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Item 2(c) of the provisional agenda

UNCTAD's contribution to the Fourth United Nations Conference on the Least Developed Countries: The way forward¹

Executive summary

As one of its agenda items at its fifty-sixth annual session, the Trade and Development Board considered “UNCTAD's contribution to the preparatory process of and to the Fourth United Nations Conference on the Least Developed Countries (LDC-IV)”. The Trade and Development Board requested UNCTAD, within its mandate, to provide the necessary support and to actively contribute both to the preparatory process and to the Conference itself.²

The present note is prepared to assist the fifty-first executive session of the Trade and Development Board in its consideration of sub-item 2(c) of its provisional agenda.

¹ For detailed recommendations and background, please see the UNCTAD report entitled *Comprehensive Appraisal of the Implementation of the Programme of Action for the Least Developed Countries for the Decade 2001–2010: Assessment of Progress and Lessons for LDC-IV and Beyond* (UNCTAD/ALDC/2009/2).

² TD/B/56/SC.I/L.2

1. The Fourth United Nations Conference on the Least Developed Countries,³ which is to be held in Istanbul, Turkey, from 30 May to 3 June 2011, will offer a renewed opportunity to the international community and least developed countries (LDCs) alike to address the trade and development challenges facing LDCs. The Conference has two major objectives, as set out in paragraph 114 of the Brussels Programme of Action: (a) undertaking a final and comprehensive assessment and appraisal of the implementation of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001–2010; and (b) deciding on subsequent actions, by adopting a renewed partnership between the LDCs and their development partners.
2. UNCTAD has been making substantive and technical contributions to the Conference and to its preparatory processes. In this regard, UNCTAD convened an LDC expert meeting in Kampala, Uganda, in October 2009, at which experts deliberated on the trade and development challenges and opportunities facing their respective countries. This meeting examined current national and international policies and strategies to address the challenges (including their strengths and weaknesses), and adopted a summary of recommendations which were fully reflected in the outcome documents of the regional review meetings held in Dhaka, Bangladesh for the Asian and Pacific region, and in Addis Ababa for the African region (plus Haiti). The secretariat also held an ad hoc expert meeting in Geneva in February 2010, which shed further light on the challenges facing LDCs, identified prospects for their growth and development, and discussed the international support measures needed for these countries. The forty-ninth executive session of the Trade and Development Board, held on 8 and 9 June 2010, discussed the follow-up to LDC-III and preparations for LDC-IV, and sought to determine the key development challenges facing the LDCs in the coming period. The outcomes of these pre-conference events have been submitted to the preparatory processes of the Conference.
3. In collaboration with several other United Nations agencies, UNCTAD organized a pre-conference event entitled “Building productive capacities in LDCs for sustainable and inclusive development”, which was held in Geneva on 27–29 October 2010. This pre-conference event provided opportunities to address four broad and interrelated issues, namely (a) challenges, opportunities and prospects of building productive capacities; (b) the role of trade in the development of productive capacities; (c) the role of foreign direct investment and domestic enterprise development; and (d) the contribution of science, technology and innovation, as well as trade logistics, in building productive capacities in LDCs.
4. UNCTAD also held an international expert meeting on tourism development in the LDCs, in Caen, France, from 12 to 14 October 2010. The focus of the event was on promoting opportunities for poverty reduction by means of sustainable tourism development in LDCs, through a durable local input to the tourism economy (with local entrepreneurship) and a density of linkages between the tourism industry and the sectors supplying relevant goods and services to the industry, particularly the tourism–farming linkage.
5. The research and analytical work of UNCTAD, as well as its technical cooperation and capacity-building activities, will continue to advance and support the trade and development efforts of LDCs. The work undertaken by UNCTAD on LDCs, including through national case studies, reveals considerable variation in their economic performance and in their progress towards attaining the goals and targets of the current Programme of Action. Where progress has been observed, it has generally been based on sound economic policies which have improved the business environment and enhanced investor confidence.

³ The Conference will be convened pursuant to United Nations General Assembly resolutions 63/227 and 64/213.

In many LDCs, however, the record has been much less positive, with disappointing economic growth and little improvement in poverty reduction.

6. A further policy lesson from the implementation experience of UNCTAD (see UNCTAD/ALDC/2009/2) is the important role that development partners have played in recent years in contributing to progress towards the goals of the Brussels Programme of Action. Investment and budgetary processes in LDC economies are increasingly dominated by external finance rather than by domestically generated resources. Some countries covered by the national studies have reported that about 80 per cent of their public expenditures come from foreign assistance. Where socio-economic progress has been recorded, the case studies also point to the importance of predictable and well-coordinated aid flows linked to an effective national mechanism for monitoring implementation and demonstrating accountability.

7. This confirms the critical role of development partnership in influencing the growth trajectory, and 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 can accelerate and widen the opportunities for sustained poverty reduction in LDCs. But a poorly managed partnership can impact negatively on long-term growth prospects. For instance, in spite of some progress on the quantity of aid, equal improvements to the quality of development aid, and to aid effectiveness, remain challenges. Furthermore, the composition of official development assistance (ODA) has changed markedly since the 1990s, with significant increases in the proportion devoted to social sectors and an equivalent reduction for economic and productive sectors, especially agriculture. LDC-IV should provide further opportunities to sustain and strengthen the growing partnership between LDCs and their development partners.

Challenges for LDC-IV

8. The biggest challenge for LDCs and their development partners is to forge a programme of action that will effectively address the complex development problems facing the LDCs. These include – firstly – the nature, magnitude and extent of massive poverty confronting LDCs, despite the impressive and at times robust economic growth registered by these countries as a group. The second set of challenges relates to the lack of durability or sustainability of the economic growth achieved over recent years. The overdependence of LDCs on a few primary commodities for their export earnings is also part of the reason for their economic vulnerability and instability. Consequently, LDC economies remain fragile due to the excessive vulnerability of these countries to various shocks – economic or otherwise; exogenous or internal. The third and perhaps most daunting challenge facing LDCs and their development partners relates to their weak productive and supply capacities. UNCTAD has been advocating – for several years now – a paradigm shift in designing development policies and strategies in the least developed countries, focusing more on building productive capacities. This calls for a better balance in the allocation of public resources, including from official development assistance, to productive sectors and social sectors. It also requires proactive policies to induce and coordinate investment to increase value added and to ensure that the development of productive capacities occurs in a way that generates employment opportunities. In addition to weak productive capacities, LDCs also lack the institutional capacity to design and implement development policies and strategies. This, in turn, undermines both country-ownership of development policies and strategies in LDCs, and LDCs' effectiveness in attaining poverty reduction objectives, targets and goals.

9. The current global economic meltdown and multiple crises have compounded further the above-mentioned and long-standing challenges and problems constraining the efforts of LDCs. Given the inability of LDC economies to withstand and insulate themselves from the impact of major economic crises – such as the current one – the repercussions on their growth and development prospects could be wide and significant.

10. It is expected that the Fourth United Nations Conference on the Least Developed Countries will agree on a set of new measures that could help alleviate LDCs' deep-seated and complex development problems. The new measures to be adopted by the Conference should assist LDCs in overcoming the challenges that confront them, including their continued marginalization, and should enhance their participation in the global economy. For a detailed assessment and policy recommendations for the Conference, see the *Least Developed Countries Report 2010: Towards a New International Development Architecture for LDCs* (UNCTAD/LDC/2010 and Overview) and the *Comprehensive Appraisal of the Implementation of the Programme of Action for the Least Developed Countries for the Decade 2001–2010: Assessment of Progress and Lessons for LDC-IV and Beyond* (UNCTAD/ALDC/2009/2); as well as “UNCTAD's contribution to the preparatory process of and to the Fourth United Nations Conference on the Least Developed Countries, 2011” (TD/B/56/6).