

Foreword

Least Developed Countries (LDCs) have been recognised as a category of states that are highly disadvantaged in their development process and face a disproportionate risk of failing to overcome poverty and other consequences associated with weak human resource capacity and economic vulnerability. To help devise responses to the challenges that they face, the United Nations has hosted three special conferences on LDCs. The first two, held in Paris in 1981 and 1991, and the third, held in Brussels in 2001, adopted programmes of action calling for various measures to be undertaken by the international development community to ameliorate the circumstances of LDCs.

At the third UN LDC conference, governments committed themselves to the eradication of poverty in the world's poorest countries. The Brussels Programme of Action for 2001–2010 addressed several key issues, including trade preferences, development assistance and debt cancellation. The most significant outcomes were declarations on the full implementation of debt relief schemes under the heavily indebted poor countries (HIPC) initiative and trade preference programmes, particularly the European Union's (EU) granting of duty free quota free market access for all exports originating in LDCs under its Everything but Arms (EBA) initiative.

During the last decade, LDCs have generally demonstrated an impressive economic performance. In the period 2002–2008, LDCs real gross domestic product (GDP) grew by more than 7 per cent. Despite the global economic slowdown LDCs managed to achieve a modest growth of close to 4 per cent in 2009. Yet serious concerns remain about the depth and sustainability of this notable recent progress, with a range of very significant challenges continuing to confront

this group of countries. First, strong and sustained economic growth has bypassed a large number of LDCs and the rate of poverty reduction has been sluggish. A principal LDC objective – of achieving structural transformation – remains elusive. Indeed, the recent export boom from LDCs has been overwhelmingly dominated by primary commodities, while the contribution of manufacturing to output has remained largely unchanged in most LDCs over the past three decades. Moreover, LDCs continue to remain vulnerable to commodity price volatility, so that they have been exposed to repeated external shocks, while a lack of food security continues to present major challenges for a large number of net food-importing LDCs.

Despite making some progress towards improved market access, LDC exports still face significant barriers. The failure to conclude the Doha Round of multilateral trade negotiations sponsored by the World Trade Organization (WTO) has also adversely affected LDC interests in a number of sectors that are of critical importance to them. Similarly, despite an increase in the volume of official development assistance (ODA), most donors have failed to fulfil their aid commitments to LDCs. At the same time, foreign direct investment (FDI) flows have largely been concentrated on a few natural resource rich countries. Multilateral debt relief provided under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives has helped contain debt service payments at manageable levels, but the long-term sustainability of debt remains a daunting challenge for most LDCs. In the meantime, several new challenges have emerged since the third LDC conference in Brussels, including higher food and fuel prices, a significant increase in the economically active populations in LDCs who lack employment opportunities and the impact on LDCs of climate change as a result of global warming. The past decade has also witnessed the increasing global economic power of a

number of developing countries, including China, Brazil, India, Russia and South Africa, and their emergence as significant players in global trade and investment flows. Understanding how LDCs can benefit from their economic relations with the affluent South has become an increasingly important issue.

Against this backdrop, the fourth UN LDC conference (LDC-IV) will take place in Istanbul, Turkey, in May 2011. Amongst other objectives, the conference is expected to adopt new measures and strategies to promote the sustainable development of LDCs into the next decade.

The conference is of great interest to the Commonwealth Secretariat, as democracy and development are two fundamental pillars of the Commonwealth's activities. The Secretariat strives to contribute to pro-poor sustainable economic growth in its developing country members. Fifteen of the Commonwealth's 54 members are LDCs, and the Secretariat attaches special priority to the trade and development interests of these countries. Technical assistance in the areas of institutional development, trade policy formulation and implementation, capacity development in a wide range of sectors, and the introduction of new ideas and consensus building in various regional and global initiatives for promoting development-friendly outcomes are the principal means through which the Commonwealth aims to attain its objectives.

Given the importance of LDC-IV, the Secretariat has contributed to the preparatory process in several ways, by providing analytical inputs and supporting the exchange of ideas amongst important stakeholders, including policy-makers, donors, civil society groups and policy experts. It has commissioned a series of analytical papers that address key policy themes for discussion at LDC-IV, and their findings have been presented and discussed in various forums.

I would like to take this opportunity to thank Professor

Paul Collier, who responded enthusiastically to our proposal to write this detailed, interesting and insightful study. Policy-makers and other stakeholders across the Commonwealth will find that the volume is a valuable, welcome and commendable addition to the existing body of knowledge relating both to the understanding of the challenges faced by LDCs and the policy options through which these challenges can be addressed.

I would also like to express my sincere gratitude to CUTS-International for its collaboration in this project and for its technical contributions to developing other related studies.

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