Nations missions and United Nations system focal points.

68. The Office engaged actively in providing coordinated support to the Economic and Social Council and the General Assembly. In addition to preparing the annual progress report on the implementation of the Brussels Programme, the Office has been involved actively in all aspects of the preparations for the high-level segment of the 2004 substantive session of the Council on "Resources mobilization and

enabling environment for poverty eradication in the context of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010".

69. Increased awareness of the Brussels Programme resulted in a substantial increase in the active participation and involvement of more LDCs delegations during the 2003 substantive session of the Economic and Social Council in Geneva. Funds for the participation of LDC delegations in the first global review of the implementation of the Programme of Action at that session were generously provided by the Government of Italy.

70. In accordance with its mandate for the group of landlocked developing countries contained in General Assembly resolution 56/227, the Office undertook substantive and organizational preparations for the International Ministerial Conference on transit transport cooperation held in Almaty, Kazakhstan in August 2003 and the preparatory meetings in New York and in Almaty. The Conference galvanized international support for this group of countries. The adoption of the Almaty Declaration and the Almaty Programme of Action, whereby the landlocked developing countries as well as transit developing countries agreed, with the support of their development partners, to undertake specific actions in selected priority areas, was a major step forward for these vulnerable countries. As a follow-up, the Office convened an inter-agency strategy meeting on the implementation of the Almaty Programme of Action in February 2004 in New York. The inter-agency meeting endorsed a road map for the implementation of that Programme of Action.

71. In performance of its mandate and in concert with other United Nations entities, the Office has been engaged in coordinating the preparatory process for the International Meeting for the 10-Year Review of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States, scheduled to be held in Mauritius in January 2005. The High Representative was designated the Secretary-General of both the Almaty and the Mauritius conferences.

72. Throughout the year, the Office has provided support to group consultations of the least developed countries, landlocked developing countries and small island developing States. A monthly briefing and interactive meeting with LDCs at the ambassadorial and expert level has been organized by the High Representative.

73. A number of meetings, round tables and special events have been organized by the Office in partnership with civil society, the private sector and NGOs with the aim of raising awareness, advocacy and mobilization of support for the LDCs. These included, but were not limited to, four open forums that served as the primary interface of the Office with all stakeholders, as well as a dialogue with civil society and a round table with the United Nations system on the implementation of the Brussels Programme of Action, during the 2003 substantive session of the Economic and Social Council. A series of four symposiums on population issues were organized by the Office during the General Assembly in collaboration with the Partners for Population and Development, an intergovernmental organization having observer status in the General Assembly and focusing on South-South cooperation. The Office has developed close relations with the International Chamber of Commerce and other private-sector institutions.

74. The Office has used various international forums, such as the Third World Water Forum in Kyoto, Japan in March 2003, the Extraordinary Ministerial

Conference of the Least Developed Countries in Rabat, Morocco in June 2003, the High-Level Conference on South-South Cooperation in Marrakech, Morocco in December 2003, the sixtieth session of ESCAP in Shanghai, China in April 2004 and the third meeting of LDC ministers of trade in Dakar, Senegal in May 2004, for advocacy and mobilization of international support for the LDCs. The Office is also planning to use UNCTAD XI, scheduled to take place from 13 to 18 June 2004 in Sao Paolo, Brazil, to draw the attention of the international community to the importance of trade and market access for the development of the LDCs and their beneficial integration into the world economy.

V. Conclusions

75. Implementation of the Brussels Programme of Action depends to a large extent on the partnership between LDCs and their development partners. However, primary responsibility continues to lie with the LDCs. The development partners can only play a supporting role. First, in their planning and action the LDCs have to demonstrate their firm commitment to the implementation of the Programme of Action. Ideally, they should put forward a long-term vision of where they want to see their country 15 or 20 years from now. Poverty eradication must be put into a holistic context.

76. The designation of all but five LDC national focal points is a very positive development. To play an effective role, the National Focal Points need the regular and continuing support of their Governments and development partners. Each LDC Government needs to pay immediate special attention to establishing a national forum, as called for in the Brussels Programme of Action, and to drawing up a charter of its functions. So far, only 18 national forums have been set up. The forums should be holding broad-based inclusive and participatory national dialogue on policy and strategy, providing guidance on necessary adjustment and on partnership development, undertaking advocacy as necessary, monitoring progress in implementing the Brussels Programme of Action and evaluating the performance of the country and its development partners.

77. It is important that a proper tool for the monitoring and evaluation of the Brussels Programme of Action be designed. The Programme of Action incorporates 30 goals and targets, including the Millennium Development Goals. There are also goals and targets that have not been stated in the Programme, such as in the areas of agriculture and food security.

78. While the task of the LDCs is onerous, the development partners also have to intensify their efforts. Innovative resource mobilization efforts discussed under commitment 7 should receive due consideration. For increasing the value of aid, in addition to untying and harmonization, triangulation of aid effort might also be considered. Development partners should, for example, finance South-South cooperation in order to provide least cost and appropriate replicable models. Triangulation also can lead to private-public initiatives.

79. For effective implementation of the Brussels Programme of Action, there should perhaps be more focused consideration of some of its elements. Rural development and agriculture should be brought more to the centre of the development efforts of LDCs. In addition, the development of ICT and of health

services, and the production of consumer durables should be actively pursued by LDCs.

VI. Recommendations

80. **All LDCs that have not yet done so should articulate their strategy and programme for poverty reduction and sustainable growth, integrating the programmes of all sectors. They should expeditiously set up national forums to guide and monitor the implementation of the Brussels Programme of Action at the national level.**

81. **Along with balanced fiscal and monetary measures and social development orientation, LDCs should give special attention to infrastructure development and policies for the development of manufacturing.**

82. **Considering their limited opportunities and their difficulties, LDCs need to focus on selected sectors for expansion of their productive capacity and beneficial integration into the global economy. In this respect, sectors requiring special attention could be SME development, agriculture and rural development, ICT development and service industry development.**

83. **Developed countries should expedite the process of opening up markets for LDC products and take steps to protect these products from the adverse impact of rapid and broad trade liberalization.**

84. **All development partners, particularly the donor countries, should endeavour to focus on the category of LDC countries in their ODA policy and development support. They should report on development cooperation separately for this group of countries.**

85. **The completion of the Rome agenda on harmonization should be expedited. In deciding on voice and representation in decision-making processes in the financial institutions, the interests of the LDCs should also be taken into account.**

86. **Civil society, including NGOs, and the private sector should mobilize their constituencies to enhance the implementation of the Brussels Programme of Action both at the national and at the global level.**

Notes

[1] A/CONF.191/11.

[2] For Cambodia and Sierra Leone, inputs were provided by both the Government and the Regional Coordinator.

[3] United Nations, *World Economic Situation and Prospects 2004*.

[4] Ibid., table I.1.

[5] OECD/DAC 2003.

[6] Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Djibouti, Ethiopia, Gambia, the Lao People's Democratic Republic, Maldives, Mali, Nepal, Samoa, the Sudan, Togo, Uganda, Yemen and Zambia.

[7] United Nations, *World Economic Situation and Prospects 2004.*

[8] *The Least Developed Countries Report, 2002*, published by UNCTAD, indicated that in 1999 seven LDCs — Bhutan, Burkina Faso, Cape Verde, Equatorial Guinea, Eritrea, Mozambique, and Sao Tome and Principe — invested 25 per cent or more. Nine countries — Bhutan, Cape Verde, Eritrea, the Lao People's Democratic Republic, Maldives, Mozambique, the Sudan, Tuvalu and Uganda — had growth rates of 5 per cent or more during the decade. According to the World Bank's World Development Indicators 2003, Cambodia, Liberia and Myanmar also grew at more than 5 per cent and in 2001 Angola and Chad also had gross domestic investment of more than 25 per cent of GDP.

[9] United Nations, *World Economic Situation and Prospects 2004*.

[10] UNDP, *Evaluation of UNDP's Role in the PRSP Process,* 2003.

[11] These countries are: Benin, Cambodia, Chad, Djibouti, Lesotho, Madagascar, Malawi, Mali, Nepal, Rwanda, Sao Tome and Principe, and Senegal.

[12] The ITU supported countries are Bangladesh, Bhutan, Burkina Faso, the Central African Republic, the Democratic Republic of the Congo, Djibouti, Haiti, the Lao People's Democratic Republic, Malawi, Mali, Kiribati, Somalia, Uganda and Zambia.

[13] Bhutan, Burkina Faso, Burundi, Cambodia, Chad, Ethiopia, Guinea, Lesotho, Maldives, Mali, Mauritania, Rwanda, Senegal, Sierra Leone and Zambia.

[14] Angola, Burkina Faso, Burundi, Central African Republic, Chad, the Democratic Republic of the Congo, Djibouti, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Mali, Malawi, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, the Sudan, Uganda, the United Republic of Tanzania and Zambia.

[15] James D. Wolfensohn, President of the World Bank, note for the sixty-ninth meeting of the Development Committee, Washington, D.C., 25 April 2004.