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UNCTAD-wide activities in implementation of the Programme of Action for LDCs for the decade 2001–2010: Sixth progress report

Report by the UNCTAD secretariat

Executive summary

The present report is prepared pursuant to the decision of the Trade and Development Board [476(L)] of 17 October 2003. It is primarily aimed at assisting the Board in its annual review of progress in the implementation of the Programme of Action (PoA) in areas within the mandates and competence of UNCTAD. Although the PoA provides clear arrangements for the review and monitoring of progress in its implementation, results-oriented evaluation and assessment of progress at the national level remains a challenge. Such efforts have been constrained partly by the paucity of statistical data and partly by the lack of consistent methodology or framework allowing for systematic evaluation of progress and impact assessment.

The present report provides a detailed account of UNCTAD-wide activities for LDCs in 2006, focusing on research and policy analysis, technical cooperation and capacity-building. It also includes conclusions and recommendations for improved implementation of the PoA during the coming years. LDCs and their development partners are encouraged to take into account the conclusions and recommendations of the report, especially in the context of the twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII), due to take place in Accra, Ghana, in April 2008.

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I. Introduction

1. Section III of the Programme of Action (PoA) provides detailed arrangements for its implementation, follow-up, monitoring and review of progress. Paragraph 92 stresses that “success in attaining the objectives of the PoA will depend critically on the effective functioning of these arrangements at the national, regional and global levels”. The PoA also “invites the United Nations system as well as other multilateral organizations to accord high priority to LDCs, to integrate the provisions of the PoA in their work programme and to undertake, within their mandates, multi-year programming of actions in favour of LDCs” (paragraph 97).

2. However, result-oriented evaluation of progress and assessment of impact of the implementation of the PoA at the country level continue to be a daunting challenge. This is because, firstly, since the inception of the PoA in 2001, information on progress made is often incomplete in its coverage or is unavailable. Where the data is available, it can be out of date or relate to the period before 2001. The data problems are particularly acute with respect to the overarching goal of the PoA – halving the proportion of people living in poverty by 2015 – where the paucity of internationally comparable data makes it difficult to monitor progress in this area. Secondly, monitoring progress with the PoA cannot be undertaken in isolation from other policies and strategies. The PoA itself involves a set of “actions and commitments” which should be implemented by LDCs and their development partners as an integral part of a comprehensive national development policy. It is difficult, therefore, to attribute the progress made towards achieving the goal of poverty reduction and sustainable development to any single programme or set of interventions such as the PoA. Finally, there are also problems arising from the lack of a consistent methodology or framework which would allow the required systematic cross-country analysis and comparisons. Systematic and results-oriented monitoring and evaluation can contribute to strengthening mutual accountability, ownership and good governance. At the national level, it demonstrates effective use of resources and a commitment to sound development policies. At the international level, it demonstrates increased commitments and improved quality and effectiveness of aid, including better alignment of aid with national policies and priorities. Therefore, for effective monitoring of progress in implementing the PoA at the national level, there is a need to strengthen the monitoring and evaluation system, including through enhancing statistical capacities of relevant national institutions.

3. Despite the above-mentioned challenges, the 2006 Mid-term Review by the General Assembly of the United Nations of progress in the implementation of the PoA offered ample opportunities to take stock of socio-economic progress in LDCs from 2001 to 2005. The review also provided renewed hope and momentum for improved implementation of actions and commitment of the PoA in the coming years. In this context, the high-level meeting of the sixty-first session of the General Assembly on Mid-term Review “reaffirms that the programme of Action constitutes a fundamental framework for a strong global partnership whose goal is to accelerate sustained economic growth, sustainable development and poverty eradication in the least developed countries”¹. The General Assembly also “calls upon the

¹ A/61/L.2.

international community and the United Nations system to continue to assist in the implementation of [actions and commitments] contained in the PoA”.

4. In its work on the *Least Developed Countries Reports* (e.g. in 2002, 2004 and 2006), UNCTAD has consistently undertaken an analysis of where the LDCs and their development partners stand in relation to progress towards the targets and goals of the PoA. At the intergovernmental level, the Trade and Development Board has been reviewing UNCTAD-wide implementation activities since the adoption of the PoA in 2001. For instance, the fifty-third session of the Trade and Development Board undertook a comprehensive assessment of UNCTAD-wide activities in the implementation of the PoA from 2001 to 2005. It also provided policy guidance as contained in its Agreed Conclusions (TD/B/53/L.4) for the further implementation of the commitments of PoA that are within the mandates and competence of UNCTAD. The Board’s review was based on the *Least Developed Countries Report 2006*, the 2001–2005 UNCTAD-wide implementation activities report (TD/B/53/3) and the progress report on the implementation of the Integrated Framework (TD/B/53/CRP.1).

5. As with previous reports, the present report was prepared pursuant to the decisions of the Trade and Development Board². The objective of the report is to assist the Board in its annual review of progress in the implementation of the PoA in areas within the mandates and competence of UNCTAD. It provides a detailed account of UNCTAD-wide activities in LDCs in 2006, focusing on research and policy analysis, technical cooperation and capacity-building. It also includes conclusions and policy lessons drawn from the activities of the secretariat in LDCs as well as recommendations for improved implementation of the PoA during the remaining years. LDCs and their development partners are encouraged to take into account the conclusions and recommendations of the report, especially in the context of the preparatory process for the twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII) due to take place in Accra, Ghana, in April 2008.

II. The *Least Developed Countries Report 2006: Developing Productive Capacities*

6. The *Least Developed Countries Report* of UNCTAD is the only substantive publication within the United Nations system dealing exclusively with issues of interest to least developed countries. It remains the main source of research and policy analysis as well as related information on development challenges and prospects facing LDCs. The *Least Developed Countries Report 2006: Developing Productive Capacities* provided a thorough analysis of key constraints and challenges facing least developed countries in this area. The main arguments of the report are:

² The Trade and Development Board in its agreed conclusions 476(L) of 17 October 2003 “urges the secretariat to continue to report to the Board at its regular sessions on UNCTAD’s activities in favour of LDCs including on activities related to the Integrated Framework for Trade-Related Technical Assistance for least developed countries”.

- (a) Firstly, the development and utilization of the LDCs' domestic productive capacities – and related expansion of productive employment – are the key both to ensuring the sustainability of high economic growth and also effective poverty reduction.
- (b) Secondly, the vulnerability to growth collapse in LDCs is the cause and effect of the weak development of their productive capacities. This includes high levels of dependence on rain-fed agriculture and non-renewable natural resources, weak domestic savings and thus high levels of dependence on external finance and particularly official development assistance inflows, high levels of dependence on primary commodity exports, and high import sensitivity in the sense that a large share of imports is essential to the continuation of ongoing economic activities and their development.
- (c) Thirdly, the major sector in which LDCs absorbed labour in the past was in agriculture. For instance, from the early 1980s until 2003, agricultural labour productivity in LDCs as a group rose slowly, although it declined in one third of LDCs over the same period. This situation resulted in widening the labour productivity gap between LDCs and other developing countries. From 2000 to 2003, agricultural labour productivity in LDCs was just 46 per cent of the level in other developing countries and less than 1 per cent of the level in developed countries. That very low labour productivity, coupled with small farm sizes, is the basic cause of rural poverty.
- (d) Finally, what is happening currently in the LDCs is that the mechanism of labour absorption is becoming more and more restricted. With population growth, agricultural farm sizes are declining. The report shows that even in some land-abundant LDCs, inequality in land access means the poorest households have effective access to so little land that they can barely scratch a subsistence living through agriculture on their farms. Moreover, widespread poverty is making it difficult for many farmers to purchase inputs necessary to increase and maintain land productivity.

7. A major policy conclusion of the report is that there is a need for a paradigm shift in which the development and utilization of productive capacities is placed at the heart of the approach to growth and poverty reduction in the LDCs. This implies that, at the national level, it is important now to place the development of productive capacities – and related expansion of productive employment – at the heart of poverty reduction strategies, including the poverty reduction strategy papers. This in turn calls for a better balance between productive sectors and social sectors in terms of resource allocation. There should also be proactive policies to induce and coordinate investment to increase value added and to ensure that the development of productive capacities occurs in a way which generates productive employment opportunities.

8. With regard to international policies, there is a need for more aid and a re-balancing of the sectoral composition of aid. In nominal terms, aid to the LDCs doubled between 1999 and 2004. But it will not work for sustained growth and poverty reduction if it is not linked to the right policies. In 2004, for instance, 46.5 per cent of net official development assistance went to debt forgiveness grants, emergency aid, technical assistance and food aid. It is also necessary to increase the share of official development assistance to economic infrastructure and productive sectors. This share declined from 48 per cent of total aid commitments in 1992–1994 to 24 per cent in 2002–2004.

III. Contribution to the Mid-term Review of the Programme of Action for LDCs for the decade 2001–2010

9. As part of its contribution to the global Mid-term Review of progress in the implementation of the Brussels Programme of Action for LDCs by the General Assembly, UNCTAD designed and implemented a project (INT/0T5BP) which enjoyed financial support from the Governments of Austria and Norway, and enabled UNCTAD to undertake case studies³ in selected LDCs. It also assisted in organizing the UNCTAD preparatory meeting for the Mid-term Review, which deliberated on case studies and national reports. The meeting provided opportunities to (a) exchange best practices and draw policy lessons from implementation experiences of selected LDCs; (b) enhance dialogue between LDCs and their development partners on ways and means of improving the implementation of actions and commitments of the Programme of Action; (c) identify key development challenges facing these countries; and (d) put forward policy conclusions and recommendations aimed at assisting the further implementation of actions and commitments of the Programme of Action at the national and international levels.

10. The case studies and national reports prepared in the context of the project emphasized the important role played by development partners in recent years contributing to progress towards the PoA goals. Indeed, where socio-economic progress has been recorded, it was accompanied by predictable and well-coordinated aid flows. This, combined with effective national mechanisms for monitoring implementation and demonstrating accountability, helped countries achieve significant progress. Investment and budgetary processes in LDC economies are also increasingly dominated by external finance rather than domestically-generated resources. Some countries covered by the national studies report that about 80 per cent of their respective public expenditures come from foreign assistance. This confirms the critical role of development partnerships in influencing the growth trajectory of the LDCs.

11. As a further contribution to the review of progress in the implementation of the PoA by the General Assembly, UNCTAD also organized a meeting of the Investment Advisory Council on LDCs during the high-level meeting in New York. The council deliberated on practical ways and means to increase the benefits of foreign direct investment (FDI) to LDCs. At the meeting, UNCTAD launched its 2006 issue of “FDI in LDCs at a glance”, which provides information on current FDI trends and investment conditions in LDCs. Heads of State, ministers and senior officials from selected LDCs and key investors from the corporate sector attended the meeting.

³ Case studies on Bangladesh (UNCTAD/LDC MISC/ 2006/4), Burkina Faso (UNCTAD/LDC MISC/2006/7), Cape Verde (UNCTAD/LDC MISC/2006/6), Ethiopia (UNCTAD/LDC MISC/2006/5) and Nepal (UNCTAD/LDC MISC/2006/3) are available at <http://www.unctad.org>.

IV. Landlocked developing countries and small island developing States

12. On small island developing States (SIDS), UNCTAD continued to provide advisory services and technical assistance, including to those countries which are near graduation thresholds. This was in accordance with General Assembly resolution 59/209, which called upon relevant international organizations to facilitate a “smooth transition” for countries exiting LDC status. In 2006, Cape Verde, which is expected to graduate from the LDC category in the near future, benefited from UNCTAD’s advisory services. As in the case of other LDCs, UNCTAD’s work on SIDS reveals the necessity of placing greater emphasis on productive capacities and “aid for trade” when designing international support measures for SIDS. In 2006, UNCTAD also contributed to the work of the Committee for Development Policy in the triennial review of the list of LDCs. This involved several conceptual, methodological and statistical inputs to the work of the committee and of the United Nations Department of Economic and Social Affairs, which serves as secretariat to the committee.

13. On landlocked developing countries (LLDCs), the work of UNCTAD contributes to global efforts to address the geographical disadvantages that hinder competitiveness and overall economic performance. In addition to measures that develop adequate national transport networks and efficient transit systems, UNCTAD also advocates policies that promote regional trade expansion and facilitate economic re-specialization, investment and restructuring of LLDCs. For instance, in order to promote regional cooperation and explore investment opportunities in LLDCs in Asia, a meeting was also organized in Xi’an, China, in June 2006. The meeting, which attracted government and business leaders from China and landlocked countries from Central Asia, was convened in the context of the Investment Advisory Council. UNCTAD has also produced a publication⁴ that promotes understanding of the development challenges faced by landlocked countries and the international support measures required to address them. The publication has been made available to relevant ministries and other governmental bodies, as well as academic and research institutions in LLDCs.

V. International trade and related areas

A. Trade negotiations and commercial diplomacy

14. In 2006, several LDCs benefited from (a) the implementation of the Joint Integrated Technical Assistance Programme (JITAP)⁵; (b) trade negotiations on the Doha Work Programme; (c) the European Union–African, Caribbean and Pacific Group of States Economic Partnership Agreement (EPA); and (d) regional trade negotiations among developing countries and accession issues. Activities under JITAP included (a) a high-level workshop on the Doha negotiations with inter-institutional committees⁶; (b) a regional workshop on the Multilateral Trading

⁴ “Landlocked Developing Countries: Facts and Figures” (UNCTAD/LDC/2006/2).

⁵ Malawi, Mali, Mauritania, Mozambique, Senegal, and Zambia were among beneficiary countries from the Programme.

⁶ The workshop took place in Geneva from 24 to 26 July, 2006 and was attended by 32 capital-based

System and the role of gender, civil society organizations and the media⁷; (c) providing substantive and technical support to national workshops; and (d) assisting (in cooperation with the World Trade Organization and International Trade Centre secretariat) in the establishment of a national reference centre on the Multilateral Trading System and national enquiry points in Mali, Malawi, Mauritania, Mozambique, Senegal and Zambia. The various workshops assisted in reviewing developments in the Doha negotiations and in identifying key trade and development issues for JITAP countries in agriculture (including cotton), services, non-agricultural market access, trade facilitation and development issues.

15. On trade negotiations and commercial diplomacy, UNCTAD continued to assist LDCs to improve their participation in trade negotiations. This includes support in their preparations for the Doha negotiations on modalities for agriculture, non-agricultural market access, services and development issues, among others⁸. UNCTAD also commissioned policy research on the “development interface between the WTO, EPA and regional negotiations for African countries”⁹ which served as the basic document for a regional training workshop organized by UNCTAD and the United Nations Development Programme for African countries on the subject. The workshop gathered 40 senior trade officials and negotiators from African countries, Brussels- and Geneva-based missions, regional and subregional organizations, and United Nations and other organizations.¹⁰ Further assistance was provided to LDCs in the European Union–African, Caribbean and Pacific Group of States negotiations of EPAs, including expert advice on interfaces between the WTO Doha negotiations and EPA negotiations.

16. At the regional level, several LDCs have also benefited from European Community-financed projects in favour of Southern African Development Community (SADC) countries. This includes technical assistance in institution- and capacity-building on services sector assessment. In 2006, national workshops were also organized under this project in Angola, the Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mozambique and Zambia. The workshops were aimed at sensitizing and creating awareness among stakeholders about the services negotiations being held at the regional, intraregional and multilateral levels.

senior trade officials and other stakeholders from Botswana, Cameroon, Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia, as well as Benin, Burkina Faso, Kenya and Uganda.

⁷ The regional workshop took place in Accra (Ghana) from 28 to 30 November 2006 and was attended by 60 capital-based trade officials, including representatives from the media, civil society and gender-related organizations from Benin, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Kenya, Malawi, Mali, Mauritania, Mozambique, Senegal, the United Republic of Tanzania, Tunisia, Uganda and Zambia.

⁸ These included substantive contributions to the African Union Conference of Ministers of Trade (Nairobi, April 2006); to a consultation meeting for Asian and Pacific LDCs on the Doha negotiations (Geneva, June 2006); and technical meetings and seminars organized for individual countries (Malawi, Mozambique, Cameroon, Mali, Senegal, Mauritania and Zambia).

⁹ See UNCTAD/DITC/TNCD/2006/6.

¹⁰ Participants were from Angola, Belgium, Benin, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Gabon, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Senegal, South Africa, the United Republic of Tanzania, Zambia and Zimbabwe; and also from UNCTAD, the United Nations Development Programme (New York, Dakar and Johannesburg offices), African Union, Economic Commission for Africa, CEMAC, Commonwealth Secretariat, Trade Law Centre for Eastern and Southern Africa and the European Commission.

National studies on the services sector have also been concluded for Madagascar and Senegal, and are ongoing for the Democratic Republic of the Congo and LDCs of the SADC region.

17. On WTO accession negotiations, UNCTAD has assisted 19 acceding countries, including all acceding LDCs. The objective of UNCTAD's support on accession is to help acceding countries to elaborate major negotiating objectives based on analysis of their respective economic priorities, policies and strategies. Technical and advisory missions on accession have been undertaken to Bhutan, Sudan, Sao Tome and Principe, Afghanistan, Timor-Leste, the Lao People's Democratic Republic and Yemen. Assistance through training and technical advice was also provided to Cambodia in post-accession adjustment as well as on conformity between domestic regulatory frameworks and WTO commitments.

B. Commodities

18. A regional workshop on the integration of Millennium Development Goals in trade policies, with emphasis on commodities, was organized in Dakar, Senegal, in June 2006. Participants were drawn from government ministries and public and private institutions responsible for poverty-reduction policies and for the development of exports in agriculture, agro-industry and mining sectors from selected African LDCs. Participants reviewed the relationship between trade and development and how commodities trade can contribute to reduce poverty, based on international experience. The workshop highlighted strategic issues for African LDCs to address in order to capture unexploited agro-food market opportunities within and outside the region. The workshop also deliberated on conditions for commodity diversification and competitiveness at the national and regional levels, and assisted participating countries in their negotiations of Economic Partnership Agreements with the European Union.

19. At the national level, a training workshop on effective fisheries management systems, including eco-labeling and eco-packaging, was conducted in Gambia from 25 to 27 April 2006. Policy advisors from the Gambian Ministry of Fisheries and experts from the private and public sectors discussed issues related to compliance with internationally-recognized health and environmental standards. UNCTAD also developed and field-tested a graduate course in commodity economics in Senegal in 2006 for graduate students from the University of Dar es Salaam (United Republic of Tanzania). Also in 2006, Guinea, Mozambique, the United Republic of Tanzania and Pacific Island States (Samoa, the Solomon Islands and Vanuatu) benefited from specific projects designed to help them comply with sanitary and phytosanitary requirements and private sector standards. A full-scale project aimed at developing a safety control system for the horticultural sector and establishing a national certification institution was implemented in Guinea.

VI. The Integrated Framework for Trade-related Technical Assistance

20. Currently, 31 LDCs are participating in the Integrated Framework (IF).¹¹ Diagnostic Trade Integration Studies (DTIS) and validation workshops have been completed for 20 countries (17 from Africa),¹² while 10 (eight from Africa) are at different stages of the DTIS process.¹³ In 2006, in the context of the Integrated Framework, two Pre-Diagnostic Trade Integration Studies (Pre-DTIS) national workshops were organized in Niger (31 May–2 June 2006) and in Sudan (30–31 October 2006). A further IF regional workshop was organized in Dakar, Senegal, from 6 to 8 December 2006 for all IF national focal points, with the objective of preparing IF countries for a smooth transition from the current to the enhanced IF. The national and regional workshops contributed to strengthening country ownership of the IF process, including the preparation of the diagnostics trade integration studies. The capacity of the IF national focal point is important for enhancing country ownership and for improving the implementation rate of the DTIS action matrices. Equally important was the ability of the IF process to mobilize other resources besides Window II to achieve a higher rate of implementation. Further information on Enhanced IF is contained in CRP/1.

VII. Competition law and consumer policies

21. In this area, UNCTAD continued to assist LDCs in the preparation, adoption, revision and/or implementation of national competition and consumer protection policies and legislation. The various activities of the secretariat helped beneficiary countries better understand the development implications of competition issues and, in the process, build their institutional capacities to enact and enforce competition legislation at the national and regional levels. At the national level, in 2006, training seminars and workshops on competition issues were organized for Chad (24–26 January), Bhutan (1–3 February), Cambodia (3–5 July) and Malawi (27–28 March and 19–22 September). Some of these addressed important policy issues such as competition policy and law, consumer protection law and unfair trade practices. Others dealt with competition policy frameworks, enforcement mechanisms and institution building. At the regional and subregional levels, assistance¹⁴ was provided to the eight members of the Western African Economic and Monetary Union (UEMOA) on the implementation of common competition rules. UNCTAD

¹¹ Angola, Benin, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, Djibouti, Ethiopia, Gambia, Guinea, the Lao People's Democratic Republic, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Sudan, Uganda, United Republic of Tanzania, Vanuatu, Yemen and Zambia.

¹² Benin, Burundi, Cambodia, Chad, Djibouti, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Rwanda, Sao Tome and Principe, Senegal, United Republic of Tanzania, Yemen and Zambia.

¹³ Angola, Burkina Faso, the Central African Republic, the Lao People's Democratic Republic, the Maldives, Niger, Sierra Leone, Sudan, Gambia and Uganda.

¹⁴ Regional seminars on common competition rules of UEMOA were held in Lome, Togo (7–9 August); Bissau, Guinea-Bissau (2–5 October); Cotonou, Benin (22–24 November); Niger (5–9 June); Dakar, Senegal (3–7 July); Ouagadougou, Burkina Faso (3–7 July); and Bamako, Mali (11–15 September) 2006.

has also been working closely with the Southern African Customs Union (SACU) on the preparation of common rules for competition policy and dealing with unfair trade practices. For instance, a series of national consultative workshops for the development of the “SACU Cooperation Agreement on Competition Policy Enforcement and on Unfair Trade Practices” was co-organized by the UNCTAD and SACU secretariats, including a seminar in Maseru (Lesotho) from 14 to 15 December 2006. These activities also helped establish collaboration between UNCTAD, the UEMOA Commission and the SACU secretariat.

VIII. Trade, environment and development

22. UNCTAD developed a project¹⁵ aimed at addressing the implications of environmental and related health requirements for developing country agricultural producers and exporters. Case studies undertaken in the context of the project covered Bangladesh and Cambodia from the LDC group. The studies, along with additional analysis by the UNCTAD secretariat, formed part of two monographs published in early 2007.¹⁶ Further work on organic agriculture was carried out in the context of the United Nations Environment Programme–UNCTAD Capacity-Building Task Force for Trade, Environment and Development (CBTF)¹⁷. A major achievement of the task force was the creation of an East African Organic Standard. This standard was approved by the East African Standards Committee in March 2007 and is due to be adopted by the Council of Ministers, to be the official organic agriculture standard for East Africa. UNCTAD, in cooperation with other relevant agencies, has also supported national training workshops in several countries¹⁸. The secretariat also implemented a programme on BioTrade in Uganda, in cooperation with the Uganda Export Promotion Board, with the financial support of the Governments of Norway and the Netherlands. The objective of the programme was to promote trade and investment in biodiversity-based products and services, and to improve livelihood through poverty alleviation and sustainable commercialization of products with high local value added potential.¹⁹

23. Paragraph 54 of the PoA states, “A strong, efficient and competitive energy sector can support technologies that promote a mix of cost-effective, clean fossil

¹⁵ The project financed by the United Kingdom Department for International Development and entitled “Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues” assisted in organized a workshop in Geneva from 3 to 4 July 2006.

¹⁶ The information relevant to Bangladesh and Cambodia can be found in the forthcoming monograph “Food Safety and Environmental Requirements in Export Markets: Friends or Foe for Producers of Fruit and Vegetables in Asian Developing Countries?” (UNCTAD/DITC/TED/2006/8).

¹⁷ The CBTF project “Promoting Production and Trading Opportunities for Organic Agricultural Products in East Africa” aims to contribute to sustainable rural development, food security and poverty reduction, especially in Burundi, Rwanda, Uganda and the United Republic of Tanzania. The project promotes the production and export of organic agricultural products and supports regional cooperation.

¹⁸ These included the workshop on Trade and Environment in Dakar (Senegal) in May 2006, the UNECA workshop for English-speaking member States in Addis Ababa (Ethiopia) in June 2006, and the WTO regional training seminars for French- and English-speaking African countries, respectively, in Rabat (Morocco) and Gaborone (Botswana) in November and December 2006.

¹⁹ Further information on the BioTrade Initiative activities and publications can be found at <http://www.biotrade.org>.

and renewable energy sources for growth and sustainable development.” In this context, UNCTAD and Royal Philips Electronics Corp. initiated a public–private partnership to explore possibilities for establishing an energy-saving light bulb industry in the SADC region. In 2006, advisory missions to Lesotho, Mozambique and South Africa were conducted and consultations continue on key policy considerations to realize the vision. UNCTAD, in collaboration with Philips and the United Nations Development Programme, also organized a regional conference in July 2006 in Pretoria to consider ways to start investment and production of energy-saving lamps in the SADC region. When the project is fully implemented, it is expected to contribute to efforts aimed at improving access to cost-effective energy sources and environmental sustainability through reduced greenhouse gas emission.

IX. Services infrastructure and trade efficiency

A. Automated Systems of Customs Data (ASYCUDA)

24. Among the 50 LDCs, so far 36 have implemented ASYCUDA, and many of them have been using the system for more than 10 years. In 2006, the programme was active in a number of LDCs, with the launching of new projects in Comoros and Eritrea, and the roll-out of the system in the Central African Republic and Guinea. Furthermore, a project for the implementation of ASYCUDA World was signed with the Government of Haiti and preparations were made to start pilot testing of ASYCUDA World in Cambodia. A Southern and Eastern African Technical ASYCUDA Centre, funded by the Government of Norway, was established to support the implementation and maintenance of the system in countries of the region (including Burundi, Ethiopia, Madagascar, Malawi, Rwanda, the United Republic of Tanzania, Uganda and Zambia). The system has brought computerized solutions for the simplification of customs clearance procedures such as the integration of electronic data, the Direct Trader Input of declarations and the automated selectivity process. The implementation of the system has led to shorter clearance time, strengthened customs controls and increased revenue collected by customs. Thousand of users have been trained in both customs and the trade community. Many of these national systems are maintained by a national team of experts and are self-sufficient, while others are supported by regional centres.

B. Trade and transport facilitation activities

25. On trade facilitation in 2006, Bangladesh, Bhutan, the Maldives, Nepal, Samoa and the Solomon Islands benefited from regional workshops organized by UNCTAD on WTO negotiations on trade facilitation. UNCTAD also made substantive and technical contributions to the joint WTO–UNCTAD workshops on WTO negotiations on trade facilitation, held in Lusaka (Zambia) from 13 to 16 June 2006 and in Senegal from 16 to 19 May 2006. Similar contributions were also made to the Organization for Economic Cooperation and Development (OECD) regional forum on trade facilitation. The forum, entitled “Maximizing the developmental benefits of a future WTO agreement on trade facilitation”, took place in Duala (Cameroon) from 27 and 28 September 2006. The regional forum was a joint event organized by the OECD Trade and Development Cooperation Directorates, in collaboration with the Government of Cameroon. The objective of the meeting was to examine how developing countries, bilateral donors, multilateral agencies and regional organizations can ensure the effectiveness of technical assistance and capacity-

building programmes in the area of trade facilitation, taking into account the principles of the Paris Declaration on Aid Effectiveness. Special emphasis was placed on analyzing how LDCs could deal with the challenge of assessing their needs and priorities during and after trade negotiations.

26. On transport facilitation, Zambia and the Lao People's Democratic Republic have benefited from the project designed to improve trade and transport facilitation in the "Zambia–Namibia" and "Vientiane–Bangkok" transit corridors, respectively. The Zambian and Namibian clusters, linking Lusaka to the Port of Walvis Bay in Namibia, are aimed at contributing to opening new safe and efficient routes for Zambian foreign trade. In 2006, UNCTAD also continued contributing to the implementation of the integrated country project funded by the World Bank in Afghanistan. Two transit centres in Afghanistan (one at the border with the Islamic Republic of Iran and the other at the border with Pakistan) were created and computerized with ASYCUDA++. This resulted in an increase in government revenue of about US\$ 0.7 million within three months. UNCTAD also provided further assistance to Afghanistan to set up a National Trade and Transit Facilitation Committee.

C. E-commerce

27. On e-commerce, UNCTAD, in collaboration with the International Telecommunication Union and the United Nations Economic and Social Commission for Asia and the Pacific, organized a regional workshop in Bangkok in July 2006. Representatives from Bangladesh, Bhutan, Cambodia, the Maldives, Nepal and Tuvalu participated. The workshop deliberated on core information and communication technology indicators and the challenges related to measurement of such technology in the Asia-Pacific region. Also, more than 80 representatives from the public and private sector (including academia) from the Lao People's Democratic Republic, Cambodia, the United Republic of Tanzania and Uganda were trained on the legal aspects of e-commerce. The training workshops focused on key concepts such as intellectual property, content regulation, securing e-commerce and the United Nations Commission on International Trade Law (UNCITRAL) Convention 2005 on the use of electronic communications in international contracts.

X. Human resources development: Virtual Institute, paragraph 166 and TrainForTrade

28. In this area, efforts have been made to strengthen teaching and research activities on international trade and development issues, especially in academic institutions in the LDCs. The UNCTAD Virtual Institute has provided support to the University of Dar es Salaam (United Republic of Tanzania) and the Cheikh Anta Diop University (Senegal). These include advisory services on curriculum development, structuring and design of the masters programme in international trade policies, including trade negotiations. Through paragraph 66 of the Bangkok Plan of Action²⁰, UNCTAD has also provided policymakers and academics from LDCs with training on key issues in the international economic agenda. Overall, 24 LDC participants benefited from the regional courses organized for the African and Asia-

²⁰ TD/338, 18 February 2000.

Pacific regions in 2006. Several LDCs have also benefited from the UNCTAD TrainForTrade programme, the objective of which is to strengthen human and institutional capacities in the fields of international trade, investment, ports management and tourism. The African countries of Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome and Principe participated in a training workshop held in Porto (Portugal) in July 2006 on modern port management techniques. The Asian countries of Cambodia and the Lao People's Democratic Republic benefited from the project in training local trainers and managers from various institutions of the two countries, as well as in the design of new courses on trade facilitation and investment-related issues.

XI. Investment, technology and enterprise development

29. During 2006, investment-related research and policy analysis work of UNCTAD addressed the impact of FDI on the tourism sector of selected countries. Tourism was highlighted in the Brussels Programme of Action (Section H, paragraphs 63 and 64) as one of the promising sectors of the economy for developing countries, and already it is a primary source of foreign exchange for many LDCs. Several LDCs, including Bhutan, the United Republic of Tanzania and Uganda, have benefited from the work of the secretariat in this field. The scarcity (and in some cases non-existence) of systems to collect statistical information on FDI has hampered the efforts of many LDCs to create effective policies for attracting and benefiting from foreign investment.

30. With the objective of contributing to efforts to improve investment frameworks in beneficiary countries, the secretariat prepared an investment policy review for Rwanda that addressed specific post-conflict issues. More LDCs (Lesotho, Rwanda, Uganda and Zambia) have also benefited from follow-up activities to the recommendations of the previous investment policy reviews. In addition to assistance in the context of the investment policy review, Zambia has also benefited from a "Blue Book" series on "Best Practice in Investment Promotion and Facilitation". The series is part of the ongoing cooperation between UNCTAD and the Japan Bank for International Cooperation, which is designed to provide a concise, user-friendly assessment of major impediments to investment in beneficiary countries, together with policy recommendations.

31. The Advisory Services on Investment and Training provided support to a number of LDCs in the area of investment promotion and good governance. These activities included the preparation of policy review on governance in investment promotion in Mali and organizing a follow-up national workshop in Bamako in October 2006. The workshop led to the implementation of an e-regulation system on investment for Mali with the objective of providing investment procedures online to both domestic and foreign investors. A similar project is being implemented in Ethiopia to strengthen the capacity of the Ethiopian Investment Agency and regional investment offices. Several LDCs have also benefited from training workshops²¹

²¹ In September 2006, UNCTAD, in cooperation with the World Association of Investment Promotion Agencies, organized regional training workshops for Asia and Africa. For the Asian region, the workshop was held in Xiamen, China, from 4 to 7 September 2006, with 16 experts from eight LDCs: Afghanistan, Bangladesh, Cambodia, the Lao People's Democratic Republic, Myanmar,

organized at the national and regional levels and from a project on “Investment guides and capacity-building for LDCs”²². This project is a joint initiative between UNCTAD and the International Chamber of Commerce, and is intended to assist LDCs in attracting and benefiting from more FDI. The resulting investment guides provide reliable information on policy framework and the investment climate in countries covered by the project, and serve as marketing tools to attract potential investors. Furthermore, many LDCs have benefited from capacity-building activities²³ undertaken in the framework of UNCTAD–Asia-Pacific Economic Cooperation on issues related to the International Investment Agreement.

32. In the areas of enterprise development and science and technology, UNCTAD has launched several activities in LDCs. These include the UNCTAD Business Linkages programme, which aims at enhancing small and medium-sized enterprise competitiveness through the creation and strengthening of business linkages between transnational corporations and domestic small and medium-sized enterprises in LDCs. A two-year pilot project is being implemented in Uganda by Enterprise Uganda in collaboration with the Uganda Investment Authority. It aims at facilitating more than 20 business linkages, particularly in agribusiness, real estate development, retail merchandising, manufacturing and telecommunication.

33. On science and technology, UNCTAD initiated the “Connect Africa” project with the aim of providing hands-on training to information and communication technology engineers and technicians from selected African LDCs. The project has so far benefited Lesotho and more recently Mali. More than 200 personal computers, 14 servers and other telecommunication equipment were shipped and installed at a number of district-level schools in these countries. In Mali, about 100 people were trained on information and communication technology through another project entitled “Cyber-Education of Mali”. The work programme on technology transfer and intellectual property rights has launched another project on “technical assistance and capacity-building for African LDCs to create pharmaceutical production capacities”. The project, funded by the Government of Germany, has the overall objective of assisting LDCs establish domestic intellectual property regimes that facilitate increased access to affordable medicines and, where feasible, create local or regional pharmaceutical production and supply capacities.

Nepal, Timor-Leste and Yemen. For Africa, workshops were held in Durban (South Africa) from 4 to 6 December 2006 on “Promoting FDI into the tourism sector” and “Investor targeting in the mining sector”. This workshop also received support from South African investment promotion agencies. Fourteen participants from six LDCs – the Democratic Republic of the Congo, Lesotho, Namibia, the United Republic of Tanzania, Uganda and Zambia – were trained at these workshops.

²² These include the countries of Bangladesh, Cambodia, Ethiopia, Mali, Mauritania, Mozambique, Nepal, Rwanda, the United Republic of Tanzania and Uganda, and the regional intergovernmental organization the East African Community.

²³ These include regional workshops organized for the Common Market for Eastern and Southern Africa (1–3 March and 9–10 October 2006), for ASEAN (15–16 February 2006) and for the Middle East (17–18 November 2006).

XII. The Debt Management and Financial Analysis (DMFAS) programme

34. UNCTAD has been providing technical assistance in the field of debt management through the DMFAS programme since the beginning of the 1980s. This includes development, installation and maintenance of the DMFAS software that meets the operational, statistical and analytical needs of beneficiary countries; training and advisory services in needs assessment in technical as well as institutional debt management issues; and capacity-building in debt data validation, statistics, debt analysis and debt strategies. At the end of 2006, the DMFAS system was installed in 28 institutions in 21 LDCs, with negotiations ongoing for five new LDCs²⁴. Also, new projects with current user institutions were signed with the Burundi Ministry of Finance and the Rwanda Ministry of Finance and Central Bank. During the same year, the programme continued to assist debt management offices in several LDCs,²⁵ particularly in building technical and institutional capacities to effectively manage debt.

XIII. Conclusions and recommendations: The way forward

35. One of the important aspects of the PoA for LDCs is that it recognizes that the series of commitments and actions which it listed should be implemented as part of overall national development policies and strategies. It also recognizes the importance of national ownership of such policies and strategies. The other important distinctive feature of the PoA is its emphasis on partnership with the international community, particularly donors. Since the adoption of the PoA in 2001, the engagement of development partners with LDCs has been strengthened, especially with respect to development aid, debt relief and market access. Consequently, aid inflows to LDCs as a group have doubled in nominal terms since 1999; some progress has been made on debt relief for some LDCs; new initiatives to move towards the objective of duty-free and quota-free market access for all LDC products have been put in place; there has been tangible progress in the untying of aid for these countries; and private capital inflows including foreign direct investment have improved, although such inflows continue to be heavily concentrated in a few country sectors.

36. LDCs, individually and as a group, have also continued to benefit significantly from extensive UNCTAD-wide activities. Most of these activities have been

²⁴ Afghanistan (Ministry of Finance), Angola (Central Bank), Bangladesh (Ministry of Finance and Central Bank), Cape Verde (Central Bank), Chad (Ministry of Finance), Cambodia (Ministry of Economy and Finance), Central African Republic (Ministry of Finance), Comoros (Ministry of Finance), Congo (Ministry of Finance), Guinea-Bissau (Ministry of Finance), Madagascar (Ministry of Finance and Central Bank) and Yemen (Ministry of Finance, Central Bank and Ministry of Planning and International Cooperation).

²⁵ A workshop on debt statistics was held in Uganda from 9 to 18 July, in which 19 participants from three LDCs (Angola, Rwanda and Uganda) and one non-LDC (Zimbabwe) took part. The workshop assisted in enhancing domestic capacity to produce timely, reliable and accurate debt statistics. At the country level, in addition to providing training on the optimum use of the DMFAS systems, a workshop on debt analysis was held in Sudan, from 31 January to 10 February, on alternative debt management scenarios.

initiated at the request of LDCs and are demand-driven. Some of the technical cooperation activities have contributed to the creation of national expertise and regional centres of excellence in the field. For instance, with ASYCUDA and DMFAS, many of the national systems are maintained by a national team of experts or regional support centres, while others are supported by the UNCTAD secretariat. However, concerted efforts by donors, beneficiary countries and the secretariat should be made to enhance the substantive (or developmental) impact of technical cooperation and capacity-building projects and programmes on domestic institutions and economies of LDCs. To that end, ongoing efforts aimed at enhancing ownership capacities of LDCs should be continued, while predictability and sustainability of such activities should be ensured.

37. The description of the UNCTAD-wide activities, as shown in the present report, is a clear indication of the continued and expanded involvement of UNCTAD in LDCs. It also shows the increasing interest and demand for the support of the secretariat from beneficiary countries and significant financial support by donor countries to undertake the various activities in LDCs. In this regard, the UNCTAD-LDC Trust Fund remains an important vehicle for initiating, designing and implementing technical cooperation and capacity-building activities in LDCs. For the secretariat, the challenge ahead is to cope with the increasing and expanded requests coming from beneficiary countries on the one hand, and the urgent need for the regular replenishment of the trust fund on the other. The need to diversify the sources of funding for the trust fund still remains a challenge, as only a few donors have made contributions to it recently.

38. With regard to progress made towards the goals and targets of the PoA, the work of UNCTAD reveals considerable variation in the socio-economic performance of LDCs²⁶. In some cases, growth has been favourable (although below the ambitious target of 7 per cent), and has contributed to a reduction in extreme poverty, particularly in urban areas, while rural areas tend to suffer more poverty. For instance, of the 40 LDCs for which data are available, only seven (Bangladesh, Bhutan, Burkina Faso, Cape Verde, the Lao People's Democratic Republic, Lesotho and Nepal) have experienced sustained economic growth. All the others have experienced economic contractions of varying duration and severity since achieving political independence (UNCTAD, *Least Developed Countries Report 2006*). This trend has led to the emergence of international migration of people from many LDCs, particularly to Europe. Where progress has been observed, it has generally been based on sound economic policies which have improved the macroeconomic and business environment, and enhanced investors' confidence. In other LDCs, however, the record has been much less positive, with disappointing economic growth and little improvement in poverty reduction. As with economic performance, progress made towards achieving human development targets of the Programme of Action and the Millennium Development Goals is also mixed. Some LDCs have made concrete progress in some areas, notably in reducing child mortality and improving access to safe water, as well as in introducing universal primary

²⁶ The incidence of poverty shows a declining trend in six of 14 countries where data are available, using international poverty line of less than US\$ 1 a day; and in seven of 10 LDCs, using the national poverty line, which refers to national estimates of the proportion of people living in poverty as reported internationally. (See UNCTAD *Least Developed Countries Report 2004*, *Least Developed Countries Report 2006* and UNCTAD/LDC/2006/3.)

education and promoting adult literacy. Overall, only a few LDCs have managed to reduce the proportion of their people living in extreme poverty. Therefore, the challenge of poverty reduction remains immense and will require special efforts by the LDCs themselves and their development partners.

39. The analytical work of the secretariat also points to the importance of predictable and well-coordinated aid flows in attaining and sustaining socio-economic progress in LDCs. A well-managed process of engagement with development partners and the global economy, especially through international trade and investment, can accelerate and widen the opportunities for pro-poor growth for sustained poverty reduction efforts. But a poorly managed partnership can impact negatively on long-term growth prospects. For instance, in spite of some progress on quantity of aid, improving equally the quality of development aid as well as aid effectiveness remains a challenge. The composition of official development assistance has also changed markedly since the 1990s, with a significant increase in the proportion devoted to social sectors and an equivalent reduction for economic and productive sectors, especially agriculture. For example, between 1992–1995 and 2000–2003, official development assistance allocation to economic infrastructure and production-oriented sectors declined from 45 per cent to 26 per cent of total aid commitments of all donors to LDCs (UNCTAD, 2002, 2004).

XIV. Recommendations for further action at the national and international levels

40. In line with the extensive activities of the secretariat and taking into account the above conclusions on progress made thus far with the implementation of the PoA, the following policy recommendations can be put forward for consideration. This is not an exclusive list with any particular order of importance, but it should be linked to the actions and commitments of the Programme of Action.

41. Many of the projects implemented in LDCs by UNCTAD, particularly those with longer time spans, created committed and competent national and/or regional counterparts that are willing to take an active part in the long-term implementation of projects. However, financial constraints at the domestic and international levels continue to undermine the sustainability and long-term impact of technical cooperation programmes in LDCs. This makes the sustainability of the projects beyond the implementation period very difficult. This raises the need for ensuring a predictable, sustainable and sound funding for technical cooperation and capacity-building activities in LDCs on the one hand, and the possibility of developing multi-year programmes in specific areas on the other.

42. Efforts should be redoubled to sustain the recent progress in partnerships so as to make them an effective means to substantially improve the everyday lives of poor people in LDCs. To that end, LDCs and their development partners should strive to enhance the quality of growth, which should be inclusive, participatory and sustainable. This requires, among other things, developing productive capacities which in turn can contribute to the creation of productive employment opportunities. Sustained structural transformation in the economies of LDCs can take place only if an enabling policy framework is put in place that will accelerate the process of capital accumulation, structural change and technological progress.

43. It is essential for LDCs and their development partners to ensure strengthened and mutual accountability in development cooperation through an effective monitoring and evaluation mechanism at the national level. While the success of the PoA will depend on the scaling up of resource flows to the LDCs, ensuring that these resources are used effectively towards reaching the Millennium Development Goals and the goals of the PoA is vital. A new approach to development aid policies is highly desirable if LDCs are to achieve greater ownership of public expenditures. Increased allocation of development aid to nationally designed projects and programmes in the form of budgetary support is also crucial. It is equally important for development partners – those who have not already done so – to make additional efforts to meet the special official development assistance targets of 0.15 per cent to 0.2 per cent of their respective gross national incomes to the LDCs.

44. Serious consideration should be given to the development and utilization of domestic productive capacities and the related expansion of productive employment. These are key to ensuring the sustainability of both high economic growth and poverty reduction. There is a need for increased allocation of aid to develop supply capacities, including for commodity diversification and increased local capacities for value added processing. LDCs and their development partners should redouble their efforts to improve and orient the composition and sectoral allocation of development aid. This implies a rebalancing of priorities between human development targets and production-related issues, with greater emphasis on the latter.

45. Similarly, the outcome of the current Doha Round of WTO negotiations needs to include a significant “Aid for Trade” initiative for the LDCs. There is broad consensus that the aid for trade agenda should include trade-related technical assistance to build capacity to formulate a locally-owned trade policy, participate in trade negotiations and implement trade agreements. It should also include assistance to build supply-side capacities, including trade-related infrastructure and compensatory assistance with adjustment costs resulting from trade policy-induced changes. The need for additional aid for trade resources should also be seen in the general context of the increased flow of resources to LDCs that is needed if the Millennium Development Goals are to be met. If aid for trade is properly integrated with broader development strategy and planning, its impact will extend beyond the immediate trade area and support efforts to achieve the Millennium Development Goals by 2015.