

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 319 final
Brussels, 19 June 1981

THE UN CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

PARIS, 1 - 14 SEPTEMBER 1981

(Communication from the Commission to the Council)

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I. BACKGROUND TO AND PURPOSE OF THE COMMUNICATION

1. Background. The United Nations (UN) Conference on the Least Developed Countries (LLDCs), which will take place in Paris from 1-14 September 1981, will be called on to finalise, adopt and support - within the framework of the International Development Strategy for the Third UN Development Decade (DD III) - a Substantial New Programme of Action (SNPA) for the 1980s designed to provide a framework for the accelerated development of the 31 countries concerned (including 22 African, Caribbean and Pacific countries (ACP))*.

The Conference, which is being prepared by a series of country reviews*, will take place just after the UN Conference on ^{new and}renewable energy resources in Nairobi in August and just before the resumption - in October - of discussions on the Global Negotiations. Whatever the fate of the latter, the Paris Conference should be seen as an important element of the North/South dialogue. Whilst the presently agreed UN criteria ** determining the list of LLDCs are open to question (and indeed have recently been queried by the UNs Committee for Development Planning (CDP)), these 31 countries are undoubtedly among the poorest in the world.

2. Purposes of the Communication. The main purpose of this Communication is to make proposals on the major elements around which the Programme should be structured, that is to say on its objectives; its priority sectors; its treatment of finance and aid; the essential contributions to be made by all parties; the need to build on the many multilateral and bilateral measures already being undertaken or considered and to provide for a coherent approach covering external and internal (domestic)

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* See Annexe

** Per Capita GDP, share of manufacturing in GDP, literacy rate

measures; and the arrangements to be made during the decade for follow-up (including reappraisal of the criteria determining least developed status).

2.1. It also proposes that, by virtue of the central rôle which the Community and its Member States will together have to play, the Community should define common orientations on the above points and take part in the Conference, alongside Member States, on the same basis as other trade and aid partners, subject only to any purely formal rights, such as the right to vote.

2.1.1. It should be recalled that the Community is by far the largest trade partner of the least developed countries, accounting for between 35 and 40 % of all least developed imports and exports and is the largest multilateral donor after the World Bank and the UN agencies; that Member States - which sustain many close links with least developed countries - provide about 50% of total bilateral aid; and that the Community and its Member States have unrivalled joint experience with a large number of the least developed countries in the framework of the Lomé Convention.

II. THE OBJECTIVES TO BE WRITTEN INTO THE SNPA

1. Overall objective. As indicated in UNCTAD Resolution 122(V), the overall objective of the Programme will be the promotion of change in the economic and social structures of the least developed countries, designed to help these countries more towards the more self-sustaining economic growth which, alone in the long run, can ensure that basic needs are met and living standards increased.

It should, of course, take account of acute shorter-term problems; but it must address these in the context of a medium and longer term

strategy to improve the economic and social situation of LLDCs. It is in short about over-all development and not just about finance and/or other external measures.

2. Bearing in mind the heterogeneity of the least developed, the Conference must therefore define a programme which makes sense in the context of individual country situations and needs. It must:
 - indicate the priority sectors which, following the indications given by the country reviews and by other analyses, the great majority of LLDCs should emphasize;
 - suggest how, within the broad objective of increasing total aid to the LLDCs, specific needs can be examined and new financial commitments undertaken in the country context;
 - emphasize the need for global participation in the implementation of the Programme of all countries, of all relevant international agencies, and of non-governmental organisations (NGOs);
 - throw into relief the need to build on the various bilateral and multilateral actions undertaken or being considered (which either provide for special treatment of LLDCs and/or are of special interest to them), and to ensure coherence between them;
 - give a clear indication of the procedures to be established for
 - especially country - follow up meetings over the 10 year period (which represents the minimum over which appreciable change can be expected).

III. THE MAIN SECTORS TO BE WRITTEN INTO THE SNPA

1. UNCTAD Resolution 122(V) provides a useful starting point in pointing up the need for structural change to be effected in LLDCs, as a prerequisite to economic growth and to improvements with respect to the provision of basic needs. The Resolution is, however, open to the reproach that it seeks to define financial requirements in a policy vacuum and that it concentrates too exclusively (if unsurprisingly) on the external sectors for which UNCTAD is itself responsible: trade, the transfer of technology and shipping. It has to be recalled that the Paris Conference is a UN Conference, concerned with development as a whole.

The SNPA must - rather - seek to outline overall strategies and policies, covering domestic as well as international measures, in the following three main "vertical" sectors which have been thrown into relief by analysis of actual country situations

- agriculture, especially food production (including fisheries and water supply);
 - production (agricultural, agro-industrial, semi processed and industrial) for local as well as for export markets, coupled with more effective promotion in both;
 - energy, including the financing and diminution of the use of imported fuels, and the exploitation of indigenous - hopefully renewable - resources,
- plus three essential "horizontal" sectors, ie
- education and training, in the context of essential manpower needs and of cost factors;
 - transport and communications (not just shipping);
 - technology, from the point of view not only of its "transfer" but also - and more importantly - of its application.

A. Agricultural and food production

1. The SNPA should recognise that the agricultural and food situation is even more worrying in LLDCs than in developing countries as a whole:
 - their average cereal imports have risen over the period 1961/65 to 1978 by 11.6% p.a. compared with 8.8% in all developing countries, and according to FAO their total imports will rise to 14 mln tonnes in 1990;
 - whilst over the same period (1961/65 to 1978) agricultural production in all developing countries grew annually by 2.9%, that in LLDCs was a mere 1.6%, which is well below their average 2.5% p.a. rate of population growth;
 - whereas developing countries succeeded in slightly improving their average intake of calories and of proteins, the state of affairs in the LLDCs remained unaltered, with the result that 31% of the people in LLDCs have a calory intake below the critical threshold, compared with 22% in developing countries as a whole.

In addition climatic conditions often lead to sharp fluctuations in production, in imports and therefore in balance of payments (eg Bangladesh whose imports in 1977, 8 and 9 fluctuated from \$ 257 mln. to \$ 89 mln. and back to \$ 263 mln).

2. Given the importance of the agricultural sectors in the LLDCs, these disturbing agricultural trends not only affect rural populations but also seriously compromise the chances of national development, since -
 - agricultural value added accounts for 58% of Gross Domestic Production in the LLDCs compared with only 21% in all developing countries;
 - agricultural production represents 66% of total LLDC exports against 18% in all developing countries;
 - the agricultural sector constitutes the source of employment for 83% of the active population in LLDCs against 69% in all developing countries.

3. The acuteness and complexity of the problem of developing agriculture and food supplies in LLDCs requires that it be given very special treatment at the Conference and indeed in the SNPA. The new Development Strategy envisages a particular effort being made to achieve a 4% growth in agricultural production in food deficit LLDCs as soon as possible, and this rather general and - frankly - not very realistic aim could be spelt out eg by stipulating that, with the help of actual and of potential donors, LLDCs should first try to reach an agricultural growth rate which at least equals their average 2.5% population growth (ie is not negative in per capita terms). Whilst in effect confirming the rather remote 4% objective, the Conference could in this way establish an intermediary objective to be achieved by 1985, thus not only reconfirming general commitments already undertaken but also enhancing their credibility.
4. In order to realise this objective, some of the measures already identified as stimulating agricultural and food production in developing countries as a whole could be adapted in the Programme for application in the particular conditions of the LLDCs.

a. Food strategies

In LLDCs even more than in other developing countries the best approach to the problem lies in the adoption of a food strategy, providing a systematic approach to food problems in the context of national development policies (covering marketing, pricing policies, credit facilities ...). It should set out food problems in an integrated way, at the highest political level and should stimulate the mobilisation on a priority basis of the internal resources needed for its implementation.

Community - and other - countries should lend all their support to the definition and implementation of such strategies, which - it may be recalled - were supported by the Community's Development Council in November last.

b. Improved world food security

The International Wheat Agreement is a key element in any system. Any agreement containing economic clauses designed to stabilise prices will be of the first importance and should contain specific dispositions to help LLDCs put appropriate national or regional stocking policies into effect.

The IMF's ^{recently} adopted food assistance scheme should help deal with the problem of balance of payments fluctuations and thus of import uncertainties.

c. More adequate financial aid

In order to give more effective support to the LLDCs own efforts to mobilise resources, donor countries will need to improve the quantity and the quality of their aid.

- They should increase the ODA which they make available for rural development, defining an absolute or relative target figure with the immediate view of helping the LLDCs attain the 2.5% per annum growth target for agricultural production by 1985.

In this context donors should give priority attention to the control and management of water (irrigation and drainage) which as the Lagos Plan of Action shows is often well below par in Africa. Given the large hydro-electric potential on many LLDCs this should wherever possible be linked to the provision of energy.

- Donors should in general be more open to the financing of the local - and recurrent - costs which are pretty important in agricultural projects and which LLDCs find it difficult to meet. Donor countries might in this area adopt some guidelines - based on those prepared in the OECD - allowing a more effective case by case approach within individual country consortia/consultative groups.

d. Appropriate technical assistance

The development of appropriate methods of cultivation is essential to LLDCs agricultural development, and since the research capacity of the LLDCs is frequently limited, every effort should be made - by the CGIAR and/or bilaterally - to strengthen national or regional research capacities.

The very first priority should be the diffusion of the results of already available research - national and international, their adaptation to particular LLDC circumstances and - perhaps most important of all, their application (ie through efficient extension services). The Technical Centre for Agricultural and Rural Cooperation being established under Article 88 of Lomé II will have an important contribution to make.

It might also be useful to invite the CGIAR to see what could be done, giving particular attention to seed varieties and yields, animal feeds, irrigation and drainage, adequate storage facilities, and - together with the UNCTAD/GATT's ITC - market requirements for agro-industrial goods.

e. Improvement of food aid

Given their particular combination of food and of financial deficits, LLDCs should have a priority call on food aid, provided only that steps are taken to avoid the negative effects (increased dependence, discouragement of production etc...) which inevitably appear when excessive amounts are given and/or are subject to inadequate conditions. LLDCs might thus be given a degree of supply guarantee (decreasing over time) provided only that:

- the food aid which is supplied has its place in clearly identified development programmes, and
- the recipient countries do take steps to diminish the gap between population growth and growth in agricultural production.

5. The importance of fisheries to a number of island LLDCs (eg the Comores...) and to LLDCs with maritime or lake resources (eg Tanzania, Ethiopia, Malawi ...) should not be forgotten. For many, fish can be an important source of protein; for some a useful export (for human or animal consumption).

Where marine fishing is the key, financial and technical assistance with fishing fleets and marketing is needed; in the case of inland resources, the basic need is appropriate technical advice, linked to normal agricultural extension services.

B. Production Capacity and Exports

1. Analysis of least developed production and trade is made difficult by the incomplete nature of the available statistics. But four facts nevertheless stand out:
 - (i) lack of physical infrastructure and of trained personnel constitute major constraints;
 - (ii) least developed countries' exports are not only small but have been growing more slowly than those of developing countries as a whole: in 1977 the LLDCs accounted for 1.7% (\$ 5 billion) of developing country exports although they account for 12% of these countries populations;
 - (iii) exports of manufactured goods account for only 15% of total LLDC exports, with this percentage rising above 10% in only 6 countries (Bangladesh, CAR, Botswana, Comores, Haiti, Nepal).
In general LLDCs depend on the export of agricultural products (coffee, cotton, oils and fats, tea) and raw materials (tin, tungsten, bauxite), which are subject to considerable price fluctuations;
 - (iv) LLDC exports are strongly concentrated on market economy countries, reflecting traditional trading patterns with these countries, these countries greater openness and absorptive capacity and trade conducted through multinationals. In contrast, LLDC exports to other developing countries are (with the exception of Bangladesh) particularly low, and in the case of the Eastern bloc countries they are (save for Somalia and Afghanistan) nearly non-existent.
2. This being so it is essential that efforts be redoubled to diversify production (including ^{when economically justified} the transformation of commodities on the spot), and to increase exports, so that LLDCs vulnerability in the area of export earnings can be reduced. Priority should be given to improve information in and about LLDCs, to instilling a more

comprehensive approach to the promotion of both production and exports, and to seeking not only to improve market access in market economy countries but to open up new markets in developing and planned economy countries. In each area, the international community should act in support of measures taken by the LLDCs themselves.

2.1. Steps to improve basic knowledge about and within LLDCs should include:

- action taken by national governments to provide central (eg statistical) services, by chambers of commerce (with government help as appropriate) and by companies;
- action by the appropriate international organisations (GATT, UNCTAD, IBRD, FAO, UNIDO, regional banks etc...).

Both bilateral and multilateral donors should help LLDC governments to collect and distribute in a systematic way, information on production and or trade, including investment. They should, in the first place, assist in preparing inventories of available resources and in prospecting for new resources. In the field of production FAO and UNIDO should continue work on the inventories of agricultural and industrial enterprises currently being prepared. In the commercial field the broad collection and dissemination of information - with both public and private sectors - should be encouraged. In this respect the GATT/UNCTAD International Trade Centre (ITC) deserves further financial and other encouragement, in view of the significant effort it has so far made to understanding LLDCs trading structures and patterns.

2.2. A comprehensive approach to production and trade will differ from country to country, but its main elements should be as follows:

- supply analysis: analysis, on a country basis, of productive capacity (and not just existing production);
- demand analysis - evaluation of national, regional and international market possibilities, not just traditional markets;

- production: determination of measures needed, keeping physical and human infrastructure to the fore, and not only immediate investment needs;
- domestic and international market promotion measures, including training, control of quality and regularity of supply, and not just trade fairs.

2.2.1. Donors financial and technical assistance should aim at developing LLDCs absorptive capacity before and in order that industrial projects can take shape. The training of personnel is vital and should be assisted through the financing of courses, seminars and scholarships in developing as well as developed countries, with support for local training and trade promotional institutions, and for regional schemes.

It may be recalled that the ACP have allocated between 0.5% and 10% of their national programmes to trade-oriented activities, that the ACP LLDCs will benefit from 14 MUCE for national trade promotion schemes, plus access to a 40 MUCE fund for regional activities, and that the Asian and Latin American LLDCs will benefit from the lion's share of the 6.25 MUCE for similar activities in the non-associated countries (Latin American countries 2.75 MUCE and Asian non-associated 3.50 MUCE).

The development of small-scale industries should be encouraged through help for development banks and similar; the Second Window of the Common Fund should give due attention to the transformation of commodities of special LLDC interest (eg coffee, jute, cotton, tea, oils and fats)*; and support should be given to the efforts of the IDA and UNCFD to promote infant industries to, the NGOs in promoting grass roots projects and - where the economic and financial situation is propitious - to the mobilisation of private capital (eg EIB, cofinancing...).

2.3. In the field of market access and of international trade, trade partners should continue to extend their schemes of general preferences (GPS) with the objective of raising the percentage of LLDC products reaching their markets from the present infinitesimal level of 1% of the whole.

* The negotiation of international agreements designed to stabilise the markets of prices of commodities of interest to LLDCs should also actively be pursued.

The Community for its part (which offers free entry for all LLDC industrial goods) will study the possibility of extending the preference given to LLDCs on 4 agricultural products to a wider range; donors should take all possible steps to harmonise their procedures; and LLDCs themselves should make renewed efforts to see that their products meet GSP requirements.

State trading countries should make significant greater provision for LLDC exports onto their markets.

- 2.4. In GATT, the Community was the first among the industrialised countries to support the setting up of the GATT sub-committee on the special trade problems of the least developed countries and continues to give support to it. The sub-committee was set up on a temporary basis - until the end of 1981 - but given the Community's initial support it would be a useful gesture, if at the Paris Conference, the Community were to propose that its mandate be extended for a year or more to enable it to complete its work programme.

In addition to the text of the Enabling Clause, which contains provisions designed to benefit the LLDCs in particular, the codes on technical barriers to trade and government procurement also make allowance for their special needs. As a code signatory the Community reaffirms its commitment to these provisions and for its part is of course ready to discuss with LLDCs any particular problem. The translation of this commitment in principle into concrete reality will remain difficult until the range of exports of which LLDCs are capable is larger: the possibility of developing countries taking steps to encourage LLDC exports onto their markets (see below Section V) should be encouraged.

C. Energy

1. In the energy field the situation of LLDCs is characterised on the one hand by lowest per capita consumption in the world and on the other hand by a very large dependence on imports to satisfy their needs.

Although small in overall value, these imports constitute a serious and sometimes crushing* balance of payments burden. Due to the need for infrastructural and other investment (including communications) and to urbanisation, energy consumption is moreover tending to increase faster than GNP. Even more therefore than in other developing countries, balance of paymentst considerations should be decisive in LLDCs in elaborating appropriate energy policies.

- 1.2. Two broad conclusions flow from these thoughts, which already guide the Community in the actions which it proposes to take and should by the same token appear in the SNPA.

- a. LLDCs should aim for greater self-sufficiency in energy (which is the general objective fixed in article 76 of the second Lomé Convention). Since there are few "bankable" projects in LLDCs the necessary developments in this area (eg the development of new, and renewable sources of energy, including hydro-electric schemes, small and large) will require substantial inputs of highly concessional aid.
- b. LLDCs must ensure that energy policy constitutes an integrating factor in their general development policy ie that energy considerations are taken fully into account both in macro-economic planning and in project preparation, so that the most rational use possible is assured.

2. The UN Conference on new and renewable sources of energy, which will take place in Nairobi in August 1981, will constitute the appropriate forum for detailed consideration of these questions. It will be called on to adopt an action programme, of which parts might be integrated into the SNPA.

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* eg 50% and more in certain cases, such as the Sudan, Tanzania ...

Pending the results of this conference, actions of the following kind could be envisaged:

- LLDCs should be helped to complete inventories of their energy resources and needs (non-commercial as well as commercial) so that they can effectively programme their choices between different forms of energy and of transport systems;
- large-scale energy projects (like dams) and communication projects should if possible be undertaken on a regional basis, with due account being taken of their environmental, health and social effects;
- insofar as new and renewable energy sources are concerned common efforts should be concentrated on those sectors whose promise has already been established in small scale hydro-power, solar (photovoltaic) power, and agro-industrial waste, or which may become important in certain (eg island) LLDCs, that is wind and wave power;
- the "energy reflex" must be systematically applied to projects in all sectors, in order to minimise consumption of imported fossil fuels and to improve the returns achieved as well as to arrive at a better overall definition of energy needs;
- appropriate technical assistance must be provided including the promotion of research and development of new technologies appropriate to LLDC requirements; in this context LLDCs and donors should wherever possible promote technical and economic cooperation between LLDCs and other developing countries (see below).

D. Human resources

1. Economic and social adjustment - in the agricultural, industrial and energy as in other fields - requires a broad degree of literacy. As the Brandt report indicated, illiteracy not only represents a formidable waste of human talent but deprives people of the motivation and the capacity to contribute toward their own development. No largely illiterate society is developed; no developed society is largely illiterate. The fight against illiteracy is thus a basic human, cultural and developmental necessity which those LLDCs (such as Ethiopia) where the level of literacy is low must fight with all vigour. UNESCO's 1982 symposium on this subject may offer a good opportunity for donors to consider how best they can help; in the meantime donors should stand ready to help, as and if required, in structuring campaigns, in providing the necessary material, and in promoting - perhaps through NGOs - non-formal rural education (notably for women).

2. The SNPA should recognise that education in the broader sense is essential to development; as the World Bank said in its 1980 Policy Paper it is "a pervasive element that must be integrated - horizontally and vertically - into all development efforts". This means that LLDCs, who can devote only small %s of developed country spending on each educational level (3% of OECD per capita spending on primary education, 6% on secondary and 18% on tertiary) are faced with the first critical task of ensuring that emphasis on individual right of access to educational facilities does not lead to a diminution of - or distortion in - the supply of trained manpower: the maintenance of a reasonable balance between these two is of particular importance in the areas of capital and recurrent expenditure on secondary schooling and on tertiary (ie university) education. In brief, every effort must be made in LLDCs to ensure that the educational system is effectively geared to development - by way of rural training programmes, of secondary education that avoids a "white-collar bias" and of a largely vocational post-secondary sector.

3. This said, there are a number of specific educational problems of concern to LLDCs which have been identified by the Community and its ACP partners, and by the country meetings now in progress, which suggest that the SNPA should highlight the following elements:

- (i) LLDCs should be encouraged and assisted to prepare - and periodically to revise - their manpower projections;
- (ii) LLDCs should prepare pluriannual programmes indicating the contributions to be made by external technical assistance (scholarships, experts, equipment, etc) as indigenous training facilities are built up;
- (iii) primary emphasis should be placed on the productive sectors (financial institutions, rural development, industrial development, trade promotion, maintenance staff), whilst not forgetting the importance to these of measures in the health field;

(Under Lomé, for example, 80% of available funds go to the least developed and 70% are devoted to economic, agricultural, industrial, scientific and technical training);

- (iv) donors should make generous provision for local and for third country training, including regional or inter-regional projects. . The Community might recall that under Lomé 66% of funds are devoted to these (including 30 regional projects p.a., involving 600 people) and that university education is only offered in Europe in special circumstances which cannot be met in the LLDCs themselves;
- (v) as LLDCs move towards greater autonomy in specific training sectors, LLDCs and developed countries should explore the possibility of mutually beneficial institutional links, especially at technical, professional and university level.

4. The Programme might also note that action by LLDCs to relate education and training to their particular cultural and developmental needs, using local and regional rather than developed country institutions, represents the most effective way of avoiding the emigration of qualified personnel (Brain Drain).

E. Communications

1. The distance from international markets, and suppliers is a handicap for most LLDCs and a major one for the 15 landlocked and 5 island LLDCs. To quote but one example, transport and marketing costs plus insurance currently account for 65% of the export earnings of the Comores.

2. The concern expressed in Resolution 122(V) to obtain subsidised freight rates from shipping companies scarcely responds to the complexity of the problem. What is required in the SNPA is something more on the lines of UNCTADs policy prescription for the landlocked and island developing countries, which lays emphasis on an integrated planning approach aimed at promoting and consolidating regional cooperative arrangements. The measures which can be envisaged within such an approach include:
 - the promotion of joint ventures (eg such as the East African transport corridors now being examined) or joint shipping lines (like that between Yugoslavia and the Sudan);
 - the simplification and standardisation of formalities to facilitate the clearance of goods (eg through joint personnel at ports or borders);
 - the facilitation of road and rail traffic across frontiers.

Since such measures may involve substantial costs it is particularly important in this sector that alternatives are carefully assessed and evaluated with reference to the routes and means envisaged and to the level of freight to be carried.

3. Generally speaking, schemes of regional cooperation offer the best chance of success: they help to keep capital and running costs (always high) to a minimum. Bilateral and multilateral donors should therefore join together to help meet costs in the context of well-developed regional policies (eg as evidenced in Lomé II, Chapter 8).

F. Technology

1. Appropriate technology is an essential ingredient in development; and it is every bit as important to ensure that it reaches the end user as it is to seek that factors limiting transfer between states and companies are reduced to the minimum. For example, Kenya acquired the know-how for growing water and stain resistant grasses for use in handicraft productions (eg mats) but the factor which led to the successful marketing of products was follow-up and help for small scale producers.
2. In LLDCs the emphasis should thus be placed on the capacity to receive technology, to adapt it as necessary and to follow it through to the phase of grass roots implementation: this depends on a broad process of aculturation, eg through appropriate secondary and post-secondary education and on the existence of systems transmitting knowledge and advice to actual and potential producers. In this context, particular attention should be given to the rôle that the Inter-Governmental Committee for Science and Technology for Development and the Centre for Science and Technology established by UN General Assembly Resolution 34/218 could play, as well as the provisions in the Vienna Programme of Action related to LLDCs.
3. At this stage, moreover, many LLDCs may often find it advantageous to draw as far as possible on technologies already adapted and applied by other developing countries. Good examples are the assistance given to Tanzania by Brazil (the production of plant alcohols as fuels, of fertilizers etc.) and by India (in the areas of agriculture and fisheries, railways and health). Clearly, donors have a rôle to play in providing LLDCs with the aid which they need to buy in such expertise, especially in the priority sectors and in general in promoting economic and technical cooperation between least developed and other developing countries (see below).

IV. FINANCE AND AID

1. Even if the main constraints which hold back development in the LLDCs are not financial, it is no less true that they can in most cases only be overcome by increased investment and better use of human resources.

This being so, priority must be given to increasing domestic savings. However the inadequacy of the resources available within LLDCs, notably for productive development, the weakness of their financial institutions and the striking down-turn in their terms of trade, makes it inevitable that for some time to come they will need external help.

Non-concessional flows have and will continue to have a rôle to play. The International Monetary Fund (IMF) provided LLDCs with rather more than \$ 500 million in 1980 and is currently considering further enlargements/improvements in certain of its facilities which may be of interest to LLDCs (eg the food/^{assistance} system). World Bank (IBRD) interest bearing loans, direct investment and export credits (provided that the terms are relatively favourable) will also help. Nevertheless, external help must be provided for the most part in the form of concessional aid (ODA) because of the extremely limited repayment capacity of LLDCs, which itself reflects the poverty and low productivity of their resources.

It is therefore important that the SNPA follows up its consideration of priority sectors with clear commitments concerning the volume of aid; aid terms, forms and modalities; and aid procedures (including follow-up).

2. Volume

In UNCTAD Resolution 122(V) it was agreed that LLDCs should receive a substantial proportion of total ODA benefits and that donor countries should make equitable efforts to double "as soon as possible" their flow of ODA to the LLDCs. In the course of the preparation of the Strategy for the 3rd Development Decade, the Group of 77 put forward proposals

linking aid to LLDCs to the GNP of donor countries, with a view to reaching the percentage of 0.15 in 1985 and 0.20 in 1990. In the meeting of the UN General Assembly last year, further aspirations were expressed eg to triple aid to the LLDCs by 1984 and to quadruple it by 1990 in real terms.

The financial possibilities of DAC countries, as well as the absorptive capacities of LLDCs themselves, which are not indefinitely extendable, make these last objectives totally unrealistic: to take just one bench mark, DAC aid to the LLDCs in 1979 represented only 0.07% of GNP.

Moreover it seems desirable in general to avoid establishing specific objectives expressed in GNP for groups of countries, because -

- they are likely to be either unrealisable (if they are too ambitious) or unattractive (if they are not) and they are usually so rigid that once agreed they can never be modified or changed;
- they cannot by definition improve the predictability of aid.

These arguments are also valid for objectives concerning aid to the least developed which are expressed in terms of percentages of total aid flows.

2.1. The commitments to be written into the Programme should therefore contain two elements relating to global aid objectives, aid for the least developed and burden sharing.

- a) The Programme should, in the context of the commitments already undertaken in the framework of the new Development Strategy to reach the 0.7% target, aim for a greater concentration of aid on least developed countries and should contain a precise and realistic target, with figures, for aid to LLDCs.

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Of the different conceivable formulations, the best would seem to be to invite DAC members to agree to double the volume of their 1979 aid flows in nominal terms by 1985. This would have the advantages of:

- being capable of realisation (between 1974 and 1979, ie over a 5, not 6 year period, DAC aid to the LLDCs more than doubled), and
- giving rise to an annual increase in real terms (larger or smaller according to the rate of inflation) - which the LLDCs would be able to absorb - especially if the forms of aid were better adapted to their needs;

b) The above commitments should be formulated in a way which takes account of donors' respective aid performances. This concept should apply not only within the DAC group but to other groups of donors: eg the countries of Eastern Europe should be requested to undertake commitments closer to their economic weight in the world and the OPEC countries should be invited to ensure, within a reasonable concentration on the LLDCs, a better distribution of their aid between these countries.

2.2. In so far as multilateral flows are concerned, the idea which has been advanced of creating special LLDC "windows" in the International Development Association (IDA) and in the regional development funds and similar should be rejected on account of the rigidity which it would introduce into the management of these funds and the complications to which it would give rise when replenishments are undertaken. The donors should rather commit themselves:

- to replenish in good time and at adequate levels the resources of those international organisations which direct an important percentage of their assistance to the LLDCs and - in the particular case of the 6th IDA replenishment - encourage the US to execute its commitments;
- to work within these institutions to ensure that an appropriate, and indeed increasing share, of their assistance goes to the benefit of the least developed.

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2.3. The Community, for its part, should recall the extensive commitment already undertaken in Lomé II and its increasing aid to non-associates, from both of which LLDCs draw substantial benefit.

3. Aid conditions, forms and modalities *

In so far as aid conditions, forms and modalities are concerned the Programme should focus on the adoption of a certain number of broad guidelines, to be interpreted in operational terms in the course of recipient donor meetings to review progress in individual LLDCs (see below).

3.1. One gesture on aid terms which might be made, which would cost little for most donors and would be politically very saleable, would be to undertake that all future ODA for LLDCs would be given entirely in grant form (which would contribute to a desirable harmonisation between donor countries). A significant precedent already exists in the retroactive adjustment of aid terms which has most frequently taken the form of ODA debt cancellation.

The untying of aid is a complicated problem which does not concern the LLDCs either exclusively or particularly: given their lack of human resources the LLDCs would however be particularly interested in the untying, albeit partial, of certain aspects of technical assistance, if this meant they could choose those experts best suited to their needs, on the basis of cost/benefit analysis. Donor countries might well make a gesture of this kind which, once again, would not involve any very great cost.

3.2. Forms and modalities of aid. The budgetary and balance of payments situation of most LLDCs implies recourse to external help for the financing of a part of the local and recurrent costs associated with a project or programme. It is important that donors are as flexible as possible. The Conference should therefore enter into a firm commitment in this regard, without any rigid percentage quantification, which would not be desirable.

* A note is being prepared, for circulation at the Conference, which sets out the conditions, forms and modalities of the aid provided via Lomé II.

Some kinds of programme aid can be particularly well adapted to the needs of LLDCs, for example assistance to a bunch of small or mini projects within a given sector: the idea put forward by the DAC Secretariat of setting project or non-project aid "in the framework of clearly defined sectoral support programmes" deserves consideration, since administrative shortcomings often make it difficult for LLDCs to utilise broad programme aid subject to strict macro-economic conditions. Such aid should always be accompanied by technical assistance designed to help with implementation and follow-up.

A simplification and, above all, a harmonization of donors' aid procedures would be very beneficial to LLDCs, particularly in so far as project aid is concerned. Greater predictability which might be assured by pluri-annual, sectoral programming, can also help, and rapid disbursement, particularly of emergency aid, is highly desirable.

Particular attention should be given to technical assistance in order to mitigate the lack of local trained manpower, eg by helping to build up the necessary local cadres; such assistance should in particular help to increase LLDCs capacity to absorb external aid; among particularly important sectors should be mentioned help in improving agricultural extension, maintenance, trade promotion and financial services.

4. Procedures and follow-up. A number of possibilities (set out below) can be envisaged for regular dialogue between donors and individual LLDCs. What counts is that donors and recipients of aid should be able to meet together, in order to review progress, to enter into new financial commitments and to consider how the terms, forms and modalities of their aid can be applied to the best overall effect in the situations of individual countries.

V. GLOBAL PARTICIPATION

1. It is clear from the analysis of main sectors, and should be explicitly recognised in the SNPA, that the Programme's implementation will call for equitable and complementary contributions from all parties.

2. From the least developed countries themselves will be required
 - (a) more explicit recognition of, and readiness to discuss, the importance of domestic policies (eg pricing, fiscal, investment, social) to the development - with outside financial and technical help - of their productive and export capacities, and (b) a readiness to plan on the basis of actual or probable rather than purely hypothetical resources. Against this background the LLDCs should prepare a coherent set of policies covering the main sectors, indicating the supportive and ancillary measures which are necessary to ensure that these really get down to the grass-roots, particularly agricultural extension services, steps to mobilise and channel small scale agricultural and industrial credit, cadres/structures to provide effective internal and external market promotion, technical training and effective maintenance (eg to service vehicles, agricultural machinery and industrial equipment).

Within the context of Collective Self Reliance least developed countries should furthermore give consideration to the encouragement of functional regional cooperation creating formal or informal regional groupings as necessary, such as the Club du Sahel or the various River Basin Communities. Areas in which such cooperation seems likely to be especially important are transportation, investment planning, technology and manpower.

- 2.1. By the same token, all other developing countries should contribute according to their ability. Within large and increasing aid programmes those countries with capital surpluses might try to increase the percentage (presently 10%) of their aid which is directed towards LLDCs with chronic or structural balance of payments problems and to regional development groupings.

In the broader field of technical and economic cooperation between developing countries (TCDC and ECDC) the Programme should underline that whilst the Concept of Collective Self Reliance is of interest to all countries, the developing countries can and should play a major rôle in collective responsibility for LLDCs.

- TCDC: having regard to the Buenos Aires Programme (UNGA Resolution 33/134) and the results of the UNs High Level Committee on TCDC (New York, 1-8 June 1981) all developing countries which are not least developed should seek to identify areas - as India and Brazil have already done - where they have particular expertise to offer. The UNDP should consider stepping up its regional allocation of benefit to LLDCs whilst bilateral donors might consider - inter alia - the financing of third country training in developing countries and the strengthening of developing country research institutions working in fields of interest to LLDCs.
- ECDC: as agreed at UNCTAD V three aspects are presently being examined (the establishment of a General Scheme of Trade Preferences - GSTP, the rôle of State Trading Organisations, and the establishment of Multilateral Marketing Enterprises). In the wake of their Caracas meeting developing countries should consider what special benefits might be offered LLDCs via these and any other world-wide cooperative schemes.

2.2. In full accordance with UNCTAD Resolution 122(V), all developed trade and aid partners, Eastern as well as Western, must make a serious effort to increase target overall aid flows to LLDCs; Western countries should seek to increase flows to LLDCs faster than overall aid; and the countries of Eastern Europe should make a contribution which will closely correspond to their weight in **the world economy**. All donors should promote productive development in the Programmes priority sectors, should aim for maximum participati

in LLDC donor consortia and groups and should show a manifest readiness, where special needs and adequate absorptive capacity coexist in individual LLDCs to increase their aid. They should in this context seek to take account of the shorter term balance of payments and longer term structural effects of the rising prices of manufactured goods (mainly industrialised donors) and of imported energy (mainly OPEC donors). Donors should moreover take every possible step, in the closest liaison with each LLDC, to ensure that their aid modalities, conditions and procedures are well adapted in their overall effect to specific country situations.

Trade partners should make such improvements as are feasible in existing LLDC access to their markets, including far greater consideration of LLDC interests in the plans of state trading countries and ensure that benefits are maintained. They should complement these steps by giving enhanced attention to the promotion of production and marketing for the LLDCs internal as well as export markets by all means open to them, eg import opportunities offices, contractual arrangements between STOs, technical cooperation, and the active promotion of opportunities in developing country markets which open up mutually beneficial trade.

3. The UN and international development and finance institutions

should continue to provide and should step up the help they give to LLDCs within their respective areas of competence. In particular: -

- the International Financial Institutions (IFIs) should

- . make short-term balance of payments assistance available in ways that take account of the situations of LLDCs in this area;
- . direct as much concessional aid as possible to least developed countries, by whatever means are available, including the concentration of loan funds on developing countries best able to profit from them, in order to free concessional flows for those more in need.

- The UN family should ensure that its efforts to implement essential aspects of the Programme are coordinated in the field through the UNDP (and in a global policy sense in UNCTAD). Each UN organ should take up and apply those aspects for which it is competent and prepare progress reports for use in the global evaluation process (see below).

4. The Programme should also give attention to the rôle that NGOs can play in least developed countries, especially in the areas of rural development and food production and in the satisfaction of basic education and health needs.

NGOs spend - and largely mobilize - about \$ 1.6 billion each year (ie an amount equal to between 5 and 10 % of the aid of all DAC countries). They have an important further rôle as catalysts of opinion in developed countries. But above all, they are well adapted to help least developed countries by virtue of their close and continuing contact with people - including the most deprived - at the grass roots level: they frequently know how best to motivate them and how to stimulate the small-scale activities which are essential to development.

- 4.1. The Conference might invite the governments of the LLDCs themselves to do everything possible to facilitate the implantation and growth of such NGOs and suggest to the governments of developed countries that they actively encourage direct NGO links, possibly in the context of wider links between groups/institutions/town and villages in developed and in developing countries. Such links could serve the double purpose of informing developed countries' populations about the third world and of strengthening NGOs in least developed countries.

(For its part the Community could usefully draw attention to the fruitful partnership it has built up between NGOs in Community and ACP countries on the basis - inter alia - of the joint financing of small scale projects.)

- 4.2. The NGOs might be encouraged to express the sense of the above in a general Declaration to be made before the Conference and included in the SNPA.

5. Orchestration of measures

Finally, each party to the Programme must recognise the need to ensure that the policies they adopt and any measures they undertake constitute part of a broader and coherent whole. If the LLDCs are to escape from their present under-development, the domestic, bilateral, and multilateral measures that are undertaken must be coherent complementary, and mutually supportive.

VI. FOLLOW UP ARRANGEMENTS

1. If the SNPA is to be effectively implemented, it must be the subject of appropriate review procedures in the course of the decade of its application, especially at the country level. The criteria to be followed in determining these procedures should allow as much choice as possible for individual least developed countries, but must nevertheless draw a clear distinction between the processes of global and of country review, fully respect existing mechanisms, and use to the full the specific competence and expertise of the different UN bodies.
2. Reviews of country situations must constitute the starting point and kernel of these procedures, since aggregate performance data like general targets tend to blur both the successes which have been achieved and the problems which remain in particular circumstances.

Such reviews, which normally take place at the request of the interested least developed country, and at intervals adapted to its particular circumstances, must be essentially action oriented and should provide for the following:

- a balanced donor/recipient assessment of progress, in the light of the SNPA's priorities, of the country's internal policies and of external assistance received;
- a review by the LLDC and its donors of the country's financial situation and of its sources of external assistance - a review within which, as necessary, new commitments can be made;
- a review by the LLDC and its donors of aid criteria, practices and procedures, in the light of the principles of the Conference, to see how these might be made generally more **effective**;
- consideration by trade partners of ways and means of developing external trade in existing or in new markets.

In brief, they would be occasions for appraisal and for financial commitment.

- 2.1. Six least developed countries already participate in World Bank Consultative Groups (ie Bangladesh, Nepal, Sudan, Tanzania, Uganda and, in principle, Ethiopia); there would seem no reason to set up new procedures for these countries though participation could be broadened, eg. to cover potential donors that are not Bank members.

Some least developed countries meet with their bilateral or multilateral partners in UNDP-assisted round-table Conferences (eg Burundi, Lesotho, Rwanda) and five more meet within the framework of the Club du Sahel, ie CILSS and UNSSO* (Cape Verde, Chad, Mali, Niger, Upper Volta) which was set up with the specific purpose of addressing their major shared development needs (water and integrated rural development). Many of these LLDCs are members of overlapping UNDP-sponsored groups for the Kagera, Senegal and Chad River Basins, as well as of the several - mainly - West African regional economic groupings. It is not clear that it could be in their best interests - if only administrative - to set up new country-oriented procedures (though the possibility of establishing these, on the individual country's request, probably under the aegis of the UNDP should not be excluded).

In any event, it should be open to any of the remaining LLDCs to request the creation of an individual or regional consultative group, under the sponsorship of a UN body with an intimate knowledge of it, probably the UNDP since it is an operational organisation with a network of resident representatives (whose staffs might if necessary be strengthened). The IBRD would be a viable alternative and might indeed be a co-sponsor. It should in any event be underlined that the arrangements made for different countries need not be identical, though it might in each and every case be open to UNCTAD to be represented and a report on each review should be sent to the Secretary General of UNCTAD as an input to the global review processes.

3. Having due regard for the goals and objectives of the International Development Strategy as a whole, regular, not too frequent, global reviews of progress towards the SNPA's objectives should be undertaken:

* Comité permanent Inter-états de Lutte contre la Sécheresse dans le Sahel: United Nations Sudan and Sahel Organisation.

- at or in the margin of UNCTAD VI in 1983, and UNCTAD VII in 1987, and/or at a special mid-term UNCTAD meeting in 1985,
- in 1990, at the end of the period, in the context of the overall Review and Appraisal of the Third Development Strategy.

Each UN body should be required, within its existing structures and procedures, to follow-up those elements of the SNPA for which it is competent to act, and to contribute reports thereon, for presentation to the global reviews.

- 3.1. As a further part of the global review process, the UN Economic and Social Council and General Assembly should make an early response to concern voiced by the CDP about the criteria governing selection of the least developed for inclusion in the list. The UNGA should take the necessary steps to see that these criteria are subject to a competent professional reappraisal so that the list can become at once as objective and as comprehensive as possible. On the basis of such reappraised criteria, the list should be subject to periodic consideration allowing for the possibility of adding to it or - at or towards the end of the decade - of subtracting from it, in the light of the economic and social progress achieved in certain countries.

VII. SUMMARY CONCLUSIONS

1. The Community as such must participate in the Conference alongside Member States.
2. The main objective of the Programme should be change in the economic and social structures of the LLDCs.
3. The Programme should define sectoral priorities and set targets along the following lines:
 - agriculture, fisheries and food: with the aim of achieving an annual increase in production which exceeds the LLDCs present average 2.5% p.a. population growth;
 - production and exports: with the aim of installing a more comprehensive approach, covering local as well as foreign markets and of increasing in the LLDCs share of (a) total world trade and (b) products benefitting from GSP;
 - energy: with the aim of encouraging greater self-sufficiency and more effective longer-term planning;
 - education, training and manpower: with the aim of promoting adequate literacy and a more selective approach to education and training, based on manpower needs;
 - communications: with the aim of encouraging regional networks;
 - technology: with the aim of emphasising above all the application of appropriate technology in priority sectors.
4. Insofar as finance is concerned the Programme should call for
 - increased contributions from all groups including the countries of Eastern Europe;
 - a doubling in current terms of 1979 DAC aid to LLDCs by 1985;
 - the provision of aid in grant form and improvements in aid forms and modalities.

5. The Programme should call for the participation in a common effort of all groups of countries (LLDCs, developing, developed - East and West), of relevant international organisations and of NGOs.
6. The Programme should include effective arrangements for country and global follow-up, which fully respect existing consortia and consultative groups, and for a competent professional review of the criteria determining LLDC status.

LIST OF UN LEAST DEVELOPED COUNTRIES, SHOWING DATES OF COUNTRY
REVIEW MEETINGS

	ACP countries	Non ACP countries	Dates and location of country meeting
I. ASIAN AND PACIFIC LDCs	Western Samoa	Afghanistan Bangladesh Bhutan Laos Maldives Nepal Yemen, Democratic Yemen	30 March - 10 April Vienna
II. EASTERN AFRICAN LDCs	Burundi Comoros Ethiopia Rwanda Somalia * Sudan Tanzania Uganda		4 - 15 May Addis Ababa * except Somalia
III. WESTERN AND CENTRAL AFRICAN LDCs	Benin Cape Verde Central African Republic Chad Cote d'Ivoire Guinea Guinea Bissau * Mali Niger Upper Volta		25 May - 6 June The Hague * except Guinea Bissau plus Somalia
IV. SOUTHERN AFRICAN LDCs	Lesotho Botswana Malawi		22-26 June Geneva
V. LATIN AMERICAN LDC		Haiti	* plus Guinea Bissau