

## Second Session of the Preparatory Committee for LDC-III

The second session of the Preparatory Committee (PrepCom) for the Third United Nations Conference on Least Developed Countries (LDC-III) met from 5-9 February 2001 at UN headquarters in New York. The session was devoted to consideration of national preparations for the Conference and a first formal reading of a draft Programme of Action (POA) for the decade 2001-2010, which is expected to be adopted at the Conference.

LDC-III, to be held in Brussels (Belgium) from 14-20 May 2001, will address and review progress since the second LDC conference in 1990, and determine strategies and priorities for the future. Its POA aims to "provide a strong global partnership to accelerate growth and sustainable development in LDCs, fight poverty, inequality and deprivation in these countries, and enable them to beneficially integrate into the global economy." The draft POA, prepared by the United Nations Conference on Trade and Development (UNCTAD), identifies seven commitments: fostering a people-centred policy framework; promoting good governance; building human capacities; strengthening productive capacities; making globalization work for LDCs; reducing vulnerability and conserving the environment; and mobilizing financial resources. Each commitment calls for actions by LDCs and their development partners to ensure implementation.

During the PrepCom governments, UN agencies and NGOs commented on the POA and proposed amendments. Speakers addressed the importance of debt cancellation, official development assistance (ODA), foreign direct investment (FDI), and market access for the LDCs. The participation of all stakeholders was deemed important, as was achieving consensus on an integrated, focused and action-oriented POA with time-bound targets and a division of responsibility. Clear, balanced, mutual commitments in the text regarding such major issues as democracy, good governance, respect for human rights, rules of law, gender

transparency and conflict prevention were also highlighted.

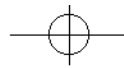
"If poverty in the world's 48 least developed countries is not reduced substantially in the coming decade," warned PrepCom Chair Jacques Scavee (Belgium), "international targets for halving poverty worldwide will remain an empty slogan." The ultimate test of the Programme of Action's effectiveness, he said, would be its success in improving the living conditions of the poor including women.

Also addressing the session, General Assembly President Harri Holkeri (Finland) said that development could no longer be viewed as the business of governments alone. He stressed that development was "the collective business of the peoples of the United Nations" and that "unless civil society, the private sector, the media, lawmakers and academia get involved in the process, the international community will deprive itself of the enormous potential" of those entities.

Seven interactive sessions at LDC-III will focus on issues such as good governance, peace and stability; the agricultural sector and food security; health; international trade, commodities and services, including tourism; investment and enterprise development; infrastructure; and financing. Three roundtables on energy, education and transport will also take place. Parallel events to the Conference will include a high-level parliamentary roundtable, an NGO Forum, a business sector and young entrepreneurs' meeting, and youth and women's fora.

### HIGH-LEVEL PANEL REPORT

The PrepCom had before it a report (A/CONF.191/IPC/16) of the High-Level Panel for the



Review of Progress in the Implementation of the Programme of Action for the Least Developed Countries for the 1990s (see *NGLS Roundup* 60). It says that during the 1990s development proved elusive for a significant number of LDCs as their economies declined, social conditions worsened, and they remained the group of countries most marginalized from the world economy. Stagnation in LDCs, says the report, has been largely caused by political instability, civil strife, lack of good governance, intolerance and mismanagement of economies.

The Panel also found that the international community has been far less supportive of LDCs in the 1990s, especially in terms of ODA, than foreseen in the POA. Aid flows to LDCs as a share of donors' gross domestic product (GDP) were almost halved in the 1990s to a record low of 0.05%. The Panel noted that the composition of ODA also changed markedly in the 1990s, with a significant increase in the proportion devoted to "social infrastructure" such as health and education, and an equivalent reduction for economic and productive sector infrastructure. Grants as a proportion of ODA increased, mainly in the case of bilateral donors and in the form of debt relief and emergency aid.

The decline of ODA, says the report, had resulted in declining long-term net capital flows by about 25% in nominal terms since 1990. Although private capital flows to LDCs have been increasing, they had been unable to offset the decline in ODA. An important form of increased capital imports, however, had come in the form of remittances from workers from LDCs living in other countries.

The Panel also found that the rising burden of debt in LDCs had resulted largely from concessional loans received as part of ODA, rather than from commercial borrowing or speculative inflows of short-term portfolio capital. The debt-ridden countries in Africa tended to be more structurally constrained than LDCs in Asia, which according to the report had been able to expand exports and revenue earnings to keep pace with debt service obligations.

In many LDCs, the report says, the share of manufacturing in GDP and in the labour force had barely changed or had actually declined. Most LDCs remained tied to the export of one or two primary commodities or service activities. All LDCs lacked an adequate infrastructure to sustain competitive industries. Transport, power and water capacity, and telecommunications all remained underdeveloped, insufficient, irregular and competitively costly. Adequate FDI had not flowed into LDCs to fill the domestic entrepreneurial gap.

With their weak capacity for domestic resource mobilization, the dependence of LDCs on external resource inflows, particularly in the form of ODA, had remained

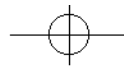
high, according to the Panel. Moreover, macro-economic balances remained fragile with budget and balance-of-payments deficits, and showed little improvement. The one area where the report indicates positive gains in the 1990s was in moderating inflation. However, in some LDCs it said this reflected a lack of dynamism as much as improvement in monetary management. Progress in social development had been registered in some LDCs, although high mortality rates had increased and life expectancy had declined, possibly as a consequence of civil strife and HIV/AIDS.

Among its recommendations to the PrepCom, the Panel felt that expanding LDC exports was essential for poverty reduction and economic growth, and was key to generating foreign exchange for debt repayments and for attracting foreign investors. It said the source of underdevelopment in the LDCs lay in their "structural rigidities" and their weak capacity to: mobilize domestic resources, both human and material; make access to these resources more inclusive; and use these resources more productively, which perpetuates their LDC status and makes them dependent on external resource inflows, notably ODA. Excessive dependence on ODA had resulted in erosion in ownership over the direction and implementation of policy, and had contributed to a crisis in governance. This in turn had impacted on economic performance and domestic resource generation, and had further perpetuated external dependence and vulnerability. The Panel emphasized five major areas of challenge for LDCs: gaining ownership over policy; diversifying production and exports; improving governance; enhancing human capital; and responding to shocks.

#### **DRAFT PROGRAMME OF ACTION**

The POA proposes a series of national policies or "actions by LDCs" and external support measures or "actions by development partners," along with the seven commitments. The POA aims to contribute to a significant improvement in living standards in LDCs during the present decade. A major goal will be to pursue the internationally-agreed target of reducing extreme poverty by half by 2015. This will require, among other things, significant and steady increases in growth rates in LDCs. To this end LDCs, with the support of their partners, will strive to attain annual growth rates of 5%-6% by 2006 and 6%-8% by the end of the decade.

The POA takes into account the outcomes of major global conferences and summits including their special provisions in favour of LDCs, as well as other recent policy developments in multilateral forums including those within the UN and Bretton Woods Institutions. The preparation of national programmes of action during the preparatory stage provided inputs to the draft.



The text also underscores the essential role of women in the livelihood and survival of their families and communities, particularly in critical situations. Achieving gender equality and empowerment of women in LDCs is an important objective of the POA, which makes provision for redressing inequalities between women and men, and girls and boys, and ensuring their equal rights, responsibilities and opportunities.

The text also proposes targets in such areas as school enrollment and literacy, access to safe water and sanitation, and reducing mortality and HIV/AIDS. In addition, it calls for ensuring reproductive rights "in the broader context of health-sector reforms" and for improving access to essential medicines and vaccines. It proposes that the multinational pharmaceutical companies play an active role in developing "life-savings drugs at affordable and/or no cost."

The POA recognizes as cross-cutting issues: poverty eradication, gender and development, employment, involvement of key stakeholders in the development process including civil society and the private sector, and special problems of LDCs that are land-locked or small island developing states (SIDS).

According to the POA, the LDCs will continue to have primary responsibility for formulation and effective implementation of appropriate policies and measures. Each LDC will translate national policies and measures contained in the draft POA into concrete action within the framework of its national programme of action. In doing so, special attention will be given to the particular circumstances and priorities of each and the need to appropriately build upon existing mechanisms such as the Poverty Reduction Strategy Papers, Comprehensive Development Framework, Common Country Assessments, and UN Development Assistance Framework. According to the POA, this should be accomplished with the full involvement of all domestic stakeholders and collaboration of development partners. Development partners will assist by facilitating an enabling external environment and providing adequate external support. An important function of the POA will be to serve as a common framework for development cooperation for LDCs. South-South cooperation is also emphasized, particularly in the areas of human and productive capacity building, investment, transport cooperation, technical cooperation and exchange of best practices.

The POA proposes that national policies of LDCs and external support measures by their partners revolve around the following priorities: significantly reduce extreme poverty; develop human resources to support long-term development; remove supply-side constraints to accelerate growth and employment generation; and increase LDCs' share in world trade and global financial and investment flows.

Regional follow-up should focus on cooperation between LDCs and other countries at the regional and subregional levels. Global follow-up should be concerned with assessing the economic and social performance of LDCs; monitoring the implementation of commitments by LDCs and their partners; reviewing the functioning of implementation and follow-up mechanisms at country, regional and sectoral levels; and global-level policy developments with implications for LDCs.

#### **PREPARATIONS AT THE NATIONAL LEVEL**

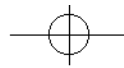
The United Nations Conference on Trade and Development, serving as Secretariat for the Conference, reported on the status of the national programmes of action being prepared by each LDC for consideration in Brussels. The programmes constitute strategy documents for national development over the next decade and follow the structure of the LDC-III POA. The programmes, which reflect the diversity of problems facing the LDCs, contain a compendium that summarizes the 42 national programmes submitted thus far. Common concerns are: investment in infrastructure; good governance; adequate financing for development in the form of debt relief, increased ODA and FDI, and the mobilization of domestic savings; and access to developed country markets for all LDC exports.

#### **SOME GOVERNMENT AND AGENCY VIEWS**

At the opening session of the PrepCom, speakers concurred that while LDCs are primarily responsible for their own development, the international community and a wide range of actors must also contribute. An "enabling external environment" is part of that process, involving increased access by poor countries to the markets of developed and other developing countries, and a growing role for the private sector to offset declines in public or official aid. Good governance—the rule of law, transparent democratic processes and respect for human rights—were also highlighted as essential.

The Coordinator of the LDC group, Ambassador Anwarul Chowdhury (Bangladesh), said that LDCs wanted to see strong emphasis on ODA, market access and debt cancellation. He said that the social dimension of development should have overriding importance in the POA, and called for more emphasis on LDC capacity building and building an implementation mechanism for the POA. Mr. Chowdhury underscored the latter, noting that many past failures were due to the absence of effective monitoring.

Mali, speaking on behalf of the Africa Group, agreed that particular importance should be attached to the



establishment of implementation mechanisms and regional, subregional and international cooperation. Africa, Mali said, sought a new global compact to enable nations to invest resources in African countries, alleviate the debt burden and ensure access to markets.

Iran, on behalf of the Group of 77 (G-77) and China, stressed the necessity of active participation of all stakeholders and the importance of achieving consensus on an integrated, focused and action-oriented programme with specific time-bound targets and a clear division of responsibility.

Brazil agreed with the G-77/China position but stressed it was important to recognize that the main responsibility rested with developed countries, which Brazil said had a greater capacity to contribute. It also highlighted the importance of South-South cooperation and support from development agencies. Procedures of multilateral institutions involved in development and financing of technical cooperation should be simplified and made more accessible, Brazil said.

Nigeria, agreeing with both the G-77/China and Brazil positions, said that what was expected from LDCs was very specific in the POA. However, it noted, that expected from development partners was more vague. Nigeria stressed the need for concrete objectives, particularly in the area of development partnership.

China felt that to make progress, LDCs had to rely on themselves. However, it pointed out that adverse external conditions were the main cause of the predicament of LDCs. It cited heavy debt burdens, declining aid, and falling commodity prices. China called on the international community to assume its obligations and adopt more practical actions in the areas of ODA, debt relief, trade and investment. China said that the POA also failed to properly address the balance between economic and non-economic factors, which it felt should be complementary.

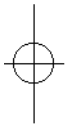
Sweden, on behalf of the European Union (EU) and associated states, said it would like to see clear, balanced and mutual commitments in the POA regarding major issues such as democracy, good governance, respect for human rights, rule of law, gender, transparency and conflict prevention. It said that social stability and peace-building must be fully considered in addressing the many needs of LDCs. Effective national, regional and international follow-up mechanisms and criteria were also called for, including policy coherence and coordination. This should involve all relevant actors, and benchmarks and performance indicators for monitoring after LDC-III. The EU felt that the draft should focus more on major strategic issues rather than listing a mix of policies, and

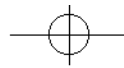
technical and project-oriented activities, in sections dealing with commitments. The overarching focus should be to eradicate poverty and secure long-term, sustainable development and livelihoods in the LDCs. The EU emphasized the importance of full participation of women in national development as essential for sustainable development and progress. It also stressed the importance of improved market access for products originating in LDCs and an increase in the low share of ODA.

A number of countries emphasized the need for LDCs to undertake macro-economic and structural reforms while development partners increased support through ODA. Japan, which has provided the largest amount of ODA to LDCs for the last nine years, stressed the importance of ownership of the process by LDCs and welcomed initiatives taken by them in preparing national programmes of action.

The United States said that the POA must recognize preconditions for sustainable development such as a peaceful and healthy society and an accountable, transparent and participatory government, without which development strategies and development assistance would be wasted. It stressed the role that armed conflict had played in negating development efforts in the LDCs, and noted that 22 LDCs were affected by current or recent conflict. It also emphasized the ravages of HIV/AIDS. The United States expressed concern that some sections of the POA included calls for overly-specific commitments that inappropriately prejudged ongoing or anticipated negotiations in other multilateral fora. Instead, the US said, the POA should focus on areas of international consensus, including agreed international goals. The emphasis of the POA, it stressed, should be more on creating a constructive national environment for investment and trade and on more effective national use of development assistance, than on a simple call for increased assistance.

Norway also emphasized good governance, peace and political, economic and social stability as preconditions for improving conditions in LDCs. It fully supported emphasis on social development as well as health, and called for clear commitments in combating HIV/AIDS. Norway felt the POA should be structured around concrete ideas and achievable plans; therefore the commitments needed to be more precise and focused. Indicators of achievement were needed, Norway said, to measure implementation of obligations in both the LDCs and in developed countries. It agreed with the EU that a solution was needed for the problem of declining ODA, as well as a more favourable trade regime. Norway also spoke of the need to determine ways to draw on capacities of the private sector in support of development and poverty alleviation. If globalization were to deliver its benefits for all, Norway said, people in the LDCs had to be





empowered toward that end. And development assistance and trade should contribute to more equal sharing of opportunities.

Mark Malloch Brown, Administrator of the United Nations Development Programme (UNDP) and speaking as convenor of the UN Development Group, emphasized the importance that the entire UN system attached to making "the Conference a concrete and practical expression of the system's priority attention to reducing poverty in the poorest countries." Eimi Watanabe, UNDP Assistant Administrator, highlighted the importance of supporting national mechanisms for monitoring implementation of the POA and setting indicators for monitoring progress. She said that the objective of halving poverty by 2015 required faster growth. To achieve this goal it was important to substantially increase domestic savings and improve trade conditions, including free market access. Development partners needed to undertake a range of complementary actions to improve governance and social investments. Ms. Watanabe pointed out that the international community still lacked a quantified target to improve its cooperation for sustainable energy, which was critically important for LDCs and required targeted regulatory, financial and training efforts, as well as increased investments.

A representative of the World Trade Organization (WTO) said meeting the goal of halving extreme poverty by 2015 required holding a new round of trade negotiations. He called this "indispensable" for achieving high growth rates for all poor countries, including LDCs. He argued against protectionism "so that all countries can address any systemic imbalances, real or perceived."

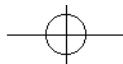
Uri Dadush of the World Bank said its analysis of the poorest countries showed there was no "iron-clad law" that precluded the poor from development if they avoided war, acute inflation and overvalued exchange rates. The decline of aid assistance was a source of disappointment, he said, and clearly a large increase was needed. Aid was increasingly directed toward countries that had adopted policies toward poverty reduction, Mr. Dadush noted. Despite the fall in aggregate aid flows, the adoption of sound policies was still critical. Duty-free and quota-free access for LDCs should be granted to markets of all developed countries; since LDCs occupied only a tiny share of world trade, the cost of providing such access would be negligible. The LDCs, he said, should also take steps to integrate into the world economy. Rather than recommending unconditional debt cancellation, which he felt might not be in the best interests of the indebted countries, Mr. Dadush noted that in 2000 there had been unprecedented progress on debt relief. He said that the Enhanced Heavily Indebted Poor Countries (HIPC) debt initiative would further improve the situation.

Reinhard Munzberg of the International Monetary Fund (IMF) agreed with the World Bank concerning the debt cancellation issue. The Fund, he said, supported placing emphasis on the role of domestic efforts and macro-economic stability, and national ownership of the process. He also stressed the importance of technical assistance, which he said the Fund was providing.

#### NGO PARTICIPATION

The International Steering Committee of the NGO Forum and a small group of NGOs held meetings during the PrepCom to plan a number of activities for the PrepCom in April 2001, for NGO regional meetings, and LDC-III and the NGO Forum. In addition, they continued to develop their policy document and prepared statements for the PrepCom. The NGOs addressed the PrepCom on two occasions. Motarilavo Hilda Lini, of the Pacific Concerns Resource Center (Fiji), told the PrepCom that LDC-III should ensure strengthened flows of ODA to the LDCs. She underscored as key issues social services, measures to support and empower the poor, gender equity, youth involvement, education and health. Expecting poor countries to benefit from globalization while obligating them to conform to more rigorous deregulation than rich countries was unjust and unworkable, she said. Special and differential treatment should be reflected in concrete measures and not only in extended time frames. LDCs should be provided with an infrastructure that could directly improve the quality of life for the poor, especially in rural areas. Developed countries should open up tariff- and quota-free access for all products from LDCs, she said. While Ms. Lini welcomed the fact that serious attention was being paid to globalization's role in development, she said that civil society worldwide was sceptical if such an approach was realistic. Beyond technical measures to make globalization development-friendly, she said, there were also basic questions about global economic justice that needed to be addressed.

Ms. Lini emphasized several issues that she said were missing or inadequately addressed in the draft POA. Among these were the fact that human and labour rights could be misused to justify new forms of conditionality and protectionism. She appealed to delegations to integrate the human rights framework in an appropriate way in national contributions to LDC-III, and said that making the connection between the culture of peace and good governance was "imperative" to enhancing development and eradicating extreme poverty in the LDCs. A major issue of concern to NGOs was conflict, Ms. Lini said. While governments were responsible for addressing the inequalities that led to conflict, local communities should be involved in peace-building, mediation and



reconciliation. During the PrepCom NGOs strongly advocated a total ban on the import of small arms and light weapons into regions of violent conflict, and said peace initiatives in the LDCs could not be successful "until the sale of arms, originating mainly from the five permanent members of the Security Council," was ended.

Arjun Karki of Rural Reconstruction (Nepal), speaking on behalf of the International Steering Committee of the NGO Forum, emphasized several issues of importance to NGOs. These included ODA, the debt crisis and market access. "Public goods need public finance," he said and stressed the need for public education, health care, social protection and social integration and policies that focused on income security, including decent employment. He said a real and just solution to the debt crisis was both possible and urgent, and he urged LDC-III to call for the total cancellation of all LDC debt, and for developed countries to grant duty-free market access for all LDC exports.

Mr. Karki stressed that LDCs must be responsible for their own development and noted that if donor countries and agencies dictated economic, social or political issues to LDCs, this would undermine the very objectives of LDC-III and its commitments to participatory and people-centred development. LDC-III, he reminded delegates, was about all countries and their responsibilities *vis-à-vis* LDCs. Citing climate change and its effect on small island states as an example, he said that the challenge for development partners was to understand how their actions affected LDCs and to take responsibility for changing their own policies to ensure they don't undermine development in the LDCs.

#### **NGO Forum Plans Move Forward**

NGO planning meetings were held during the first PrepCom to prepare for the NGO Forum, to take place in Brussels from 10-20 May 2001. A group of Brussels-based NGOs including Eurostep, Nationaal Centrum voor Ontwikkelings Amenwerking (NCOS), Catholic International Cooperation for Development and Solidarity (CIDSE) and Solidar replaced the Liaison Committee of Development NGOs to the European Union as host of the Forum. The LDC III-NGO Forum will still be guided by an eight-person International Steering Committee (five members of which come from LDCs) and its regional committees.

At least 600 NGOs, including some 250 LDC-based organizations, are expected to participate in the NGO Forum and LDC-III. The Forum will open with a Plenary Assembly during the three days prior to LDC-III. These days will be used to finalize NGO positions, agree on joint submissions to LDC-III, and choose NGO speakers to address LDC-III sessions. The NGO Forum will organize a programme of workshops and panels that will be timed to feed into LDC-III activities. Topics of discussion at the NGO events will include refugees; health, particularly HIV/AIDS; women's equality; environmentally sustainable growth; cancellation of debt of all LDCs; free access to Northern markets for all LDC goods and reform of WTO trading rules that are not favourable to LDCs; reform of structural adjustment programmes; coordination of aid among donors, governments and financial institutions; measures to end war, conflicts and illicit arms sales; encouragement of good governance; clear benchmarks for inclusion in the POA; and establishment of an official and/or civil society team to monitor implementation of the LDC-III commitments.

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