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**Chair's proposed compromise text for parts I, II and III  
of the draft Programme of Action**

**As of 1 April 2011**

# **DRAFT PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE DECADE 2011-2020**

## **I. INTRODUCTION**

1. The Least Developed Countries (LDCs), consisting of 48 countries with a total population of 880 million, represent the poorest and weakest segment of the international Community. LDCs are characterized by constraints such as limited human, institutional and productive capacity, as well as by a limited resilience to respond to a number of vulnerabilities and external shocks and limited ability to provide education, health services and other human development needs. It is a matter of deep concern to the international community that only three countries have been able to graduate out of this category so far in the last three decades.
2. In the decade since the adoption of the Brussels Programme of Action (BPoA) in 2001, some LDCs have made encouraging progress in economic, social and human development. In this regard, the efforts made by LDCs themselves and their development partners can be acknowledged. However, there is no room for complacency as more than 75 per cent of LDCs' population still live in poverty.
3. The LDCs continue to have the lowest per capita incomes and the highest population growth rates. They are most off track in the achievement of Millennium Development Goals (MDGs) and other development goals and are at the bottom of the Human Development Index rankings. Many LDCs have been unable to overcome their economic vulnerability and structurally transform their economies or build resilience against internal and external shocks and crisis.
4. The LDCs' production capacity is limited and they have severe infrastructure deficits. Similarly, many LDCs continue to struggle with improving human and social development. Many are affected by conflict and still have weak governance capacities and institutions.
5. An evidence-based appraisal of the implementation of the Brussels Programme of Action for the LDCs for the decade 2000-2010 confirms that a more comprehensive and targeted approach based on ambitious, robust and focused commitments is required to bring about a tangible economic transformation in LDCs that could foster sustainable development and help LDCs meet longstanding as well as emerging challenges.
6. Since the Third UN Conference the international economic and development landscape has changed with an expansion of the number and types of partners and more complex aid architecture. In addition to development partners, some developing countries, private sector, foundations, civil society and IFT's have contributed to increasing the flow of resources to LDC's. The interplay of development assistance and private investment and trade provides new opportunities for aid to leverage private resource flows
7. In addition, new challenges have emerged. The international community has been challenged by multiple and interrelated crises, including the financial and economic crisis, volatile food, energy and food prices and ongoing concerns over food security, as well as the increasing challenges posed by climate change and the loss of biodiversity, which all have increased vulnerabilities and widened international inequality and have adversely affected development gains in LDC's.
8. Solidarity and partnership with the poorest, most vulnerable and weakest countries and peoples of the world is not only a moral imperative, but an economic and political one. A successful

global partnership that effectively addresses the special needs of LDCs will contribute to the cause of peace, prosperity and sustainable development for all.

9. The Millennium Declaration, the Monterrey Consensus, the Johannesburg Plan of Implementation, the World Summit Outcome, the Doha Declaration and the Outcome Document of the High-Level Plenary Meeting on the MDGs have reaffirmed that LDCs deserve particular attention and well-targeted support measures to eradicate poverty, accelerate economic growth, achieve sustainable development and overcome their vulnerabilities.
10. The Programme of Action for the decade from 2011 to 2020 represents the commitment of the LDCs, which have primary responsibility for their own development, and their development partners and developing countries in a position to contribute, in the context of South-South cooperation, to a renewed global partnership for the development of LDCs. This partnership is based on the principle of common but differentiated responsibilities for the developed and developing countries, with the understanding that South-south cooperation complements but does not substitute North-south cooperation.

### *Objectives*

11. The overarching goal of this Programme of Action is to enable the LDCs to reach the stage of graduation thereby contributing towards the achievement of all the internationally agreed development goals including the MDGs and making substantial progress in poverty eradication, by sustaining a high level of economic growth, enhancing productive capacity, promoting sustainable development in all its dimensions, and addressing the vulnerabilities and impact of multiple crises and challenges through structural transformation.
12. Guided by the overarching goal, national policies of LDCs and international support measures by their partners during the decade will focus inter alia on the following specific objectives:
  - a. Secure gains attained through the implementation of the Brussels Programme of Action and fully implement the commitments made in this Programme of Action.
  - b. Enable half the number of LDCs to graduate and/or to start the graduation process from the category by 2020.
  - c. Enhance resilience of LDCs to economic, social, environmental vulnerabilities including to natural disasters and climate change.
  - d. Build viable national productive capacity through structural transformation in all relevant sectors.
  - e. Attain at least 7 percent of GDP growth per annum and increase the investment to GDP ratio to 25 per cent over the decade.
  - f. Overcome LDC's marginalization through effective integration into the global economy, including regional integration.
  - g. Halve the proportion of people living in poverty and suffering from hunger by 2015 as contained in the Millennium Declaration and building on this target strive to achieve greater reduction by the end of the implementation of the Programme of Action.
  - h. Promote human dignity, human rights and foster inclusive people-centred economic and social development and gender equality, and the empowerment of women.

- i. Strengthen the capacity of LDCs governments to play an effective and facilitating role in the economy, to mobilize domestic resources, and enhance domestic financial institutions and thereby create an enabling environment for sustainable economic and social development in LDCs.
- j. Enhance democratic processes and institutions and good governance at all levels, promote increased transparency, strengthen rule of law and reduce corruption.
- k. Address development and security challenges in LDCs affected by conflicts as well as challenges related to peace building and early recovery in LDCs.
- l. Renew partnership to ensure enhanced and targeted support for LDC's development.

### ***Principles***

13. The following principles will guide the implementation of the Programme of Action based on a sustainable framework of partnership for successfully achieving its objectives:

- a. **Country ownership and leadership.** The primary responsibility for their own development lies with LDCs, in respect of the principle of ownership. LDCs have the right and responsibility to formulate and execute their own coherent economic and development policies and strategies and identify their own national priorities, including striking a balance in the allocation of resources between economic and social sectors. Partners should support LDCs in the design and implementation of their development strategies.
- b. **An integrated approach** in which the development process in LDCs should be viewed in a comprehensive and holistic manner. Promotion of policy coherence and consistency of the international economic, financial and trading systems with the aim of increasing the quantity, quality and effectiveness of LDC-focused international support measures and mechanisms is of key importance. The implementation of the Programme of Action should be integrated into all relevant international processes.
- c. **Genuine partnership** and solidarity with understanding and recognition by partners, multilateral institutions and other relevant actors that the LDCs, as the most vulnerable group of countries, need effective national policies, global support and appropriate mechanisms at all levels for the achievement of the goals and objectives of this Programme of Action.
- d. **Result orientation.** The success of the Programme of Action will be judged by its contribution to internationally agreed goals and targets and enabling the LDCs reach the stage of graduation. The process of identification, monitoring, and assessment of progress in implementing actions and realizing the goals and objectives of the Programme of Action will contribute to enhance mutual accountability and development effectiveness.
- e. **Peace and security.** The particular challenges faced by LDCs regarding conflict, armed violence and their heavy human, economic and social implications need to be recognised. The close interdependence among the LDCs, developing and developed countries, and the stakes each has in others' security, prosperity, and welfare, needs also to be acknowledged. Eradication of poverty and hunger in LDCs, among others, would contribute toward ensuring global stability and prosperity in a sustainable manner, based

on the principle that human beings are at the centre of the concerns for sustainable development.

- f.* **Equity** is indispensable for the pursuit of long-term prosperity and the realization of the human and social rights for all, particularly the poor and marginalized. Development strategies and programmes of LDCs and their partners should strive to enhance the participation and empowerment of the poor and marginalized in their own development, benefit the most vulnerable, ensuring social justice, democracy, gender equality, and sustained, inclusive and equitable economic growth and sustainable development.
- g.* **Voice and representation.** International economic system and architecture should be inclusive and responsive to the special development needs of LDCs, ensuring their equitable participation, voice and representation at all levels.
- h.* **Balanced role of the state and market considerations** where the state commits to design policies and institutions with a view to achieving sustainable and inclusive economic growth that translates into full employment, decent work opportunities and sustainable development. The state also plays a significant role in stimulating the private sector towards the achievement of national development objectives and creates an appropriate enabling environment for effective functioning of markets.

## II REVIEW OF THE IMPLEMENTATION OF THE BPoA

- 14. The BPoA was based on seven commitments aimed at significantly improving the human conditions of people in LDC's, through providing a framework for a strong global partnership. Its overarching goal was to make substantial progress toward halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote sustainable development in LDC's. Significant and steady growth of gross domestic product (GDP) was seen as the main requirement for reaching the overarching goal.
- 15. Economic and social development has been better during the implementation of the BPoA than during the previous decade, despite large differences among individual LDC's. Some LDCs have achieved growth rates exceeding 7% per annum, but in many LDCs the growth remained significantly lower and some LDCs experienced negative growth rates. During the decade LDCs' participation in international trade was increased, although their share in global trade still remains marginal.
- 16. The LDC's made some progress towards reaching the MDG's, particularly in the field of universal primary education and gender equality in school enrolment while many LDC's are off track in the rate of progress towards the target of reducing child mortality and improving maternal health. Large imbalances within and between countries persist in terms of the human and social goals of the BPoA with respect to gender, rural-urban populations and other disadvantaged groups.
- 17. LDCs have also made some progress towards good governance especially with respect to efforts to embed and institutionalize democratic governance in their own processes and with respect to empowerment of women.
- 18. While the BPoA has had a positive role to play in the development process of the LDCs, the specific goals and action of the BPoA have not been fully achieved. The improved economic performance in some LDCs had a limited impact on employment creation and poverty reduction.

In many LDCs structural transformation was very limited and their vulnerability to external shocks has not been reduced.

19. Changes in the sectoral composition of GDP have been much slower in many LDC's than in other developing countries. In particular, the share of manufacturing, which has been the driving force of economic development in many middle-income countries, has increased only slowly
20. The focus on export led growth and integration into the global economy resulted in insufficient attention to domestic growth. Rudimentary technologies and poor physical infrastructure, including unreliable energy supply make many of their products uncompetitive in international markets.
21. Many LDCs are net food importers, which has increased their vulnerability to rapid declines in export earnings and capital flows. Multiple, interrelated global crises and challenges, such as increased food insecurity, volatile energy and commodity prices, and the global financial and economic crisis partly reversed development gains that LDCs achieved over the years.
22. The implementation of development strategies in LDC's improved and development partners increased their contributions during the period of implementation of the BPoA. Progress has also been made in addressing the financial and technical assistance needs of LDC's in the context of official development assistance (ODA), trade capacity, market access and debt relief.
23. While the LDCs have made considerable efforts to mobilize domestic resources for their development, most of them still face a huge financing gap, ODA continues to be the principle source of financing for the development of LDCs. The aggregate ratio of ODA to GNI for Development Assistance Committee (DAC) members increased from 0.05 per cent in 1997-98 to 0.09 per cent in 2008 but remained well below the 0.15 – 0.20 target, hampering seriously the achievement of the agreed goals. An increasing share of aid went to the social sectors rather than to the productive sectors and economic infrastructure.
24. The share of LDCs' exports in international trade increased from 0.62 per cent in 2002 to 1.08 per cent in 2008. All but one of the developed countries meets the Duty Free Quota Free (DFQF) market access for at least 97 per cent of products originating from LDC's, and several go beyond that, but other serious obstacles to trade remain, including stringent rules of origin, non-tariff barriers as well as LDCs weak supply capacity.
25. Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) have also deeply influenced development in many LDCs, though not all LDCs are eligible. However, owing to increased lending during the financial crisis, it is likely that debt distress will continue to be a major concern for LDC's.
26. FDI to LDCs has also increased substantially but without a visible impact on structural change. The investment to GDP ratio target of 25 per cent set in the BPoA was met only partially by a few countries. FDI flow remained concentrated on extractive industries with non-resource attracting sectors receiving a limited share of overall FDI flows to LDCs.
27. There are some important lessons learned for the new PoA from the reviews of the BPoA at national, regional and global levels:
  - a. Some international support measures generated only limited results as they were insufficient in scope and scale to achieve the goals and objectives of the BPoA and the specific needs of the LDCs. In some cases there were implementation difficulties due to

shortcomings by development partners and LDCs as well as a lack of policy coherence and consistency. International support measures should be strengthened in terms of higher priority and specific targeting of LDCs.

- b.* Treating LDCs as a group on the basis of their low per capita income, human asset development and economic vulnerability remains the fundamental premise for special measures in their favour. The new Programme of Action needs to fully take into account the specific geographical constraints and vulnerabilities of each LDC, including small island and land-locked LDCs, LDCs with mountains and fragile ecology, low-lying coastal LDCs, those with extreme dependency on primary commodity exports, low agricultural productivity and food insecurity, climate and environmentally vulnerability, energy insecurity and LDCs emerging from conflict.
- c.* Greater ownership and leadership of LDCs is indispensable, including mainstreaming and integration of the PoA in national development strategies, plans and programmes, and identification of authorities to oversee implementation, as well as multi-stakeholder engagement by parliamentarians, civil society organizations, private sector, and executive branches.
- d.* The multiple crises created a new consciousness regarding instabilities and vulnerabilities of the global economy, in particular the risks of overdependence on external resources and external demand. Thus a new PoA would need to refocus attention on structural transformation of LDCs through increasing productive capacity and diversification and strengthening home-grown development paths.
- e.* Mainstreaming of the PoA into aid, trade and development strategies of development partners as well as developing countries in a position to contribute is also crucial for its successful implementation and coherence of policies.
- f.* While the development partners are still very relevant to the development of the LDCs, the new Programme of Action should also include measures that can be put into place by other countries in a position to contribute, including financial and technical assistance, market access, and investment support as a complement to, but not a substitute for, support from development partners.
- g.* The development strategy for the next decade should complement the export-led growth strategies by focusing on the strengthened role of domestic productive capacity, diversification, enhanced investments, infrastructural development, building technological capacity, building and strengthening the capacity of LDC private sector, that can stimulate enhanced and sustained, inclusive and equitable economic growth and structural transformation. There should be increased attention to agriculture and rural development as well as to food and nutrition security. Regional integration, including in infrastructure, should also be given greater prominence.
- h.* Priority areas for support should be targeted, better matching these areas with goals and targets, and specific means and tools to reach them should be identified.
- i.* Enhanced financial resources are the key to the achievement of sustained and inclusive economic growth, sustainable development, and poverty eradication. Quantity, quality and predictability of resources should be addressed, as well as dedicated regional and global facilities and mechanisms to provide support to the LDCs in priority areas, as key deliverables of a new PoA.

- j.* Enhanced and sustained flows of ODA to LDCs from developed countries and multilateral financial institutions are critical for the next PoA to achieve a quantum leap in LDCs development, socio-economic and structural progress and transformation, as well as their graduation.
- k.* Better representation of LDCs in decision-making at the global level would help improve the international environment for the development of the LDCs. Wider recognition of LDC status would stimulate and facilitate better mainstreaming of the PoA into development policies.
- l.* Monitoring and follow-up should not focus only on goals and targets, but also on actions by both least developed countries and development partners to strengthen the principle of mutual accountability.

### **III. RENEWED PARTNERSHIP FOR DEVELOPMENT**

- 28. This Renewed Partnership is based on mutual commitments and mutual accountability by LDCs and their development partners and other partners to undertake concrete actions in a number of interlinked areas set out in the Programme of Action. This requires mutually supportive and integrated policies across a wide range of economic, social and environmental issues for sustainable development through the formulation and implementation by all countries of policies consistent with the objectives of sustained, inclusive and equitable economic growth, poverty eradication and sustainable development.
- 29. The success of the Programme of Action depends:
  - a. on the LDCs having the ownership and leadership role in making the relevant policy choices and being able to implement them effectively,
  - b. on enhanced, predictable, and targeted support for LDC's from development partners and developing countries in a position to contribute, in the context of South-south cooperation, and
  - c. on the special role and the utilization of experience, expertise and resources of the organizations of the UN system, including the Bretton Woods Institutions.
- 30. Each LDC will translate policies and measures in the Programme of Action into concrete measures, mainstreaming this Programme of Action in the national and sectoral development strategies and plans. Policy flexibility lies at the core of national ownership and leadership in the development process. It is for each government to evaluate the trade-off and find a balance between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space.
- 31. National efforts of LDCs should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of LDCs and responding to their evolving national priorities. The development partners and developing countries in a position to do so, in the context of South-south cooperation, will contribute to the implementation of this Programme of Action by integrating it into their respective national cooperation policy framework, programmes and activities, as applicable, to ensure enhanced, predictable and targeted support to LDCs as set out in the Programme of Action. All partners should cooperate



closely to ensure that increased resources are provided and used in a manner which ensures maximum effectiveness.

32. Development partners should continue and increase their support to LDC development as they continue to be main sources of ODA, major trading partners, home countries of FDI, remittances and transfer of technology as well as key drivers of innovative sources of finance.
33. South-South cooperation, as well as sub-regional and regional cooperation, has an important role for LDCs' development in areas such as human and productive capacity building, technical assistance and sharing of best practices, as well as trade and investments between the LDCs and other developing countries. Developing countries in a position to contribute should continue to make concrete efforts to increase and make more effective their South-South cooperation initiatives.
34. Both developed and developing countries need to increase efforts at all levels to enhance policy coherence for development. This requires mutually supportive and integrated policies across a wide range of economic, social and environmental issues for sustainable development.
35. The United Nations system, including funds and programs as well as the World Trade Organization, the World Bank and IMF will, within their respective mandates, continue to enhance their support to LDCs, by prioritising them in their strategies and programmes and tailoring support towards their specific needs and vulnerabilities.
36. Parliaments have a particular role in debating development strategies as well as overseeing their implementation. Greater and stronger engagement of Parliaments will ensure effectiveness and transparency in the design, implementation and review of the policies and programmes in the context of the PoA.
37. Partnerships with the private sector play an important role for promoting entrepreneurship, generating employment and investment, developing new technologies and enabling sustained, inclusive and equitable economic growth. Good governance and an enabling business environment will play a key role in this respect.
38. The Programme of Action recognizes that civil society can complement government and the private sector in its implementation. Civil society organizations should be fully involved in policy dialogue, ensuring the inclusion of different perspectives in national development strategies and programmes.
39. The international trade and finance architecture needs to be more supportive of and responsive to the special needs and priorities of LDCs together with enhanced coordination and coherence among the different policy areas of the international development architecture, including ODA, trade, FDI, debt and finance.
40. The G20 Seoul Development Consensus for Shared Growth and its Multi-Year Action Plan are expected to contribute to the attainment of inclusive, sustainable, and resilient growth of developing countries, including the LDCs. The successful implementation of the G20 multi-year action plans on development in the nine key pillars such as infrastructure, human resource development, food security, and knowledge sharing will promote synergy with the Programme of Action.
41. The international community reaffirms its commitment to a comprehensive, result-oriented, enhanced, quantifiable, forward-looking and coherent global partnership for LDCs. It is specifically designed with targeted measures, policies and mechanisms towards addressing key

aspects of the LDCs, including their lowest per capita incomes and highest poverty rates, their weakest human and social development and highest level of structural and economic vulnerability, their lack of structural transformation and progress, and the technological and scientific gap.