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AN ACTION PROGRAMME IN FAVOUR OF THE LEAST DEVELOPED AFRICAN COUNTRIES Provisional note by the secretariat

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ANNEX: Resolution 218(X) Africa's strategy for development in the 1970's, paragraphs 40-43: The special problems of the least developed among developing countries and the land-locked and island countries.

INTRODUCTION

1. The First Conference of Ministers of the Economic Commission for Africa in resolution 232(X) requested the Executive Secretary to "work out a detailed and comprehensive action programme for the 1970's in favour of the least developed of the African member States and present a report to the Ministerial Meeting of the African Group of the Group of 77, preparatory to the third session of the United Nations Conference on Trade and Development".
2. The present note is a first response to that request. The special measures set out in the action programme are limited to areas within the competence of UNCTAD. However, in view of the importance attached by African countries to the establishment of institutional arrangements within the United Nations family entrusted with the formulation, development and review of policies and projects in favour of the least developed countries, it has been considered appropriate and useful to start by giving a brief review of the development of that specific aspect of the question within the United Nations.

INSTITUTIONAL ARRANGEMENTS

3. The ninth session of the Economic Commission for Africa recommended in resolution 210(IX) that a special United Nations programme in favour of the least developed among the developing countries should be established. A similar recommendation was made by the First Conference of Ministers of ECA in its resolution on Africa's strategy for development in the 1970's, in which it is stated that "the various elements that should comprise such a strategy would include institutional arrangements within the United Nations family entrusted with the formulation, development and review of policies and projects in favour of the least developed countries". ^{1/} The full text of the relevant parts of the resolution on Africa's strategy is included in an Annex to this note.
4. One of the most important of the new lines of thought underlying the creation of UNCTAD was that countries at different levels of development need to be treated differently before the system of international economic relations can be considered to be equitable and adequate to their needs of development. The first session of UNCTAD recognized the importance of this subject by adopting General Principle Fifteen which lays down that "the adoption of international policies and measures for economic development of developing countries shall take into account the individual characteristics and different stages of development of the developing countries, special attention being paid to the less developed among them as an effective means of ensuring sustained growth with equitable opportunities for each developing country".

^{1/} Resolution 218(X).

5. The Group of 77 considered the question of providing special measures in favour of the least developed countries at the Algiers Conference and appointed a working group of 15 from all regional groups of the developing world to identify the areas of policy in which action in favour of the least developed countries could be taken. The recommendations of the Working Group are part of the Charter of Algiers.
6. The question got a degree of prominence at the second session of UNCTAD. A special working group was set up to consider and report on the question. At the end of its deliberations the Conference adopted resolution 24(II). However, the resolution did not represent a clear position on giving priority to the needs of the least developed countries in international development policies. After UNCTAD II there was accordingly a growing concern among African countries that the issue might get submerged in the global considerations which necessarily guide the work of most United Nations agencies. The third ECA/OAU joint meeting on trade and development in January 1969 therefore requested that the item be placed on the agenda of the ninth session of the Trade and Development Board.
7. During the second part of its ninth session the Trade and Development Board adopted resolution 63(IX), by which the Board inter alia invited:
- "the Secretary-General of UNCTAD to submit at the third part of the ninth session of the Trade and Development Board the studies requested in paragraph 3(b) of Conference Resolution 24(II) with a view to devising effective measures that would enable the least developed among the developing countries to benefit from the Second United Nations Development Decade; to this end the Secretary-General may appoint a small group of experts serving in their personal capacity and selected in consultation with the heads of the regional economic commissions and the United Nations Economic and Social Office in Beirut"
- and
- "the General Assembly to consider urgently how other organs of the United Nations system could, within their respective fields of competence, carry out a comprehensive examination of the problems of the least developed among developing countries and contribute to a solution of these problems by devising effective measures to enable these countries to benefit from the Second United Nations Development Decade; to this end a course of action similar to that which UNCTAD proposes to undertake as outlined in the paragraph above could be appropriate".
8. Pursuant to this resolution, the Secretary-General of UNCTAD convened a small group of experts which met in November/December 1969 and prepared a report. ^{1/} The General Assembly gave consideration to the matter at its 24th session. After discussion it adopted resolution 2564(XXIV) in which

it inter alia requested the Secretary General of the United Nations, in consultation with the heads of the specialized agencies and the regional economic commissions, the Committee for Development Planning, the Group of Experts appointed under Board resolution 63(IX) and any other appropriate consultants

"to carry out a comprehensive examination of the special problems of the least developed among the developing countries and to recommend special measures within the Second United Nations Development Decade for dealing with those problems".

9. After the adoption of this resolution by the General Assembly, the Secretary-General of the United Nations invited the Committee on Development Planning to give consideration to the problems of the least developed among the developing countries. The Committee adopted its report on the question during its seventh session in March/April 1971. 1/

10. The Group of Experts convened under resolution 63(IX) examined the kind of measures that could be taken in favour of the least developed among developing countries in all areas within the competence of UNCTAD. It recognized, however, that any determined effort to cope with the problems and handicaps of the least developed countries "would certainly involve a programme of special measures bearing upon all phases of social and economic life". In its report it recommended inter alia that "a special ad hoc body be established within UNCTAD entrusted with the formulation, development and review of policies and projects in favour of the least developed countries".

11. On the basis of the report of the Expert Group, the Trade and Development Board adopted at the third part of its ninth session resolution 65(IX) requesting that

"each of the main committees and other relevant subsidiary bodies of UNCTAD consider the problems of the least developed among the developing countries and, taking into account the report of the Group of Experts, submit concrete proposals to the Board on what effective measures might be taken within their fields of competence".

12. Pursuant to resolution 65(IX) the question of the least developed among the developing countries has been considered by the Committee on Shipping, which adopted resolution 13(IV), and the Committee on Invisibles and Financing Related to Trade, which adopted resolution 4(IX). The question has also been considered by the Committee on Commodities, which, however, was unable to arrive at a decision, and by the Committee on Manufactures. The Agreed Conclusions of the Special Committee on Preferences includes a section on special measures in favour of the least developed countries, while the Inter-governmental Group on Trade Expansion, Economic Co-operation and Regional Integration among Developing Countries referred in its conclusions to the problems of these countries.

13. The Trade and Development Board at the first part of its tenth session adopted resolution 68(X) in which it decided to establish an ad hoc group of experts as recommended in the report of the first group of experts, "to assist the Board and its permanent organs until the eleventh session of the Board in all matters concerning the special measures in favour of the least developed among developing countries".

14. The ad hoc group of experts met in April/May 1971. In its report^{1/} it recommended inter alia that consideration should be given to

"the establishment by the Trade and Development Board of an inter-governmental working group to deal with ^{1/}the formulation of an action programme at the country level^{1/} within the framework of arrangements to be made for the review and appraisal of progress in the Second Development Decade. The working group may be assisted in this task by a group of experts, appointed in their personal capacity, entrusted with the formulation, development and review of policies and projects in favour of the least developed countries".^{2/}

and

"the possibility of periodic meetings in which all United Nations organs and agencies as well as other bodies concerned would be represented to review progress made and co-ordinate efforts in technical assistance".^{3/}

15. The deliberations regarding institutional arrangements in favour of the least developed countries thus appear to have reached a stage where organizational action now is called for. The African region, which by any criterion must be considered the least developed among the developing regions, should aim at bringing the matter to its final stage at the third session of UNCTAD.

ACTION PROGRAMME FOR THE LEAST DEVELOPED AFRICAN COUNTRIES

16. The UNCTAD ad hoc Group of Experts on special measures in favour of the least developed among the developing countries noted that "progress so far has largely been in the realm of thought and general recommendations, not of specific action". It stated that "the time has come for the international community to move from the general to the specific and from recommendations and implementation if these countries are to benefit from the International Development Strategy for the Second Development Decade".^{4/}

^{1/} TD/B/349.

^{2/} TD/B/349, para. 53.

^{3/} Ibid, para. 58.

^{4/} Ibid, para. 12.

17. The problems of the least developed countries are highly complex. A number of these problems are, of course, shared by other developing countries. However, in the case of the least developed countries they are more striking and have more far-reaching consequences. As such they constitute special handicaps which are very difficult, if not impossible, to overcome in the absence of adequate and effective assistance from the international community. It is recognized that the main responsibility for development rests naturally with the countries concerned themselves. But the availability of concomitant and effective mutually reinforcing action on the part of the whole international community is necessary for a full mobilization of national efforts.

Measures in the field of international commodity policy

18. The successful evolution of an integrated international commodity policy which would ensure stable and fair returns for producers is of utmost importance to the least developed countries, which are almost wholly dependent on trade in primary commodities for their economic development.

19. To take account of the special problems of the least developed countries in individual commodity arrangements, the following measures may be considered:

- (i) As many of the least developed countries have not yet been able to develop, and make full use of, their comparative advantage, and to attain their optimum production and export potential, consideration should be given to the production and export potential of these countries in the establishment of export or sales quotas. They should be granted basic quotas larger, in relation to historic production or exports, than those allotted to other countries. Similarly, when these quotas are revised or adjusted, the least developed producer countries should be allowed relatively larger increases (or relatively smaller reductions). ^{1/}
- (ii) As many of the least developed countries are heavily dependent on the production and exports of a narrow range of commodities, consideration should be given to the creation of productivity/diversification and promotion funds to assist these countries to

^{1/} One such agreement which is of great interest to least developed African countries is the International Coffee Agreement (ICA). The world coffee industry has undergone important changes since the implementation of the 1962 Agreement. The share of African countries in world exportable production increased from 18 per cent in 1960 to about 46 per cent in 1971. As a result of the inequity of the basic quotas in ICA, the increase in coffee exports of African countries has not been commensurate with their increase in production. The 1962 Agreement provided for a revision of the basic quotas by 1965, but this was not carried out. A major revision of the basic quotas at the negotiation of the next Coffee Agreement in 1972-73 has therefore become an urgent necessity for African countries.

raise their productivity through research and the use of modern techniques of production and distribution so as to improve the quality, grading, packing and marketing of their commodities. More importantly, such funds should be used to assist the least developed countries to make appropriate changes in their economic structure through diversification of existing structures of production and trade. The fund could be derived from voluntary contributions or assessments from both producing and consuming countries.

- (iii) The relative economic position of the least developed countries should be taken into account in assessing capacity to pay in the financing of buffer stock schemes. An integrated formula based not solely on each country's share of exports and/or imports, but also on other factors relevant to capacity to pay, such as gross national product adjusted for population, exports or exports per capita, tax revenues, etc. should be used in calculating each country's contribution to the pre-financing and the financing of the scheme and its operations.

20. The problems of the least developed countries relating to the expansion of their exports of primary commodities are intimately linked to the existence of a variety of tariff and non-tariff barriers that prevent greater access to their main markets. Serious attention should therefore be given to the removal of such barriers on products of special interest to the least developed countries. In the ongoing liberalization discussions and negotiations in GATT and UNCTAD particular emphasis should be paid to the possibility of giving preferential treatment in favour of the least developed countries in such liberalization. ^{1/}

Measures in the field of manufactures and semi-manufactures

21. The role of manufactures and semi-manufactures is highly insignificant in the export earnings of the least developed countries. Most of them have not recorded any meaningful exports of industrial products so far. On the other hand, these countries have an even more urgent need to overcome their dependence on exports of primary commodities. The highest priority should therefore be given to the development and promotion of export-oriented industries.

22. As regards the General System of Preferences, the principal measure should be the creation of a special industrialization and technical co-operation

^{1/} The problem of greater access to commodity markets is linked with the special preferences existing between certain developing and certain developed countries and calls for giving special attention to the problems that are likely to arise as a consequence of the abolition or weakening of the special preferential arrangements presently in force. The first session of UNCTAD, in recommendation A.II.1 Section II, paragraph 6, has provided the basic framework within which this problem should be approached.

fund for the least developed countries derived from contributions from the preference-giving countries. Such contributions could balance those which are accruing to more advanced developing countries because of their higher level of industrial development. The fund should be conceived for the duration of the system and its facilities should be available to the least developed countries in the form of grants for specific projects linked to the industrial sector. The purpose of the fund would be to assist the least developed countries to start and to accelerate their process of industrialization so as to ensure that all developing countries will gain equitable benefits from the generalized system of preferences.

23. Also within the framework of GSP, the following measures in favour of the least developed countries should be taken

- (i) to ensure that the least developed countries will be afforded the opportunity to benefit from the system they should be allowed to enjoy the preferences for a longer period;
- (ii) the system should include processed and semi-processed agricultural and mineral products;
- (iii) escape clause action should not apply to products from the least developed countries.

Measures in the field of trade promotion

24. In the light of the special handicaps of the least developed African countries priority attention should be given to providing bilateral and multilateral financial and technical assistance, including training, to enterprises and nationals of these countries for trade promotion. To that end the resources of Africa Trade Centre and African sub-regional and national trade promotion centres and bodies should be increased.

Measures in the field of shipping, including the problems of the land-locked countries

25. Within the context of shipping, ports and connected inland transport, all developing countries of Africa should be considered to be among the least developed. In spite of efforts to expand their merchant marines, their share in the world merchant fleet was only 0.6 per cent in 1970, while their share in international seaborne trade amounted to 15.3 per cent of goods loaded and 2.06 per cent of goods unloaded.

26. The following lines of action are suggested:

- (i) Developed countries and competent international institutions should devote special attention to the needs of these countries in the field of shipping and ports in extending development finance on particularly concessional terms. Owing to poor port facilities in many of the least developed countries, technical and financial assistance in this field should be accorded special priority.

- (ii) In the application of promotional rates for non-traditional exports, particular attention should be given to products of particular interest to the least developed countries.

27. Thirteen out of a total of eighteen land-locked developing countries can be found in Africa. The position of these countries, in particular because of the high costs of transportation; the poor development of their infrastructure; inadequate and inconvenient transports, storage and port facilities; the lack of opportunity to use their own transport equipment and to establish their own transport facilities; and the unfavourable trend of transport tariffs and changes, is a factor seriously inhibiting the expansion of their trade and economic development.

28. Within the action programme in favour of the least developed countries special consideration should be given to measures for equalizing the total transport costs of the land-locked countries with those of countries that are not land-locked, in order to making them equally competitive in world markets. In particular, technical and financial assistance should be provided for the evaluation, installation, improvement and maintenance of facilities for:

- (i) road transport in both land-locked countries and their transit neighbours in order to produce all-weather through transport routes for heavy vehicles;
- (ii) rail permanent ways and rolling stock and, where economically feasible, the extension of the rail systems of transit countries into land-locked countries;
- (iii) inland waterways to raise the standard of navigability so that continuous year-round and day and night use is possible;
- (iv) air transport to ensure that each land-locked country has at least one airport fully equipped to international standards;
- (v) postal and telecommunications systems to raise them to modern standards;
- (vi) the establishment of alternative transport routes to the sea from land-locked countries.

Measures in the field of economic co-operation and regional integration

29. To most least developed African countries, in particular to the smaller, regional economic co-operation or integration offers the only practical means to diversify their production and trade and to accelerate their economic and social development. However, unless special measures are taken in favour of the least developed among the participating countries, the process of integration may be paralyzed. If these countries are not assisted financially and technically to overcome various handicaps in this process, measures designed for closer economic co-operation and regional integration will remain largely ineffective in many instances. Consequently, efforts to promote and enlist international support for regional and sub-regional economic co-operation is of particular interest to the many small African least developed countries.

30. There exists an abundant and comprehensive literature on the problems of and possible solutions to the participation of least developed countries in schemes for economic co-operation and integration among developing countries. As regards measures that can be taken by the participating countries themselves, the following should be considered:

- (i) Slower reduction of trade barriers by the least developed countries and the possibility of temporary protection to their new industries;
- (ii) In the case of balance of payments difficulties, the least developed partner country might be permitted to impose quantitative restrictions or other measures with equivalent effect;
- (iii) Temporary exemption from alignment of the tariffs of the least developed country with the common external tariff of the regional group;
- (iv) The possibility of granting greater fiscal incentives for new investment in least developed partner countries;
- (v) Financial compensation by the more advanced partner country for the revenue losses that a least developed country suffers and the higher price that it very often has to pay when importing goods from the former rather than from third countries;
- (vi) A more-than-proportional share of financial resources from regional development banks, * special development funds, etc. to provide for a more balanced infrastructure among the participating countries, agricultural and industrial investment and preferential terms and conditions of finance for the least developed countries;
- (vii) A least developed country may be allowed the first choice of industries to be established for the regional market consistent with their rational industrialization.

31. Financial and technical assistance from developed market economy countries, socialist countries and appropriate international institutions should be provided for:

- (i) multinational projects in the fields of industry, transport communications, energy, manpower development and natural resource surveys;
- (ii) the building up of the necessary regional and sub-regional institutions;
- (iii) the creation of regional and sub-regional payments arrangements;
- (iv) interim support to the needs of the least developed countries arising from obligations which they have to undertake in connexion with their participation in arrangements for economic co-operation. In particular, IMF should permit members to make special drawings exclusively designed to overcome deficits resulting from trade liberalization commitments. Drawings under such a special facility should be independent of ordinary drawing rights.

32. International commodity arrangements need to be supplemented by commodity agreements between the least developed African countries. Such agreements already exist in various forms in respect of meat, livestock, sugar and rice. What is needed is a systematic exploration of ways and means whereby the existing agreements can be extended to include other African countries and similar agreements including other commodities can be established.

Measures in the field of financial and technical co-operation

33. One of the declared functions of aid is to reduce the growing international income inequalities. This principle has usually been applied only to the income gap between the developed and the developing countries as a group. If the same principle is applied to the third world, aid should be increasingly directed to those with the lowest income and lowest development prospects. Specific proposals for financial and technical assistance therefore figure prominently in all areas recommended for action on the preceding pages.

34. The international community should therefore ensure that within the general aid strategy the needs of the least developed countries be given special attention, either by the acceptance of specific targets for contributions to their development, supported by a machinery for implementation, or by the establishment of programmes in terms of specific objectives to be achieved, which donors should agree to underwrite.

35. Whatever mix of financial and technical assistance is contained in an effective aid package, one overriding priority can be singled out for the least developed countries: it is technical assistance, especially technical assistance which enables the recipients to make the fullest and best use of whatever other forms of aid are offered and of their own local resources. In particular, technical assistance is required to:

- (i) negotiate and disburse aid speedily and efficiently, in other words, building up a negotiating machinery to deal with aid and foreign investment;
- (ii) project preparation, feasibility studies and pre-investment surveys;
- (iii) effective management of projects after they have been completed. The emphasis on capital aid, as distinct from aid to recurrent expenditure, has in the least developed countries often led to an inefficient utilization of machinery and equipment. Assistance institutions should therefore in their aid packages to the least developed countries combine finance, know-how and management to remedy the initial shortage of entrepreneurial skills in these countries.

36. In extending technical assistance to the least developed countries special attention should be given to difficulties experienced by these countries in meeting counterpart requirements. Bilateral and multilateral agencies should consider granting complete exemption of these requirement in respect of the least developed countries.

37. Most of the least developed countries gained independence only during the last decade. During the first years the capacity to identify and formulate projects which could be submitted for assistance was naturally severely limited. Least developed countries which for that reason had low rates of utilization of UNDP assistance are now being penalized within the UNDP system with Indicative Planning Figures which for some countries may make it necessary with a downward revision of existing project commitments. High priority should therefore be given to an immediate revision of the system of allocation of UNDP resources with a view to eliminate its present bias against countries which for historical reasons have started late in their national planning and programming activities.

38. While technical assistance has an especially crucial role to play, financial assistance stands out as one of the basic requirements for accelerated growth of the least developed countries. Being at a very early stage of development, they require large-scale investments in costly infrastructure of all types. As a consequence, their need for financial assistance on concessional terms is far greater than can be assumed from the size of their population. Urgent attention should therefore be given to increasing, both absolutely and in relative terms, the flow of resources from IDA to the least developed countries. As a rule, financial aid to these countries should systematically be given on soft terms, preferably by grants, or at least with a grant element of 80 per cent.

39. Some of the special measures recommended in specific areas within the competence of UNCTAD involve the creation of certain funds. For a more effective co-ordination of the uses to which such funds would be put, and for ease of administration, it may be desirable to consolidate these funds into a single fund. Consideration should therefore be given to the establishment of a special fund in favour of the least developed among the developing countries.

40. In general, all forms of financial and technical assistance to the least developed countries should be tested by the criterion whether it contributes to fuller mobilization of indigenous resources so as to ensure that it does not simply reinforce the enclave nature of so much foreign investment and even foreign aid. This could be achieved by:

- (i) larger contributions towards local costs;
- (ii) use of indigenous facilities and training of local counterparts;
- (iii) enterprises that finally will transfer ownership and management;
- (iv) ensuring that the assistance is not guided solely by financial criteria, but that full consideration is given to the long-term social rate of return, including secondary effects, from development projects.

ANNEX

Resolution 218(X) Africa's strategy for development in the 1970's, paragraphs 40 - 43: The special problems of the least developed among developing countries and the land-locked and island countries.

(40) It is generally agreed that a very large number of the least developed among the developing countries are located in Africa, and that a very large proportion of African countries fall within this category. Since Africa can thus be considered the least developed among the developing regions, priority should be given by the international community to identifying the problems peculiar to African countries and to evolving measures to solve them.

(41) Any determined effort to cope with the problems and handicaps of the least developed countries involve a programme of special measures bearing upon all phases of social and economic life. The aim should be to enable these countries to accelerate their rate of economic development and to carry out necessary structural reforms as well as to derive full benefit from measures taken in the context of an international development strategy for the Second United Nations Development Decade. The various elements that should comprise such a strategy would include the following:

- (i) improving the level of productivity, particularly with a view to increasing their production of foodstuffs;
- (ii) supporting their efforts to diversify their economies, including the encouragement of the establishment of integrated industries with strong economic linkages;
- (iii) stabilization and continuing increase in their export receipts, an objective which calls for immediate action to ensure the marketing of their products at equitable, stable and remunerative prices. In many cases, urgent measures have also to be taken with respect to the problem of competition faced by natural products from synthetics or substitutes;
- (iv) improvement of the institutional structure with respect to public administration, planning, project evaluation, marketing and export promotion, banking and financial services, with special attention to measures designed to ensure increasing national participation;
- (v) mobilization of international financial assistance for the implementation of these measures, including special measures to improve the capacity of the least developed countries to absorb external assistance;

- (vi) concentration on areas of special interest to the least developed countries in the design of technical assistance programmes and projects;
- (vii) institutional arrangements within the United Nations family entrusted with the formulation, development and review of policies and projects in favour of the least developed countries.

(42) Thirteen out of a total of eighteen landlocked developing countries can be found in Africa. The position of these countries, in particular because of the high costs of transportation, the poor development of their infrastructure; inadequate and inconvenient transport, storage and port facilities; the lack of opportunity to use their own transport equipment and to establish their own transport facilities; and the unfavourable trend of transport tariffs and charges, is a factor seriously inhibiting the expansion of their trade and economic development.

(43) The solution of the special problems of the land-locked and island countries require special measures to be taken in their favour within the region and in the broader framework of the Second United Nations Development Decade. The various elements of such a strategy would include the following:

- (i) detailed studies identifying their most serious bottlenecks to rapid economic development;
- (ii) effective recognition of their right to, and facilitation of, free access to the sea;
- (iii) priority attention to their financial and technical assistance needs, including the granting of soft-term loans and the provision of funds designed to subsidize their additional transport costs;
- (iv) application of special measures in their favour along the lines of those accorded to the least developed among the developing countries.