

ACCELERATING DEVELOPMENT IN THE LEAST DEVELOPED COUNTRIES

The bottlenecks that have hindered the development efforts of the LDCs during the 1980s, and national and international measures required to accelerate these countries' development process in the 1990s have been discussed at various levels and fora.

A recent Report, of a meeting of 24 high-level experts on development problems held in the Hague on 15-16 September 1988, presents its conclusions and recommendations on which a high degree of consensus emerged. It also describes a number of issues and proposals on which either divergent views were expressed or for which there was no time for sufficient discussion. Among its conclusions and recommendations were the following.

Constraints on development

The large majority of LDCs have not been able to make progress towards achieving planned targets as several factors have adversely affected the implementation of their New Plan of Action for the 1980's. This Substantial New Programme of Action (NPA) for the 1980's, adopted at a UN Conference on the LDC's in 1981, was essentially a two-pronged approach based on LDC and donor commitments complementary to each other, covering both increased national efforts by the LDC's themselves and more external support.

The adverse factors include *external constraints* such as the dramatic fall in the price of primary commodities entailing the deterioration in the terms of trade, the inability of the LDCs to take advantage of the preferential market access for manufactured products provided to them, and increased barriers to their exports in many cases, and fluctuations in the exchange rates of major international currencies and high real interest rates.

Inadequate international support measures here also adversely affected them and these include inadequate flows of aid and other financial resources, donor countries not utilizing the NPA as a framework in deciding their aid programmes for the LDCs, inadequate co-ordination of support measures among donors and slow and insufficient assis-

tance for rehabilitation while relief is being provided on an emergency basis. There were also *domestic constraints* such as: LDCs not utilizing fully the NPA as a framework for preparing their development programmes, high rates of population growth, the absence of comprehensive domestic maintenance programmes, domestic policies that do not stimulate investment and growth to overcome structural constraints, mounting debt problems, and increasing non-productive expenditures, including military expenditures; as well as the repeated occurrence of *natural and other calamities*.

Measures required to accelerate the development process

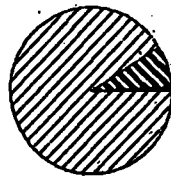
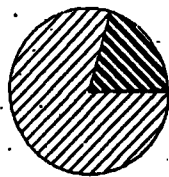
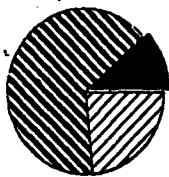
A comprehensive programme of action aiming at poverty alleviation and providing basic minimum needs for the people in the LDCs by the year 2000 should be launched for the 1990s. To this end, each LDC should prepare and implement a national development strategy built around the critical goal of sustained growth with equity. This strategy should take into account the need for development to be ecologically sustainable. The immediate action programme should relate to debt alleviation, food security and social expenditures. The needs and views of the most disadvantaged social groups would also have to be taken into account. Activities to promote self help and the participation of the poor, especially in the informal sector of the economy, should be encouraged.

The view was expressed that there should be a stronger focus on social and health indicators. However, each LDC should determine the exact level of improvement sought and its priorities. The minimum each country should aim at is a gradual but accelerated improvement in the level of income and quality of life of all its people.

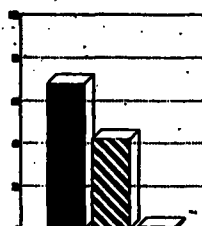
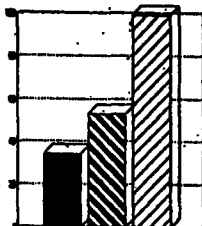
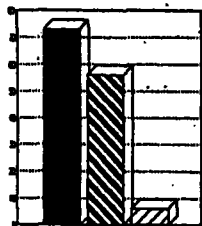
National policies and measures

The meeting noted that most LDCs have in recent years formulated and implemented adjustment programmes, in the majority of cases with the IMF or the World Bank. Adjustment programmes should be designed in agreement with LDCs: austerity measures should

LDCs make up 12 % of world population ... but only 1 % of world GDP ... and use only 1 % of the world's energy.



75 % of their people work in agriculture. Only a third have access to safe water ... and 2/3 of adults remain illiterate.



LDCs
 Developing countries
 Developed countries

THE LEAST DEVELOPED COUNTRIES IN THE WORLD ECONOMY

At the time of the First United Nations Conference in 1981 there were 31 countries classified by the General Assembly as Least Developed Countries (LDCs). Today there are 42 such countries, namely, Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burma, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Yemen, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu and Yemen.

The term "least developed" applies to countries meeting certain economic and

social criteria, namely low income (gross domestic product of \$ 100 per capita or less, at the 1968 value of the dollar); low literacy rate (20 per cent or less of that part of the population old enough to read); and a low proportion of manufacturing in total output (share of manufacturing in total gross domestic product of 10 per cent or less). Though they are diverse in terms of population, territory, geographical location and economic structure, these 42 countries share several common features: extreme poverty; utterly inadequate health, education and transport facilities; serious geographical or climatological handicaps (drought and desertification, high exposure to natural disaster, land-lockedness, remoteness); and rudimentary economic structures; mainly based on low-productivity agriculture.

be only short-term, and adjustment should go hand-in-hand with growth. There is a need to palliate the negative social effects of adjustment programmes and the responsibility for this endeavour lies with both national authorities and international agencies. Past experience points to the need to secure sufficient fast disbursing supporting aid. Moreover conditionality provisions and performance criteria should be applied more flexibly, taking into account the structural rigidities and weak infrastructure in LDCs.

Mobilization of Domestic /Financial and human resources

Economic growth in the LDCs has been seriously constrained by the extremely limited capacity of these countries

to generate domestic savings. Subsistence needs of households and current government expenditures absorb almost all income. The situation has been aggravated in some cases by the flight of capital. The existence of a large non-monetized sector and the absence of appropriate financial institutions further diminish these countries' capacity to mobilize savings. There is scope, however, for improving such capacity by streamlining LDCs' recurrent government expenditures, by improving tax collection and by strengthening the private and public institutional framework.

The human resource has been among the least utilized asset in many LDCs. There is an urgent need to improve training facilities, overcome institutional shortcomings, and improve health and

nutrition conditions. Special attention should be paid to the problems of women, who constitute a particularly disadvantaged group in LDCs and who have suffered from increased marginalization.

Improving food security

Food security has to be a priority objective for LDCs. It can be achieved through an internal comprehensive policy including greater incentives to farmers, stock policy, agricultural credit policy and wage policy. Low-priced and subsidized food imports and food aid may have adverse effects on domestic food production. Food aid should thus increasingly be provided in case of food shortages only, for the vulnerable groups and for food-for-work schemes.

Industrial development and physical infrastructure

There is scope for industrial development in LDCs, especially with regard to processing of basic commodities, and small and medium-scale enterprises should be promoted. It is particularly important to seek to identify and to develop those industries which produce goods for which national or international demand is expanding. This consideration is also valid for the production of commodities.

The weak physical infrastructural base and inadequate related services, particularly in the rural areas, have seriously hampered the full exploitation of human and natural resources in LDCs as well as economic integration and growth at the subregional level. Infrastructure development in the rural areas would help to increase agricultural productivity and create direct and indirect employment in the agricultural sector. It would also help LDCs to absorb external aid more rapidly. There is a need for a regional and sub-regional approach with regard to exploitation of natural resources and to the preservation and improvement of the environment.

The LDCs have primary responsibility for their development. They will undoubtedly face formidable difficulties in realizing the above objectives and need to make a far greater effort than before. Action by the LDCs alone, however, will certainly not be sufficient. It is therefore necessary that donors and international institutions make clearcut commitments for the 1990s in support of the LDCs' efforts.