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**REVIEW OF ISSUES PERTINENT TO THE SUBSIDIARY STRUCTURE OF
THE COMMISSION, INCLUDING THE PROGRAMME PERFORMANCE
REPORT FOR THE BIENNIUM 2008-2009 AND THE WORK OF THE
ESCAP REGIONAL INSTITUTIONS: MACROECONOMIC POLICY,
POVERTY REDUCTION AND INCLUSIVE DEVELOPMENT**

(Item 3 (a) of the provisional agenda)

**ASIA-PACIFIC REGIONAL REVIEW OF THE BRUSSELS PROGRAMME OF
ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE DECADE
2001-2010: DHAKA OUTCOME DOCUMENT**

SUMMARY

The General Assembly, in its resolution 63/227 of 10 March 2009 on the implementation of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010, decided to convene the Fourth United Nations Conference on the Least Developed Countries in 2011. Among the main goals of the Conference would be to undertake a comprehensive appraisal of the implementation of the Brussels Programme of Action for the decade 2001-2010 by the least developed countries and their development partners, to share best practices and lessons learned, and to formulate and adopt a renewed partnership between the least developed countries and their development partners (para. 4).

The General Assembly also decided to convene an intergovernmental preparatory committee towards the end of 2010 or early in 2011, which would be preceded by two regional-level preparatory meetings, one in collaboration with ESCAP and the other in collaboration with the Economic Commission for Africa. These regional meetings would be supported by broad-based and inclusive country-level preparations (paras. 5 and 6).

In response to General Assembly resolution 63/227, ESCAP and the Government of Bangladesh jointly organized the High-level Asia-Pacific Policy Dialogue on the Brussels Programme of Action for the Least Developed Countries, which was held in Dhaka from 18 to 20 January 2010. The Policy Dialogue was organized in close cooperation and collaboration with the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States as the United Nations system-wide focal point for the preparations for the Fourth United Nations Conference on the Least Developed Countries. The Policy Dialogue, which involved 15 least developed countries, was attended by some 120 stakeholders of the Brussels Programme of Action, including ESCAP member States, organizations of the United Nations system, relevant international and regional organizations, development partners and a broad spectrum of civil society representatives. Inaugurated by the Prime Minister of Bangladesh, the meeting was attended by eight ministers and many senior officials from the participating least developed countries.

The Policy Dialogue showed that, although some progress has been made in achieving the key objectives of the Brussels Programme of Action, the least developed countries continue to suffer from multiple development challenges. The food, fuel and financial crises and climate change have compounded their development challenges. They need increased international support so that they can meet their development challenges more effectively, particularly in areas such as food security, poverty reduction, human resource development, increasing their productive capacity and coping with climate change.

As a follow-up to the exchange of views and extensive deliberations at the three-day High-level Asia-Pacific Policy Dialogue, the ministers, senior policymakers and relevant stakeholders adopted the Dhaka Outcome Document, which is submitted to the Commission in connection with the regional review to be conducted by the Commission at its sixty-sixth session. The Policy Dialogue requests the Commission to endorse the Dhaka Outcome Document and to then transmit it as the Asia-Pacific regional input to the global review to be conducted by the Fourth United Nations Conference on the Least Developed Countries, to be held in Istanbul, Turkey, in May 2011.

**ASIA-PACIFIC REGIONAL REVIEW OF THE BRUSSELS PROGRAMME
OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE
DECADE 2001-2010**

DHAKA OUTCOME DOCUMENT

1. The High-level Asia-Pacific Policy Dialogue on the Brussels Programme of Action for the Least Developed Countries concludes that, despite significant progress achieved in different areas, such as the achievement of a targeted growth rate and increased investment ratios for a number of countries, the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (Brussels Programme of Action)¹ as yet remains an unfinished agenda for the Asia-Pacific least developed countries. Least developed countries have, in general, lagged behind others in achieving the Millennium Development Goals and other internationally agreed development goals. In addition to their slow progress in the attainment of key goals and targets agreed upon in the Programme of Action, the Asia-Pacific least developed countries have suffered from multiple effects of the food and energy crisis, the global financial and economic crisis, and the effects of climate change in the real sectors of their economies, threatening to undermine the development gains achieved so far, as well as negatively affecting future prospects. The increased frequency of natural disasters in the Asia-Pacific least developed countries, together with their inability to address the impacts, has increased their vulnerability, undermining their economic development. In particular, progress towards the reduction of poverty and hunger and the achievement of the Millennium Development Goals has been slowed down and the countries have encountered difficulties in securing cost-effective financing for development.

2. The Asia-Pacific least developed countries, on average, had achieved investment to gross domestic product (GDP) ratios of more than 25 per cent by 2007. That was partly related to the diversification of exports of some Asian least developed countries into manufacturing. Thus, 7 out of 14 Asia-Pacific least developed countries met the target growth rate of 7 per cent for most of the decade. However, in other areas, such as urban access to water, gender equality in tertiary education and, especially, poverty reduction, very few countries had made sufficient progress before the 2008 economic crisis. Similarly, in some areas, such as primary education (including gender equality) and tuberculosis prevalence, the majority of the 15 Asia-Pacific least developed countries are among the early achievers or are on track in reaching the related Millennium Development Goals.

3. The food and fuel crisis and the financial and economic crisis have highlighted the vulnerabilities of Asia-Pacific least developed countries to external shocks. The financial crisis affected these countries through different channels, including trade of goods and services, foreign direct investment (FDI), remittances, official development assistance (ODA) and financial markets. These effects, in turn, reduced employment, capital inflows and government revenue, thus limiting policy space to address their structural impediments to development.

4. Least developed countries are more vulnerable than other countries to the effects of climate change for several reasons. First, many of them, such as small island States and low-lying coastal States, are the most exposed to the consequences of global warming, such as a rise in sea level. Second, this vulnerability has been intensified by the high proportion of their economies that is accounted for by agriculture. Third, the melting of the glaciers in the Himalayas is creating far-

¹ A/CONF.191/13, chap. II.

reaching negative consequences for the downstream countries. Fourth, the increased frequency of natural disasters has further aggravated their vulnerability and reduced their ability to mitigate the impacts of natural disasters. The island least developed countries are even more prone to the existential threat of climate change impact on their livelihood and national security, which allows them to exist as sovereign States, with some already experiencing internally displaced climate change refugees. Their small, open and narrow economies, which rely heavily on the trade of a few primary commodities and services, make it necessary for the Economic and Social Council to seriously consider the economic vulnerability of the island least developed countries in its assessment of whether to graduate them from the list of least developed countries. The meeting highlighted the cases of Maldives and Samoa and the recent earthquake in Haiti as strong evidence of the extreme vulnerability faced by the island least developed countries and the need for the international community to urgently support their adaptation and mitigation programmes.

A. Mobilizing enhanced international and regional support measures and action in favour of the least developed countries and formulating a renewed partnership

5. Mobilizing financial resources for development and their effective use are central to the attainment of the Millennium Development Goals, other internationally agreed development goals and Brussels Programme of Action targets and for strengthening a new global partnership for the sustainable and inclusive development of the Asia-Pacific least developed countries.

6. Although implementing the Brussels Programme of Action is the primary responsibility of individual least developed countries, the domestic economies of these countries are now interwoven with the global economic system. Therefore, the support of an enabling international economic environment, the effective use of trade and investment opportunities, and global financial and technical assistance are important for the Asia-Pacific least developed countries in implementing the Programme of Action. The Policy Dialogue notes with concern, however, that the commitments made under the Brussels Programme of Action in the areas of trade, aid and financial flows remain largely unfulfilled for the Asia-Pacific least developed countries.

1. Trade

7. The Asia-Pacific least developed countries have remained marginalized in international trade. They need urgent and wide-ranging trade-related technical assistance in order to fully utilize the benefits offered by international trade for their development.

8. Although most Asia-Pacific least developed countries have managed to diversify into labour-intensive manufacturing exports, there is a need to substantially expand and further diversify their production and export supply capacity. This would enable them to increase their share in global trade, enhance their value added and value retained from exports and improve their terms of trade. To further enhance the share of the least developed countries in global trade, greater efforts are needed towards the achievement of subregional and regional economic integration and enhanced trade and investment flows. There is also a need to diversify exports by sector and destination market.

9. In this context, the Policy Dialogue calls for enhanced levels of support and assistance from development partners to enhance their supply-side capacity and trade diversification. It also calls for the early, fair and balanced conclusion of the Doha

Round of multilateral trade negotiations by 2010 and the early harvest of duty-free and quota-free market access for the least developed countries. It further calls for a dedicated facility with resources to address the supply-side constraints.

10. In order to enhance substantially the share of least developed countries in world trade and its contribution to their development, they need to be provided with enhanced and predictable market access by their partners, support for establishing cost and quality competitive export supply capacity and the building of trade-related infrastructure.

11. Tariff and non-tariff barriers and subsidies in developed countries adversely affect the export earnings of the Asia-Pacific least developed countries. Although developed countries generally levy lower overall tariffs on exports from developing countries, tariff peaks are applied on agricultural and labour-intensive products. As a result, least developed countries face higher average tariffs than their developed country counterparts.

12. For the Asia-Pacific least developed countries, full implementation of duty-free and quota-free market access by developed countries and developing countries in a position to do so, as agreed in the Hong Kong Ministerial Declaration,² is critical to integrating beneficially into the global trading system.

13. Most least developed countries have preferential access to industrial country markets under the Generalized System of Preferences (GSP). The benefits of many GSP schemes are, however, limited. Preference margins are usually smaller for sensitive products, which enjoy the greatest protection, and the fact that a large number of countries (often with similar export structures) benefit from preference schemes reduces any competitive advantage the schemes might convey. More transparent and simplified rules of origin, allowing for cumulation of origin, at least at the regional level, could improve the use and value of preferences, as would more comprehensive product coverage. Least developed countries should be granted greater preferential treatment than other countries to enable them to offset some of their disadvantages.

14. Further liberalization of merchandise trade, especially of agricultural products, textiles and clothing, could generate large benefits for the Asia-Pacific least developed countries in terms of incomes, exports and employment. These benefits would derive not only from the elimination of access barriers to industrial country markets but also from the reform of the trade regimes of these countries.

15. There is also a need to move towards a multilateral trading system that takes special account of the interests of the least developed countries, including eliminating tariff peaks and escalation, tightening disciplines on recourse to trade remedies, providing more capacity-building assistance to these countries to enable them to navigate technical and health-related barriers, and extending full duty- and quota-free access for exports from the Asia-Pacific least developed countries.

16. In the context of the Doha Development Agenda,³ the members of the World Trade Organization (WTO) are committed to negotiations aimed at substantially improving market access for agricultural and industrial products, especially the products of export interest to developing countries and least developed countries. The Policy Dialogue underlines the importance and urgency of

² World Trade Organization, document WT/MIN(05)/DEC. Available from <http://docsonline.wto.org>.

³ See A/C.2/56/7, annex.

concluding the Doha Round by 2010. Increasing market access for the least developed countries is indeed a necessary first step in helping them grow their economies, but it is not sufficient. It must be an integral part of a broader strategy to promote a vigorous supply response in the least developed countries. Inefficiencies in key infrastructure sectors, such as telecommunications, transport and financial services, often add more to the export costs of these countries than foreign trade barriers. Thus, Asian least developed countries also need technical assistance to participate effectively in the multilateral trading system, for which effective implementation of the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries is required. Aid for trade should be aligned to the national development strategies of individual countries and aimed at enhancing trade capacity and international competitiveness through support in specific areas, such as trade policy and regulations, trade development, building productive capacities, trade-related infrastructure and trade-related adjustments. The implementation and enhancement of aid for trade should be a complement to and not a substitute for a successful outcome of the Doha Round of negotiations, and least developed countries should receive priority attention for the disbursement of funds from aid for trade.

17. The subsidization of agriculture in the developed countries depresses world prices of commodities and increases price volatility, which hurts least developed countries and their poorest citizens, since agriculture is the dominant economic activity in rural areas. The costs to the global economy of distortions in agricultural trade are also large.

18. In addition, measures to address some of the factors that have contributed to the severe volatility of food and commodity prices should be explored. They include the support measures for the use of biofuels which have diverted food for human consumption and the effects of excessive speculation. To compensate for the high volatility of commodity prices, commodity stabilization funds, insurance schemes and a higher level of stocks, preferably at the regional level, should be explored.

2. Financing for development

19. The magnitude of net FDI inflows in Asia-Pacific least developed countries is much lower than the amount of ODA received by these countries, indicating their higher dependence on ODA. Although both ODA and FDI had increasing trends in the 2000s, the increase in ODA flows in the Asia-Pacific least developed countries slowed down from 2005 against an increasing trend of FDI inflows.

(a) FDI

20. The bulk of FDI in least developed countries is of the resource-seeking type, while FDI directed towards the Asia-Pacific least developed countries is mostly efficiency-seeking. The exploitation of the potential positive impacts of FDI on knowledge accumulation in host countries hinges on a number of conditions, many of which are not present in these countries.

21. There is a heightened need for the Asia-Pacific least developed countries to refocus policy attention on developing productive capacities. This means that policies aimed at attracting FDI should be oriented towards stimulating productive investment, building technological capacities, developing infrastructure and strengthening linkages within and across sectors and between different enterprises. Strengthening domestic productive capacities should also be aimed at producing a wider range of more sophisticated products.

22. Given that many least developed countries have not been able to attract FDI despite liberalization and reform, in order to enhance private capital flows, there is a need to strengthen national, bilateral and multilateral efforts to overcome structural and other constraints limiting their attractiveness as destinations for private capital and FDI. Bilateral and multilateral partners can provide technical, financial and other forms of assistance; share best practices; promote and strengthen partnerships and cooperation arrangements; provide guarantees; and support national efforts to create a stable and predictable investment climate.

23. Global support is needed for private foreign investment, especially in infrastructure development and other priority areas, including bridging the digital divide that exists in the Asia-Pacific least developed countries. The global support can take various forms, including export credits, co-financing, venture capital and other lending instruments, risk guarantees, the leveraging of aid resources, business development services and funding for feasibility studies.

(b) Remittances

24. Remittances have emerged as a significant source of foreign currency in many of the Asia-Pacific least developed countries. In this context, remittances are not a substitute for FDI, ODA, debt relief or other public sources of development finance for the least developed countries. They are typically wages transferred to meet the needs of recipient households and the nature of their disposal is a matter of household decisions. In view of the growing importance and potential of the export of services for the Asia-Pacific least developed countries, the modalities for special treatment for least developed countries in the WTO negotiations on trade in services, granting secure and predictable preferential and more favourable treatment to services and service suppliers of least developed countries, should be fully implemented. In this regard, priority needs to be accorded to methods and mode of supply, in particular, on the movement of natural persons under mode 4. The Policy Dialogue calls for closer cooperation and understanding between the sending and destination countries of migrant workers. In addition to measures to reduce transaction costs, where significant progress has been made, receiving countries should also improve working conditions for migrants and reduce unreasonable restrictions on labour migration. Cooperation between origin and destination countries to increase and harness the contribution of migrant workers towards brain gain and circulation and skills development in least developed countries is required.

25. The Policy Dialogue notes the ongoing preparation for the establishment of an international migrant remittances observatory for least developed countries. It calls upon the Coordination Bureau to finalize the memorandum of understanding for the implementation of the pilot programme, as directed by the Ministerial Meeting of the Least Developed Countries, held in New York on 29 September 2009.⁴

(c) ODA and debt relief

26. ODA continues to play a very important role in the implementation of the Brussels Programme of Action in the Asia-Pacific least developed countries and the achievement of the internationally agreed development goals, including the Millennium Development Goals. ODA has a potential catalytic role in assisting these countries in promoting sustainable and inclusive development; enhancing social, institutional and physical infrastructure; promoting FDI; adapting trade and technological inventions and innovations; improving health and education; fostering

⁴ See A/C.2/64/3, para. 11.

gender equality; ensuring food security; and reducing poverty. Development partners should also establish specific and dedicated funding mechanisms to deal with financial, food and fuel crises, especially in the least developed countries.

27. Despite a significant increase in ODA to least developed countries in recent years, only 9 out of 22 donors of the Development Assistance Committee of the Organization for Economic Cooperation and Development met the target of providing at least 0.15 per cent of their gross national income in ODA to least developed countries in 2008. Unfortunately, current spending plans of Development Assistance Committee members only indicate a 1 per cent increase in ODA to least developed countries from 2008 to 2010, which would result in a decline of aid per capita. Thus, concrete steps to increase aid in a reasonable time period should be committed to by donors who have not reached the target of 0.2 per cent of their gross national income. There should be not only proportional but also progressive targeting of ODA and an attempt to scale up ODA to meet the needs identified and prioritized by least developed countries. These priorities include economic infrastructure-building, food security and agricultural and rural development, skills development, social infrastructure to enable universal access to essential services and aid for leapfrogging into green production. Aid for “new” purposes, such as aid for trade and financing for adaptation to climate change, needs to be truly additional and should not divert resources from other internationally agreed goals.

28. At the same time, efforts need to be made to continue to improve the quality of ODA and increase its development impact by building on the fundamental principles of national ownership, alignment, harmonization and managing for results, as agreed in the 2005 Paris Declaration⁵ and the 2008 Accra Agenda for Action.⁶ This includes, especially, aligning aid by sector with internationally agreed development goals and country priorities, untying aid to least developed countries, and increasing predictability and further debt relief efforts.

29. Specifically, no conditions should be attached to aid that are not in line with the goals of the national development strategies of least developed countries. Capacity-building is the responsibility of least developed countries, with development partners playing a supportive role. Development partners should use a country’s own institutions and systems and support capacity-building in this area and should avoid the establishment of parallel service delivery mechanisms. Activities that undermine national institution-building should be avoided. Development partners should provide indicative commitments of aid and disburse aid in a timely and predictable fashion. Mutual assessment reviews should be led by recipient countries and should include all stakeholders. Development partners are encouraged to support institutional capacity development so that least developed countries can enhance their absorptive capacities in order to increase the transfer of resources from development partners.

30. Furthermore, in the light of the effects of the financial and economic crisis, it is crucial to ensure that aid systems are flexible enough to react faster when large external shocks occur. Aid needs to be countercyclical to have the largest effect on the economies of the recipient countries, and it should be flexible enough to leave policy space for least developed countries to offset the effects of those shocks. It is therefore necessary to establish a crisis mitigation and resilience-building fund to help

⁵ Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability, adopted at the High-level Forum on the question of “Joint Progress towards Enhanced Aid Effectiveness: Harmonization, Alignment, Results”, held in Paris from 28 February to 2 March 2005 (see www.oecd.org/dataoecd/11/41/34428351.pdf).

⁶ A/63/539, annex.

least developed countries, as the most vulnerable economies, to withstand the shocks and build their long-term resilience.

31. Progress has been made in recent years on voluntary innovative sources of financing and innovative programmes, such as the Global Action Initiative against Hunger and Poverty, the Leading Group on Solidarity Levies to Fund Development and the United States Millennium Challenge Corporation. These initiatives need to be scaled up and their implementation needs to be expanded further to the disadvantaged people of the Asia-Pacific least developed countries. There is a need to set up special purpose thematic funds dedicated to and earmarked for least developed countries, such as a commodity stabilization fund, a technology fund, a diversification fund and environment-related funds. It is important that least developed countries be able to determine the terms of access to these funds and have equitable representation in their governance.

32. The outstanding external debt of the Asia-Pacific least developed countries in relation to their GDP has increased in the case of island countries. For other least developed countries, the debt-to-GDP ratio has decreased marginally. The lower debt-to-GDP ratio translates into manageable debt servicing and most of these countries had maintained their relatively satisfactory debt position before the onset of the financial and economic crisis through a mixture of strong export growth and prudent external financing.

33. The Policy Dialogue calls for the full involvement of both parties in debt negotiations and notes the importance of taking into account the national policies of debtors and their strategies linked to implementing the Brussels Programme of Action and attaining international development goals, including the Millennium Development Goals. The current global financial and economic crises require the implementation of bold initiatives and mechanisms to resolve the debt problems of the Asia-Pacific least developed countries in an equitable and effective manner. Technical assistance to manage debt and address debt problems is crucial to many least developed countries, especially the most vulnerable ones.

34. Commitments to provide additional resources to least developed countries made at the G8 and G20 summits should be implemented expeditiously and monitored by the international community. Given the far-reaching impact on the least developed countries of policies initiated by the Financial Stability Board of the G20, it is important that least developed countries be represented in that body. There should be an equitable presence of least developed countries in the governing structure of such funds. The process of ongoing reform of the international financial

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