

CPD Occasional Paper Series

**THIRD UN CONFERENCE ON THE LDCs:
MAKING IT BETTER FOR BANGLADESH**

Paper 12

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The Centre for Policy Dialogue (CPD), established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together ministers, opposition front benchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The expectation of the CPD is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include *The Independent Review of Bangladesh's Development (IRBD)*, *Governance and Development*, *Population and Sustainable Development*, *Trade Policy Analysis and Multilateral Trading System and Leadership Programme for the Youth*. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has decided to bring out **CPD Occasional Paper Series** on a regular basis. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest will be published under its cover. The Occasional Paper Series will also include draft research papers and reports which may be subsequently published by the CPD.

The present paper, **Third UN Conference on the LDCs: Making It Work for Bangladesh**, has been prepared by Dr Debapriya Bhattacharya, Executive Director, CPD and Professor Mustafizur Rahman, Research Director, CPD.

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CONTENT

Section I.	Introduction	1
Section II.	The Third UN Conference on the LDCs: The Context	3
Section III.	The Third UN Conference on the LDCs: Global and National Perspectives	7
Section IV:	Bangladesh's Preparation for the Third UN LDC Conference: An Overview	14
Section V.	Review of the Draft Programme of Action	19
Section VI.	Elements of a Strategic Approach for Bangladesh	31

SECTION I. INTRODUCTION

Bangladesh Civil Society and the Upcoming Event

There are a number of reasons why the *Third UN Conference on the LDCs*, scheduled to be held in Brussels during May 14-20, 2001, has come to command such intense interest and attention, not only of policy-makers, which one can perhaps understand readily, but also of the civil society, which needs some explanations. Firstly, there is a broad based recognition that the objectives of the *Programme of Action* adopted by the Second UN Conference on the LDCs in 1990 in Paris have not been achieved; not only the policy-makers, but also the increasingly vibrant and proactive civil societies of the LDCs are becoming conscious and aware about this failure. Secondly, the Conference is taking place at a time of accelerated pace of globalisation, set on course by the successful completion of the Uruguay Round of GATT negotiations, and the establishment of the WTO; these twin developments have had immediate and important implications for the economies of the LDCs during the second half of the 1990s. Thirdly, there is an emerging consensus, in the evolution of which the civil societies have played an important role along with LDC governments, which recognises the need for radical departures in the design of the programme of action to be adopted by the Conference, if the upcoming event is at all going to make a difference for the more than 600 million people in the 48 LDCs. Hence, the heightened interest of the civil societies of the LDCs in monitoring both the process and the outcomes of the Conference can be understood and appreciated.

There is another, no less important, reason for the civil societies in the LDCs to have keen interest in this particular Conference. As was articulated in 1997 UN General Assembly resolution which decided to convene the Third UN Conference, one of the defining features which would distinguish the Third UN Conference was that its preparatory process was to be an *inclusive* one where the civil society, private sector and the NGOs are expected to play a proactive and important role. This inclusiveness was to be reflected both at global level, through global forums of stakeholders, and including LDC governments and civil society groups, and also at national levels through close collaboration between the government and non-state actors in the preparation of the Country Action Programme.

The Need for a National Dialogue for Global Positioning

The revealed wisdom of the past decade is that an active stakeholder involvement creates ownership over policy agenda, improves the quality of design of policies and raises effectiveness of its implementation. This was true both for policies at national level as well as initiatives at global level. What is of no less significance in this context is that, there is a growing recognition that stakeholder involvement in national processes also strengthens and stimulates global processes which are becoming increasingly sensitive to concerns of the stakeholders. *CPD's civic activism is informed by this important recognition.*

From this vantage point, the present dialogue is an endeavour to articulate and share Bangladesh civil society's perspectives on an upcoming event of critical importance for the country, and is also a reflection of CPD's continuing effort to involve the Bangladesh civil society in the design of policies that concern its interest. The national dialogue organised by the CPD prior to the *Third Ministerial Meeting* in Seattle in 1999 was a reflection of this felt-need. And now, in keeping with the tradition, CPD intends to once again engage the civil society of Bangladesh in articulating its demands and vision in the context of an upcoming event of immense importance. In so doing, CPD is, thus, also responding to the call for *inclusiveness* pointed out earlier. As the leader of the group of the LDCs and as a country with a vibrant civil society, such an exercise is perhaps doubly needed.

Focus of the Present Dialogue

The objectives of the present dialogue are three-fold: (a) to enhance stakeholders awareness about the context and content of the upcoming event; (b) to put under scrutiny major documents which are being prepared during the run up to the Conference, and (c) to add value to the on-going discourse by drawing upon the accumulated wisdom and experience of the various stakeholder groups.

This is going to be done (a) through a review of the events leading to the Third UN Conference on the LDCs; (b) by taking cognisance of the global and national contexts in which the conference is taking place; (c) by undertaking a review of the global and national processes and documents, and (d) by generating critical perspectives of

stakeholders on the abovementioned aspects through an interactive process of dialogue and discussion.

SECTION II. THE THIRD UN CONFERENCE ON THE LDCs: THE CONTEXT

Recognition of LDCs as a Separate Category

It was in 1971 that the category of least developed countries (LDCs) first entered into the developmental vocabulary as a distinct sub-group of countries within the fraternity of the developing countries. This distinction was premised on the recognition that there was a special category of developing countries which was characterised by abject poverty, structural and institutional weakness, geophysical handicaps, proneness to natural disasters, vulnerability to external shocks and dismally low per capita income. Twenty-five developing countries fell into this category. The newly independent Bangladesh was soon to join the ranks of this group. It became increasingly evident in the 1970s that special and energetic efforts would be required on the part of the global community if the economic problems of these countries were to be adequately addressed. Whilst it was recognised that these countries would need to undertake their own initiatives to graduate to the status of non-LDC developing countries, it was also becoming increasingly clear that without the design and implementation of concerted and complementary global initiatives, these countries would hardly succeed in their effort.

The First UN LDC Conference

It is in the above background that the need for dedicated efforts to support LDCs was recognised by the global community through convening of the First UN Conference on the LDCs in Paris in 1981. The conference adopted the document entitled *Substantial New Programme of Action for the LDCs in the 1980s* (SNPA) which contained guidelines for domestic actions by the LDCs that were to be complemented by support measures to be undertaken by the international community. However, economic situation of the LDCs suffered further deterioration in the 1980s, despite major policy reforms initiated subsequently by the LDCs towards structural transformation of their economies, often as a part of policy designs and

conditionalities of the donor community, and also inspite of some of the supportive actions on the part of a number of developed countries and agencies such areas as aid, debt and trade. The obvious failures in alleviating the economic situation in the LDCs prompted the necessity of holding a new UN Conference on the LDCs.

The Second UN LDC Conference

The Second UN Conference on the LDCs was convened in 1990 in Paris. The Conference assessed the progress, reviewed the experience and lessons of both domestic and international efforts pursued during 1980s, and chalked out detailed strategies and development priorities for LDCs which were to be implemented during the 1990s. The decision of the Conference got embodied in the *Paris Declaration of 1990* and in the *Programme of Actions for the LDCs in the 1990s*.

A comprehensive mid-term review of this *Programme of Action* was undertaken under the initiative of the *High-level Intergovernmental Meeting* which was held in 1995 in New York. The review carried out an assessment of the progress in implementing of the *Programme of Action* and came up with some mid-course corrections. However, in the context of the continuing and growing marginalisation of the LDCs, the need for new initiatives and new actions were to become apparent very soon. Accordingly, in December 1997, the *UN General Assembly* passed a resolution which decided to convene, a new, the *Third UN Conference on the LDCs* in the year 2001.

Third UN LDC Conference and its Mandate

The mandate of the Third UN LDC Conference, as articulated by the UN General Assembly, is the following.

- To assess the results of Programme of Action during the 1990s at the country level
- To review the implementation of international support measures, particularly in the area of ODA, debt, investment and trade
- To consider formulation and adoption of appropriate national and international policies and measures for sustainable development of the LDCs, and their progressive integration into the world economy

The chronology of events leading to the Third UN LDC Conference is given in Box 1.

Box 1: Third UN Conference on the LDCs: Chronology of Events

- ▲ **1971** International Community recognises the existence of a group of least developed countries (LDCs)
- ▣ **1981** First UN Conference on the LDCs is held in Paris
 - *Substantial New Programme of Action for the LDCs in the 1980s* (SNPA) is adopted
- ▣ **1990** Second UN Conference on the LDCs is convened in Paris
 - Programme of Action for the LDCs in the 1990s (PoA) is adopted
 - A Mid-Term Global Review of the PoA is held in New York in September, 1995 which concludes that marginalisation of the LDCs was continuing and deepening
- ▲ **1997** The UN General Assembly decides to convene the Third UN Conference on the LDCs in order to design new strategies for the new millennium
- ▣ **2001** Third UN Conference on the LDCs to be hosted by the EU in Brussels, May 14-20, 2001

The Process and the Expected Outcome

The General Assembly designated UNCTAD as the *Focal Point* for organising the Conference and the Secretary-General of the UNCTAD was designated the *Secretary General* of the Conference. The General Assembly accepted the offer made by the *European Union* to host the Conference.

The UN Resolution on LDC III put special emphasis on the *process* part of the preparation of this major global event (Box 2). As was pointed out earlier, one important departure in the preparatory process of the Conference was that it was to be an *inclusive* process where all major stakeholders would be asked to participate and play a proactive role. This felt need perhaps originated in two important realisations based on the past experience: firstly, in order for the Conference to address the real issues, the global preparatory process has to involve the major stakeholders; and secondly, in order for a set of actionable agendas to emerge from the national exercises which responded to real needs, it was important that major stakeholders were closely involved in the national preparatory process. Thus, it was decided by the UN Resolution that governments, civil societies, private sectors and NGOs in the LDCs would take an active part in the preparatory process both at the global as well as the national levels, and that this involvement would cover all three of the mandated areas: (a) assessment of PoA, (b) review of international support, and (c) design of new policies for the LDCs.

Box 2: Third UN Conference on the LDCs: The Process

- ☐ UNCTAD to act as the *Focal Point* for Preparation of the Conference
- ☐ The *European Union* will act as the host to the Conference
- ▲ Work on Country level programmes are initiated in 39 LDCs in 1999 including Bangladesh
 - Country level Action Programmes are to be prepared according to UN guidelines and would involve government officials, experts, private sector, civil society, local level governments, and NGOs
- ▲ Intergovernmental Preparatory Committee Meetings
 - First Meeting held in July, 2000 in New York
 - Second Meeting held in February, 2001 in New York
 - *Presentation of the Report of the High Level Panel*
 - Third Meeting held in April, 2001 in New York
- ▲ Consultations and Meetings
 - Three Expert-Level Meetings to provide input to country level efforts
 - First Meeting held in March, 2000 in Addis Ababa, Ethiopia
 - Second Meeting held in April, 2000 in Kathmandu, Nepal
 - Third Meeting held in Niamey, Niger
 - Inter-agency Consultations
 - First Inter-agency Meeting held in July, 1999 in Geneva
 - Second Inter-agency Meeting held in April, 1999 in Geneva
 - Third Inter-agency Meeting held in July, 2000 in New York
 - Consultative Forum with participation of NGOs, private sector and the civil society
 - First Consultative Forum Meeting held in July, 1999 in Geneva
 - Second Consultative Forum Meeting held in April, 2000 in Geneva
 - Third Consultative Forum Meeting held in July, 2000 in New York
- ▲ Finalisation of Country Documents and their Posting on Conference Website
- ▲ Preparation of the global documents and posting of various *drafts* on Conference Website
- ▲ Comments on the Draft Document in light of national exercises and posting of suggestions on website (through [brackets] and ***bolds***)
- ▲ Finalisation of the Global Document with *Plan of Action* during the Third UN LDC Conference in Brussels during May 14-20, 2001

It was also decided by the UN Resolution to convene a two-part *Intergovernmental Preparatory Committee* and three *Expert Level Preparatory Meetings*. In its Resolution 53/182, the General Assembly asked the UNDP Round Tables and the World Bank Consultative/Aid Groups to make substantive contribution to the preparation of the Conference and requested the UNDP office to ensure the full

involvement of the resident coordinators and country teams in the individual LDCs in the preparatory process.

It was decided that Country Level *Programme of Action* would be prepared in accordance with specified guidelines which would feed into the *Draft Programme of Action* which would subsequently be put up for discussion at the time of the Conference. The Secretary General of the Conference emphasised *the importance of comprehensive country-based preparations for the Conference where the LDCs themselves will have a central role in the process, and also stressed the importance of the involvement of civil society, including NGOs, and the private sector both at the country and international levels.*

The resolution envisaged that A *National Preparatory Committee* would be set up to coordinate the national exercise, and focal points would be designated to provide substantive support and input to this Committee. The issue of *inclusiveness* was critical to the whole preparatory process since it was felt that one of the reasons for the lack of success of the decisions of the earlier two rounds was the weak participation of major stakeholders: the LDCs in the design of the Programme of Action at the global level, and the civil societies of the LDCs in the articulation of the national demands at the country level. This realisation stemmed from a learning curve spanning over two decades and it was hoped that the Third UN Conference was going to make a difference in this respect.

SECTION III. THE THIRD UN CONFERENCE ON THE LDCs: GLOBAL AND NATIONAL PERSPECTIVES

Deepening Marginalisation

The Third UN LDC Conference is taking place in the backdrop of a *widening net* that engulfs an increasing number of developing countries, and a *deepening marginalisation* suffered by the countries caught in this net. In 1971, as was mentioned, there were 25 LDCs. Three decades and two UN Conferences later, the number has increased to 48. Only one country, Botswana, was able to graduate from the status of LDC; another country, Senegal is expected to join the group soon.

There is a general recognition, at policy-maker, expert and popular levels, that the situation of the LDCs, on a global scale, has worsened over the 1990s. The objective of addressing multi-dimensional problems of the LDCs on the basis of *shared responsibility* and *strengthened partnership*, as articulated by the 1990 *Programme of Action*, has clearly not been achieved. It is to be noted here that the aforementioned enlargement and marginalisation have occurred at a time when globalisation was taking place at an accelerated pace, following the successful completion of the Uruguay Round of the GATT. Also the economies of the LDCs are now more market-driven than ever, to a great extent as a result of the structural adjustment policies pursued under donor-driven initiatives of the decade of the 1990s. As a result, designing of appropriate policies which would enable strengthened integration of the LDCs in the global economic system was to become an overriding consideration in the context of any new Conference.

Review by the High Level Panel

The Report of the High Level Panel set up by the Resolution of the UN General Assembly graphically pointed out the failures in all the major areas which were targetted for improvement by the Second UN LDC Conference. It is relevant here to cite some of the stylised facts from the Report of the High Level Panel (and also the LDC 2000 Report of the UNCTAD). It is to be noted here that the CPD has participated in the preparation of both these documents.

Capital Flows

- Long term net capital flows into LDCs, as a result of declining ODA flows, came down by 25 percent in nominal terms since 1990.
- Private capital flows to LDCs increased, from a very low level, but had a strong geographic and sectoral concentration.
- Accounting for a very small part of the total capital inflows, private capital inflows could not offset the declining ODA flow.
- LDCs had been largely unsuccessful in eliminating or offsetting the high cost of doing business which discourage FDI flow.

- Remittances from workers was one of the most important emerging forms of foreign exchange earnings for the LDCs; however, there were formidable obstacles to movement of the natural persons.

Overseas Development Assistance (ODA)

- Aid flows to LDCs, as a share of GNP of major donors, almost halved in the 1990s to attain a record low level of 0.05 percent. ODA disbursement to the LDCs in 1997-98 was on average 22 percent lower than in 1990-1995. This was in dramatic contrast to the general and specific commitments of the international community, made at the Paris Conference in 1990, to increase share of ODA in their respective GNPs.
- Total ODA to LDCs declined in nominal US dollar terms between 1990 and 1998 by over 25 percent.
- Despite collective commitments of the developed countries to increase ODA, only two countries, Ireland and Luxembourg, did actually increase their ODA as a share of their GNP. All other countries, except New Zealand, reduced their contribution to the LDCs.
- In the 1990s, donor countries which were providing more than 0.20 percent of their GNP as ODA to LDCs (Denmark, Finland, Netherlands, Norway, and Sweden) reduced their contributions very significantly, in one case (Finland) it fell far below the target (only 0.08 percent of the GNP in 1998).
- Three donor countries which met the 0.15 percent target (France, Belgium and Portugal) and undertook commitments to reach 0.20 percent by the year 2000, had not met their undertaking (in 1998). As a matter of fact, as a group, these countries cut back their contributions as a share of their GNP to half the level of 1990.
- None of the other donor countries which committed themselves to the 0.15 percent target, reached the target; rather, all these countries cut back significantly on their ODA.
- The composition of ODA had changed markedly in the 1990s: there was a significant increase in allocations devoted to social infrastructure, and an equivalent reduction for economic and productive sector infrastructure.

Debt and Debt Relief Measures

- The rising burden of debt, to which a large number of LDCs have been exposed, derived largely from the concessional loans received as part of ODA rather than from commercial borrowings or speculative inflows of short term portfolio capital.
- By the end of the 1990s external debt of the developing countries had exceeded US\$ 2.5 trillion; the debt burden of HIPC's exceeded US\$ 250 billion.
- For many LDCs an increasingly large share of foreign exchange earnings from exports was going towards debt repayment.
- In 1998, 25 of the 33 LDCs, which have initiated SAF and ESAF, had levels of indebtedness which were unsustainable according to the criteria adopted under the enhanced HIPC initiative.
- The ratio of total debt stocks to GDP increased in 18 out of 29 ESAF programme LDCs; the ratio of total debt stocks to exports (goods, services and remittances) increased in 17 out of those 29 countries.
- Annual savings on debt servicing from HIPC initiative was equivalent to only about a tenth of total net flows to those countries.
- Some LDCs have taken advantage of a variety of debt relief opportunities and were granted debt forgiveness for a combined total of over US\$ 7 billion in the ten year period up to 1998; however, these initiatives were designed in a way which did not reward good performers such as Bangladesh.
- In practice, debt relief has served as a form of ODA, which is being provided in the form of a reduction in capital outflow obligations, rather than as capital inflows for development.

Trade and Capacity Building

- One of the major developments in the 1990s which led to important changes in the macro economic structures of LDCs as a result of World Bank, IMF and GATT/WTO - induced policy reforms, was that many LDCs undertook deep, but often unpopular, trade liberalisation.
- In most LDCs the liberalisation of the import regimes has been driven by the structural adjustment reforms (SAR) initiated by World Bank and IMF. These reforms led to opening up of the economies of the LDCs at a pace much faster

than was required under the WTO provisions. If LDCs fail to upgrade their competitive capacity through product diversification, and unless they are able to enhance their productivity, even the limited gains registered in the 1990s may well turn out to be at risk.

- LDCs will need to commit increasing amount of domestic resources to fulfill obligations they have agreed to during the trade negotiations.
- *The Integrated Framework Initiative* to address trade related technical assistance needs of the LDCs has not resulted in any tangible resource commitments by the developed countries.
- Potential market access opportunities stemming from initiatives taken by developed countries such as the USTDA2000 and the EU-EBA may not be realised because of formidable supply side constraints.
- A number of trade related initiatives such as the USTDA2000 has not only excluded some of the LDCs but also had potentially negative implications on export performance of these excluded countries.
- Phasing out of the MFA and other provisions negotiated during the UR are likely to undermine competitive strength of the LDCs in absence of supportive measures.
- The emergence of environment, labour, safety standards, competition and other new issues are likely to pose serious threats to market access of the LDCs in the developed countries.

Consequently, throughout the 1990s the LDCs became increasingly marginalised as producers, consumers and exporters. The gap between the rich countries and the LDCs experienced unprecedented widening: 20% of the world's richest had 86% of the world's GDP, two-thirds of FDI and four-fifths of export; in contrast the bottom one-fifth of the global population claimed just 1% share in each of the three abovementioned variables- most of these people lived in the 48 LDCs. Opportunities originating from globalisation continued to remain elusive for the LDCs; the threats, on the contrary, became real and immediate.

**Box 3: UNCTAD's Assessment About Attainment of
Program of Action Objectives**

Responsibility/ Objective	Positive	Mixed	Questionable
Trade diversification of LDCs		X	
Efficient public enterprise			X
High level of regional co-operation		X	
Coordinated international action in support of commodities			X

Source: The Least Developed countries 1999 Report, UNCTAD

The upshot of the above discussion is that the *Programme of Action in Support of the LDCs* adopted by the Second UN Conference on the LDCs had remained largely unrealised. Box-3 very succinctly presents UNCTAD's assessment in this regard.

The Bangladesh Context

As for Bangladesh, the 1990s was a decade with mixed results, and one may say, missed opportunities. Its performance fared well in comparison to most with the other LDCs. However, its failures were also all the more disappointing, since it was one of the very few countries amongst the LDCs which was relatively favourably positioned to successfully access the opportunities originating from the new global regime.

The 1990s was the first decade in the country's history when economic development had experienced an uninterrupted democratic governance. The average annual growth rate of Bangladesh in the 1990s, at about 4.6%, was one of the highest amongst the LDCs which as a group had experienced an average growth rate of under 3%; export registered a real growth rate of more than 10% throughout the 1990s, and export-oriented sectors accounted for about a-third of the country's industrial capacity. For the first time in its history, the country was reaching the food self-sufficiency threshold at the end of 1990s, giving it an opportunity to look into a future with food security. Under the reforms of the 1990s the playing fields the economic actors were to a large extent levelled, creating an environment and the incentives for an active role of the private sector, both domestic and foreign. Bangladesh economy became more connected with the global economy with the degree of openness registering a considerable rise. In terms of social indicators such as health and education, gender,

nutrition and population growth rate, commendable success was achieved in the 1990s which put Bangladesh in a league of its own amongst the group of LDCs.

However, the 1990s was also a decade of missed opportunities for Bangladesh, which in part also stemmed from the failure of implementation of the global initiatives and supportive measures envisaged under the Programme of Action adopted by the Second UN Conference on the LDCs. Poverty situation in Bangladesh, both relative and absolute, did not register any marked improvement in the 1990s. Although there was some improvement in the urban poverty situation, Bangladesh entered the new millennium with one of the largest segments of world's population under the poverty line. Rural poverty situation remained dismal with the number of people living below the poverty line declining at a rate of only one per cent per annum over the 1990s; about 51% of rural population still lived below the poverty line. A major failure of the 1990s had been Bangladesh's *inability to develop and diversify its industrial base* and create opportunities for employment in this sector. The declining share of agriculture in the GDP was accompanied by an increasing share of the services and tertiary sectors, rather than the manufacturing sector. *Increasing export concentration and low value-addition in major export sectors* led to growing vulnerabilities in the context of the global market. *Erosion of competitive strength* due to lack of adequate capacities, major supply side bottlenecks, weak and underdeveloped infrastructure including transport and communication, ports and telecommunication, became more pronounced in the 1990s. The importance of the *need for good governance* for management of development also became increasingly evident. At a time of emerging opportunities and unfolding challenges stemming from accelerated globalisation, these important weaknesses put obvious limits on Bangladesh's potential for economic growth. These emerging concerns also had important implications for the sustainability of economic achievements of the 1990s in the context of the emergence of an increasingly competitive global market.

The realisation that amongst the 48 LDCs, Bangladesh was one of the best poised to access global supportive measures was perhaps a major reason for its enhanced interest in playing a proactive role in the various global fora. As the spokes-country of the group of the LDCs in the WTO, and as a leader of the LDCs in the UNCTAD and other important institutions, Bangladesh has been taking an active interest in major

global events including the Ministerial Meetings of the WTO, intergovernmental meetings in preparation for the upcoming Conference and in demanding enhanced market access for the LDCs. Not surprisingly, Bangladesh's contribution to both the *process* and *product* of the Third UN Conference on LDCs is of interest to other countries of the group. Being an exclusive event targeted to address the problems of the least developed countries of the world, Bangladesh's proactive role in the upcoming Conference is thus a matter of natural expectation on the part of the global community of LDCs. Many LDCs, with capacities not matched with respect to Bangladesh, look upon it to lead the assault in the Conference on behalf of the LDCs. This expectation puts on added responsibility on both government and non-government actors in Bangladesh to make the upcoming Conference a point of departure for the LDCs.

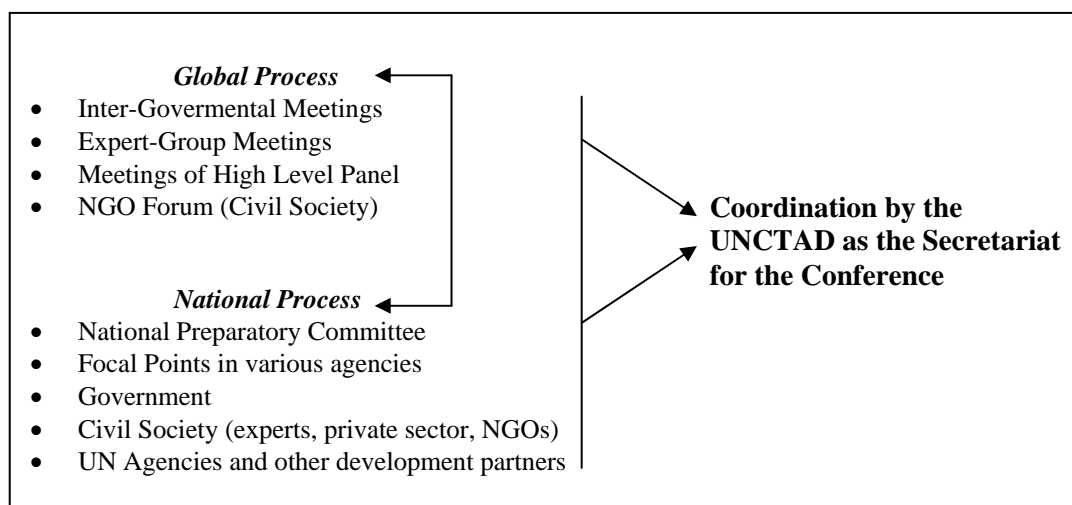
SECTION IV: BANGLADESH'S PREPARATION FOR THE THIRD UN LDC CONFERENCE: AN OVERVIEW

UN Guidelines for Preparing National Documents

There are two dimensions in the preparation of the country documents for the LDC Conference. The *Process Part* and the *Product Part*. As was pointed out earlier, the UN Resolution emphasised that the preparatory process would be one in which the LDCs themselves would play the central role, and this would involve participation of the *Civil Society*, *NGOs* and the *private sector* both at the country as well as the global levels. The UNCTAD Secretariat had earlier circulated a document titled *Guidelines for the Preparation of the Action Programme for Development at Country Level* which the LDCs were expected to follow in preparing their national documents. This guideline was circulated at the *Intergovernmental Preparatory Committee Meeting* held in New York in July, 2000.

The Process Part

Box 4: Third UN Conference on LDCs: The Preparatory Process



The process part of the preparation for the Conference include the modalities through which national strategies and documents are to be designed and formulated, how the felt-needs of the major stakeholders are to be taken cognisance of, and how they are to be consulted in preparing the action plans, agendas and demands. Box 4 graphically presents this process. Interestingly, the aforementioned *Guideline* has suggested a format for the cover-page for the country documents which is to mention "This report has been prepared under the responsibility of the ---- Ministry with Members of the National Preparatory Committee consisting of Ministries of ----, the Central Bank, ---- Chamber of Commerce, researchers from the University of ----, Women's Federation of ----, other NGOs".

The Product Part

The product part included preparation of a country document which would be presented at the Conference by the LDC Government. The aforementioned *Guideline* states: *The Conference affords each LDC an opportunity to make its own country-level presentation as effective as possible, addressing its internal and external problems, detailing its commitment to policy and administrative reforms, outlining the investment requirements for infrastructure and human capital, and for poverty alleviation, basic education and health services delivery, specifying the greater efforts needed to mobilize internal resources and presenting a case for the external resources*

needed to fund the gap. The idea is to solicit financing of a realistic but ambitious development effort over the next decade. The presentation should include feasible and measurable targets on all key topics, and should clearly express the country's priorities.

Preparatory Process in Bangladesh

Bangladesh has indeed been actively engaged in all the phases of the preparatory works of the Conference. The External Resource Division (ERD) of the Ministry of Finance was entrusted by the Bangladesh Government with the task of preparing the country document and ERD was the focal point for the purpose of the Conference. Bangladesh also took an active part in the Inter-Governmental Preparatory Meetings and Expert Group Meetings and, thus, contributed towards the *Draft Programme of Action for the Least Developed Countries for the Decade 2001-2010* which is being prepared by the Secretariat. Bangladesh also prepared a country document for presentation by the government at the Conference titled *Action Programme for the Development of Bangladesh 2000-2010*. The draft is presented at a workshop on April 17, 2001 for discussion where various stakeholders groups were invited to participate.

Box 5: Participation of CPD in the Preparatory Process of the Third UN Conference on LDCs

Contribution to the Global Process

- Prepared the revised document on *Implementation of the Programme of Action for the LDCs of South Asia*
- Prepared the Report of the *High-Level Panel for the Review of Progress in the Implementation of the Programme of Action for the LDCs in the 1990s*
- Prepared the background paper on *New Forms of Development Financing in the LDCs: The Case of Bangladesh* for the UNCTAD's Least Developed Countries Report 2000
- Invited to Participate in the Expert Group Meeting to Finalise the NGO Declaration for LDC III, held in Mozambique, April, 2001

Contribution to the Expert Group Meeting

- Prepared two background papers for the Regional Expert-Level Meeting for Asia and Pacific LDCs; Kathmandu, April, 2000
 - *Global Integration from Position of Strength: Enhancing the Capacity of Asia-Pacific LDCs*
 - *Financing Growth and Development in the LDCs of Asia and Pacific: A Review*
- Presented a Keynote Paper on *Global Integration of LDCs: Market Access and Supply Side Constraints* for ESCAP High Level Preparatory Meeting in Dhaka, February, 2000

Involvement of the Civil Society. Given the active interest of the various stakeholders in Bangladesh in the upcoming event, the Bangladesh government would perhaps have benefitted if the process of preparation for the Conference as also the preparation of national document on Action Programme was a more inclusive one. The *National Preparatory Committee* constituted by the government was in effect an inter-ministerial committee. There was hardly any scope for active contribution by non-government actors such as civil society groups, researchers' community, private sectors and chambers and the NGOs, as was envisaged in the *Secretariat Guideline* mentioned above. Indeed there are stakeholders in Bangladesh who have contributed to the preparatory work for the Conference at the global level, and their involvement would have strengthened the national process.

As Box 5 shows, the CPD was involved in a number of activities including the preparation of the *High Level Panel Report on the LDCs*, *UNCTAD LDC Report 2000*, and the *South Asia LDC Report* and also the preparation of background papers for the Regional Expert Group Meetings. CPD was also invited to the Expert Meeting held in Mozambique for finalisation of the NGO declaration for LDC III, the *Global NGO Forum*. A more close involvement of the NGOs, chambers and private sectors and civil society groups would have enabled the Bangladesh Government to articulate the claims on resources to be committed, both nationally and globally, in a more concrete and demand-driven fashion. This would also have enabled Bangladesh to more fully comply with the Guidelines set by the Secretariat.

Bangladesh's Action Programme

In the light of the Secretariat's Guidelines for the Preparation of the Action Programme, the document on *Action Programme for the Development of Bangladesh, 2000-2010* appears to be a work in progress (as of April 16, 2001).

The first part of the document provides an excellent analysis of the performance of Bangladesh economy in the 1990s and very succinctly brings out the major structural changes in the economy, and the facilitating and constraining factors that in their turn stimulate and hinder economic performance of the country. The document articulates the major achievements and weaknesses in the economy in the 1990s, as is envisaged

under the Guideline, and traces and captures the dynamics of major macroeconomic and sectoral indicators in the 1990s. This section sets the stage for articulating the targets, stemming from the developmental experiences of the decade, and future commitments which are subsequently articulated in the Programme of Action.

The Programme of Action thus focuses on the unfinished agenda of the 1990s and sets out the targets in terms of such important indicators as poverty reduction, literacy, health and gender gaps. However, it would have been more useful if the document came up with concrete strategies and resource requirements as regards the prioritised targets. Since the national documents were envisaged to contribute to the *Global Plan of Action*, such an exercise could effectively contribute to the global document where there are discussions about setting aside resources for particular targeted programmes. Such an exercise would also have facilitated the Bangladesh Government's claim if and when such resources were actually allocated to the LDCs. Resource requirements of line ministries and agencies against specific programmes and projects could have served as a basis for such an exercise. Besides, resource requirements in a number of major areas such as infrastructure development (energy, transport, tele-communication), and other supply side aspects which constrain Bangladesh's participation in the global process should have been more explicitly articulated.

The Global Plan of Action which is to be agreed and adopted at the Conference should have been seen as a major area of focus in the Bangladesh document. A number of global initiatives and supportive measures are being proposed to strengthen global integration of the LDCs. From this perspective the conceptual link of the national document with the global document is of critical importance. For example, the national document could strengthen the proposed global initiatives in the *Global Programme of Action* in support of removing the market access barriers to exports by the LDCs, and in addressing the supply side constraints. Based on concrete country level experience, the country Programme of Action could have contributed to the strengthening the global proposals, with country level estimates serving as the basis of global resource requirements of the LDCs. For strengthening the capacity of the LDCs, such an exercise would have been very useful. As a matter of fact, countries,

such as Tanzania, did carry out such an exercise as can be seen from their documents posted on the Conference website.

The issue of market access is becoming increasingly important for LDCs such as Bangladesh which are pursuing export-oriented growth strategies. It is becoming obvious that without supportive and complementary measures it will not be possible to fully exploit such initiatives as zero-tariff market access. As assessment of the recently proposed EU-EBA shows, without flexibility in the rules of origin and other supportive measures in the area of trade related capacity building, global market access initiatives will continue to remain essentially unrealised. Bangladesh's document should more forcefully articulate such linkages and demands.

The issue of support for regional cooperation in realising comparative advantages also needs to be forcefully articulated. As a matter of fact the EU has recently circulated a document in the context of the upcoming Conference where it offers to provide support for regional cooperation initiatives as a *stepping stone for strengthened global integration of the LDCs*. Concrete suggestions towards such initiatives will, hopefully, stimulate resource commitments from the developed countries at the time of the Conference.

It is hoped that the final draft of the Bangladesh Action Programme will reflect some of these concerns and suggestions.

SECTION V. REVIEW OF THE DRAFT PROGRAMME OF ACTION

The Programmes of Action

The most tangible outcome of the UN Conferences on Least Developed Countries had been adoption of the *Programme of Action for the LDCs*. It may be recalled that LDC I in 1981 adopted the "Substantial New Programme of Action" and LDC II in 1990 adopted the "Programme of Action for the LDCs". As per plan, the upcoming LDC III is going to endorse, *inter alia*, a "Programme of Action for the LDCs for the Decade 2001-2010".

What is a Programme of Action? The PoA is an expression of partnership outlining a number of mutually reinforcing principles which should constitute the basis for action for the LDCs and for their development partners (including international organisations, financial institutions, development agencies and concerned NGOs) to promote a growth-oriented fundamental transformation of the LDC economies. While the LDCs have the primary responsibility for their development, PoA envisages that each development partner is to contribute fully to common objectives, in the light of its capacities and weight in the world economy. The PoA also seeks to provide an operational and monitoring framework, and a set of identified areas in which the LDCs and their development partners need to take *urgent* and *concrete* actions, based on the principles, policies and commitments contained in the Programme of Action.

Preparation of the new PoA

The first meeting of the Inter-governmental Preparatory Committee (IGPC) held in July, 2000 approved the *broad elements* for a renewed development partnership for 2001-2010. The *first formal reading* of the draft Programme of Action took place in February, 2001 during the second meeting of the IGPC. Subsequently, the third meeting of the IGPC held in April, 2001 took another look at the *second draft* of the proposed PoA. In the following paragraphs, we intend to review the post-third IGPC draft PoA (A/CONF.191/6, dated April 11, 2001) containing the [brackets], i.e. where there is no full agreement on formulation, and the **bolds**, i.e. the proposed amendments which have not been fully discussed. For all practical purposes, it seems that resolution of the "brackets" and "bolds" will now take place only at Brussels. It is from this perspective that it becomes important to scrutinize the draft PoA (2001-2010) in order to clarify our negotiating positions for the conference.

The current draft on *Programme of Action for the Least Developed Countries for the Decade 2001-2010* is divided into three broad chapters, viz. "Objectives" (Chapter I), "A Framework of Partnership" (Chapter II) and "Arrangements for Implementation, Follow-up and Meeting and Review" (Chapter III)". The chapter on "Framework" constitutes the most substantive part of the document as it contains the *Seven Commitments* around which the proposed partnership is fashioned. Incidentally, IGPC

during its third session could not manage to review the draft text on implementation and monitoring mechanism (Chapter III).

"Introduction"

However, during the second reading of the draft at the third session of the IGPC (April 2001), an "Introduction" was added at the top of the three basic chapters of the documents. Interestingly, there are currently three alternative versions of the "Introduction" - one each from the G77, USA and the EU. Mentioning that the implementation of the previous programmes of action is a "complete failure", the G77's version points out that the international community has been far less supportive of LDCs in many areas foreseen in the programmes of action, which in its own turn contributed to the mixed results of the economic reform programmes implemented by the LDCs. The G77's text emphasized that only "by absorbing the programme's experiences and lessons can a new, realistic and action-oriented programme be produced, and problems facing the LDCs be solved pointedly".

The text provided by US on the "Introduction" recognizes that the implementation of the previous two PoAs has been unsatisfactory, but side-steps the issue by alluding to the report of the High Level Panel. The EU's version on the "Introduction" tends to take a middle ground by recognizing the problems and needs of the LDCs, but keeping silent about the factors which have not allowed the LDCs to take full advantage of the on-going process of globalisation, "which in cases has also led to a further marginisation".

It goes without saying that the nature of resolution of the debate on the text of the proposed "Introduction", in many ways, is going to set the tone, highlight the spirit and define the content of the new PoA.

"Objectives"

There is a threshold consensus on the overarching goal of the new Programme of Action, i.e. effective reduction of poverty in the LDCs. However, there seems to be a lack of unanimity in views regarding commitments on the extent and scope of the priority objective of the Programme. For example, out of the twelve Articles of the

chapter on "Objectives", *eight* are still within brackets. One of the major areas of contention is the concrete commitment regarding "halving of the proportion of people living in extreme poverty and suffering from hunger by 2015". There is also divergent views regarding GDP growth rate target for the LDCs: "to attain annual growth rate of 5-6 per cent by 2006 and 6-8 by the end of the decade" or to "strive to attain a growth rate of at least 7 per cent per annum and to increase the ratio of investment to GDP to 25 per cent per annum".

The current reading of the draft further reflects that there is still no consensus on identification and treatment of priority cross-cutting issues mentioned in the chapter on "Objectives". These issues include: *employment and poverty eradication, gender equality and empowerment of women, good governance and involvement of key stakeholders in the development process, environmental protection, institutional capacity building, special problems of landlocked and small island LDCs.*

One may find much of it a question of semantics (e.g. "greater opportunity" vs "equal opportunity"); however, a closer look at the proposed alternatives reveal the varying perspectives of the LDCs and the developed countries on the new PoA. The proposals coming from the developed countries put emphasis on a "broader approach" to poverty eradication - taking into account not only sheer economic aspects of the problem, but also social and political, legal and institutional, human and environmental dimensions. Contrastingly, proposals of the LDCs (G77) seek concrete ways and means to effectively arrest and reverse their continued socio-economic marginalisation through improving their share in international trade, foreign direct investment and other financial flows.

This tension is epitomised in the proposition that "the outcome (of the Conference) should be a set of concrete proposals for action linked to a set of clear performance indicators", on which the international community and LDCs agree to concentrate their efforts during the coming years. The dilemmas which underwrite identification of the scope and priorities of the "objectives" of the new PoA subsequently get reflected in defining the dimensions of the proposed "Framework for Partnership" (Chapter II).

Framework for Partnership

Primary vs Shared Responsibility. The proposed partnership stipulates that the "LDCs should assume ownership of designing and formulating appropriate national policies of their own will and choice to create conditions conducive to development and continue to have primary responsibility for effective implementation of those policies and measures"; however, "the full implementation of the Programme of Action is the shared responsibility of these countries and their development partners". Accordingly, the envisaged strengthened partnership ostensibly puts the LDCs in the driving seat, necessitating adequate external support from the development partners of the LDCs to make the relationship work.

Six Guiding Principles. The draft document in Chapter II identifies six guiding principles for implementation of the PoA. These are: (a) Country ownership, (b) An integrated approach, (c) Genuine partnership, (d) Market orientation, (e) Result orientation, and (f) Peaceful environment. However, the G77 has maintained that the sub-paragraph on "Market orientation" be deleted. Similarly, the sub-para on "Peaceful environment" remains within [bracket], particularly because of the last sentence which states that "the international community should only pursue positive activities that can contribute and lead to the cessation of conflicts".

Policy Coherence. Another issue which figures prominently in the introductory section of the chapter on "Framework" relates to the relationship of the PoA to other national policy and programme documents. While it is recognised that one of the important functions of the PoA will be to serve as a common framework for development cooperation for the LDCs, there is no common view regarding the extent its recommendations will be integrated into national programme of action. More importantly, it is not at all clear how policy coherence will be achieved between the new PoA and other agendas, which are either negotiated or under negotiation with different international agencies, e.g. United Nations Development Assistance Framework (UNDAF), Poverty Reduction Strategic Paper (PRSP), and Comprehensive Development Framework (CDF) and the WTO Agreements.

Commitments. Whatsoever, the founding blocks of the new PoA for 2001-2010 are the seven commitments espoused in Chapter II. These are:

Commitment 1: Fostering a people-centred policy framework

Commitment 2: [Ensuring good governance/Promoting transparent and accountable governance]

Commitment 3: Building human and institutional capacities

Commitment 4: Building productive capacities to make globalisation work for LDCs

Commitment 5: Enhancing the role of trade in development

Commitment 6: Reducing vulnerability and protecting the environment

Commitment 7: Mobilising financial resources

Whilst it would have been interesting to exhaustively review the contents of each of the commitments as well as the contending prospectives contained in them, given the scope of the present dialogue we shall have to be selective, and concentrate on the issues which are of special interest to Bangladesh.

Commitment 1: Fostering a people-centred policy framework

The first point of disagreement (Article 23) under this commitment is a basic issue relating to coverage of the contracting parties. There is a general agreement that the PoA includes measures to be undertaken by the LDCs as well as the development partners, including the developed bilateral partners, organisations of the UN system and other relevant multilateral institutions. However, problem arose when the LDCs wanted the non-LDC developing countries to accept responsibilities under the Programme.

Concretely, under Commitment 1, with respect to actions by LDCs, only one measure remains [bracketed], viz. "maintaining a peaceful and stable living and working environment".

Conversely, under the actions envisaged by development partners there are four issues where agreement on formulation is yet to be achieved. These are the following:

- (i) Facilitating external environment through, *inter alia*, full debt cancellation and increasing the role of LDCs in decision-making process of international financial institutions.

- (ii) Expanding economic opportunity for LDCs and promoting equitable distribution of benefits from globalisation.
- (iii) Extending substantial and more effective support for LDCs' efforts in areas of empowering people living in poverty and ensuring their access to basic social services.
- (iv) Supporting LDCs in getting access to information and communication technologies, necessary physical infrastructure and critical capacity-building that would facilitate bridging the digital divide through support from diffusion of technology, in accordance with intellectual payments right regimes.

Curiously, in all the above-mentioned areas the development partners routinely pledge support to the low-income countries. However, there are possibly some who think that "fostering a people-centred policy framework" is essentially a matter to be dealt with at the national level and has nothing to do with the global dispensations.

Commitment 2: [Ensuring good governance/Promoting transparent and accountable governance]

The text under this commitment is replete with alternative formulations and it seems that there is hardly anything that has been agreed upon in this regard. As a matter of fact, as may be observed, the concerned negotiators could not even agree in the formulation of the commitment itself.

The opening section of the text relating to Commitment 2 suggests that the LDCs (G77) consider that their efforts to achieve the goal of good governance has been seriously undercut due to lack of concrete and effective international support measures, including debt relief. The LDCs also hold that whilst addressing the issue of good governance, cognisance has to be taken of the governance issues within the international financial institutions and other multilateral organisations. Moreover, attention must be paid to checking unfair business practices and corruption by multinational companies.

In this connection, the contrasting view of the developed countries maintains that the preconditions for attaining good governance include the following:

- i) fiscal reform, custom reforms as well as financial sector reform
- ii) close association between public sector and civil society
- iii) decentralisation by transfer of competence and financial resources and by a set of fiscal measures
- iv) setting responsible limits to military expenditure

There are interesting nuances even in cases where LDCs and the development partners have agreed on concrete measures. For example, while accepting the need for promoting all internationally recognised human rights in the development process, LDCs highlighted the right to development. Again, underscoring the need to prevent and resolve conflicts in their countries for promoting durable peace and sustainable development, the LDCs called on the international community to refrain from any activity that may lead to prolongation of war and sustainability of conflicts.

Such a divergent emphasis on the content of good governance have left most of the actions identified under this commitment for both LDCs and development partners open to further negotiation at Brussels.

Commitment 3: Building human and institutional capacities

A. *Social infrastructure and social service delivery*. The major point of difference arises out of the suggestion that LDCs is to implement the 20/20 initiative with the support of the donors in order to facilitate universal access to basic social services. Accordingly, the LDCs are asking that the composition of the development partners be explicitly defined in terms of industrialised countries as well as organisations of the United Nations system and other multilateral organisations (as well as non-LDC developing countries). There is still no agreement on whether support will be available to address socio-economic shocks resulting from economic reform programmes and fiscal adjustment.

B. *Population*. The goal under the heading of population which has still not been fully agreed upon relates to universal access to safe and reliable contraceptive

methods. Accordingly, among the actions to be undertaken by LDC, "promoting reproductive rights" remains within bracket.

C. *Education and training.* The target in this category which is still being debated include ensuring free, compulsory and universal primary education for all children, particularly for girls, children in difficult circumstances and those belonging to the ethnic minorities.

D. *Health, nutrition and sanitation.* The major [bracketed] targets include the following

- Reducing the infant mortality rate for both genders below 35 per 1000 by 2015
- Increasing the percentage of women receiving maternal and prenatal care by 60 per cent
- Halving malnutrition among pregnant women and pre-school children by 2015
- Reducing tuberculosis (TB) deaths and prevalence of the disease by 50 per cent by 2010 and reducing the burden of disease associated with malaria by 50 per cent by 2010.

E. *Social integration.* The only unresolved issue in this sub-para relates to an action by development partners regarding establishment of a Contingency Fund to assist LDCs facing natural and manmade disasters, as well as economic hardships.

Commitment 4: Building proactive capacities to make globalisation work for LDCs

Once again, the major discussions under this commitment arise from fixing time bound targets on the part of the LDCs. These include the following:

- Increasing urban road capacities by 20 per cent by 2010.
- Expanding port and airport facilities by 10 per cent.
- Modernising railway connection to the level of those in other developing countries by the end of the decade.
- Increasing computer literacy in higher educational establishments by 50 per cent and in junior schools by 25 per cent by 2015.

- Increasing Internet connections to match those in other developing countries by 2010.

The other policy-related divergences concern commitment on the part of LDCs to open national markets, undertake market-oriented reforms, develop reliable financial, legal and administrative institutions. This proposition also includes action on policy management within a regional framework and maintenance of political stability.

The LDCs, on the other hand, are asking concrete actions from the development partners (but not agreed upon) in the following areas:

- Creation of a special fund equivalent to an amount of \$ 2 billion per annum for infrastructure development in LDCs.
- Full compliance of already existing multilateral commitments in the area of technology transfer, particularly those provided for and agreed in Article 66 (2) of the TRIPs Agreement.
- Ensuring access to technology and procurement of equipment on a non-commercial and non-profit basis.
- Assistance for promoting South-South cooperation.
- Compensatory financing arrangement for assisting LDCs in coping with increases in prices of energy import.
- Establishing a Revolving Fund by developed countries and international institutions to cope with rising food requirements and associated high import bills.

There are also a number of proposed actions on the part of LDCs where consensus is yet to be achieved. Some of these are:

- Encouraging local enterprises to exercise corporate responsibility in the areas of human rights, labour and environment.
- Employing selective, performance-related and time-bound protection of infant industries.
- Ensuring women's right to land and inheritance of land.

Commitment 5: Enhancing the role of trade in development

The most interesting proposition on Commitment 5 (Article 64) of the draft PoA, which is still to be agreed upon, suggests that implementation of this commitment should be to the full benefit of LDCs, while taking into account the trade interests of other developing countries and development partners. Such a stipulation borders on being an oxymoron.

In the area of "trade, commodities and regional trading arrangements", the provision on support by the development partners to LDCs' efforts to promote sub-regional and regional cooperation, taking into account the needs of land-locked LDCs and transit-neighbours, remains under discussion. Regarding "market access" the issues which are yet to be fully resolved, include the following: time limit (no later than 2003) for removing "all further" barriers to trade, product coverage of duty-free and quota-free access, simplification and harmonisation of existing rules of origin, efficacy of Integrated Framework, for Capacity Building in the LDCs, etc. With respect to *special and differential treatment*, the LDCs are yet to get support for a binding commitment on GSP, inclusion of industrial subsidies in "non-actionable" category, safeguard measures in agriculture against import surges and low import prices. There is also no consensus on seeking early finalisation of minimum criteria and procedures for accession of LDCs to the WTO. Concerns of the LDCs about emergence of standard-setting and quality control measures by the developed industrialised countries as technical barriers to trade are yet to be fully addressed in the draft PoA.

It may be mentioned that among the proposed actions to be undertaken by LDCs under Commitment 5, the only one which will be debated in Brussels relate to further liberalisation of trade in the agricultural sector. Curiously, the developed countries have not made any commitments in the new PoA regarding liberalisation of their own service sector.

Commitment 6: Reducing vulnerability and protecting the environment

Almost all the provisions under Commitment 6 have been agreed upon. The only interesting exception is the stipulation that "national strategies for sustainable development in LDCs will be developed with the assistance of development partners by 2005 so as to reverse trends in the loss of national environmental resources by

2015". This formulation as an action appears in [bracket] under the responsibilities earmarked for both LDCs and the development partners.

Commitment 7: Mobilising financial resources

Surprisingly, this is one of the commitments (after the one on governance) the text of which is most replete with "brackets" and "bolds". The very first paragraph (Article 77) reveals how the developed countries situate the problem of financing development in LDCs. The concerned article underscores that in order to strengthen domestic and international resource mobilisation there has to be an enabling environment characterised by the following:

- Peaceful solution of conflicts and respect for human rights and democracy.
- Presence of an appropriate network of strong and reliable financial, legal and administrative institutions.
- Sound macroeconomic policies.
- Efficient management of public revenue and expenditure.
- Better allocation of resources and incentives to encourage private savings and capital repatriation.
- Tax reforms, and
- A solid framework to implement economic reform programmes.

The major debates under this commitment revolve around the *time limit for implementation ODA flow targets, depth and breadth of debt relief measures (bilateral and multilateral), incorporation of non-HIPCs in the debt cancellation initiatives, inclusion of non-Paris Club official creditors in the debt relief programme.* This section of the draft PoA also indicates the urge of the LDCs to evolve a more effective set of parameters to measure the efficacy of ODA flow. The LDCs are also calling for analysis to be carried out by independent bodies for the purpose of monitoring the external debt scenario.

The development partners on their part are demanding that all creditors should be regularly consulted on changes in debt situation, and that due prudence should be exercised when entering into new borrowing commitments.

Regarding increasing flow of foreign direct investment (FDI) to LDCs, the draft PoA does not mention any action on the part of the development partners. On the other hand, it is expected that LDCs should remove "all obstacles to the creation of new foreign-owned business". The LDCs, however, are seeking support of the multilateral agencies to create a Global Advisory Body for servicing the investment needs of the LDCs.

Concluding Observation

In fine, the draft PoA in its present form reflects an unbalanced menu of rights and obligations to the benign neglect of the fundamental interests of the LDCs. It is quite evident that while the targets for the LDCs have been described in very precise terms, the commensurate measures which are expected come from the development partners remain either vague or under advisement. Given the melancholy experience with the earlier two PoAs, and taking note of the high level of inefficiency characterising the mandated review and monitoring mechanism, it may be safely concluded that the new PoA in its present form will have marginal impact on the circumstances of the LDCs. Alternatively, it will be an open season at the Brussels Conference where the LDCs and the developed countries will unabashedly negotiate for their pound of flesh.

SECTION VI. ELEMENTS OF A STRATEGIC APPROACH FOR BANGLADESH

The Point of Departure

For Bangladesh, the point of departure at the LDC III negotiations should be recognition of the fact that, amongst the LDC, it is one of the most suitably positioned countries to take advantage of the initiatives emanating from the conference. Bangladesh needs to build further on its goodwill underwritten by its relative success achieved during the 1990s in the area of both development and democracy. While underscoring the many failures of the global community in keeping to their commitment towards the LDCs, Bangladesh, thus, needs to take a pro-active and constructive stance in the negotiation process.

No Breaking of the Ranks

Bangladesh needs to keep in the perspective that the LDCs as they stand today are not a homogeneous category any more. This is particularly because of the differential development performance of these countries during the last decade. Accordingly, Bangladesh should remain mindful of the incipient tension which currently afflicts the LDCs as a group, and should be very careful about not breaking ranks with the other LDCs. Rather it should and try to build on its successes to be a role model for the LDCs.

Being Aware of the Divisive Policies

Some of the recent initiatives such as the "US Trade and Development Act 2000 and the EU's debt relief programme for ACP countries show that the developed countries are inclined to take initiatives favourable to a particular substrata of LDCs. Bangladesh needs to remain vigilant against such divisive moves and impress upon the LDCs that these types of differential approaches work against their long term concerns and interests.

Recognising the Differential Responsibilities

In its bid to increase the support base for its demands, Bangladesh should recognise upfront the differential responsibility attributable to various actors in the global community. In particular, Bangladesh should try to buy-in the support of the non-LDC developing countries by pointing out that the major commitments and affirmative actions must originate from the developed industrialised countries. Concurrently, Bangladesh should keep in view that many of the demands of the LDCs such as global zero tariff access, flexibility in the rules of origin, withdrawal of non-tariff barriers also impinge on market access in the non-LDC developing countries.

Pre-eminence of the Global Constraints

Whilst accepting the need for carrying out, from country perspective, as on any of the reform measures advocated by its development partners as possible, Bangladesh will have to constantly remind that it is one of those cases where the current nature of functioning of the global markets (commodity, capital and labour) is increasingly

emerging as a fundamental constraint in making globalisation work for its development.

Selective and Targetted Approach

Obviously, not all the seven areas identified in the draft PoA for the LDC III will be rewarded with concrete commitments on the part of the developed countries (and multilateral organisations). Bangladesh may need to be selective in targeting its efforts in particular areas which are of critical importance to it. Bangladesh should marshal its best endeavours in the areas of Commitment 5 (Enhancing the role of trade in development) and Commitment 7 (Mobilising financial resources).

Securing Market Access

One of the major strategic priorities for Bangladesh should be securing non-reciprocal guaranteed market access for its exports. Concretely it will mean, among others, the following:

- Bound duty-free and quota-free access for essentially all products originating from LDCs, particularly in the US and Canadian market.
- Relaxation of existing rules of origin in a meaningful manner that will help to achieve the objectives of different preferential schemes.
- Effective operationalisation of the "special and differential" status under the WTO agreements including subsidies and safeguard measures.
- Provision of financial compensation to mitigate trade losses incurred as a result of arbitrary and unilateral application of sanitary and phytosanitary standards.

Mobilising Financial Resources

The other area of strategic interest of Bangladesh relates to enhancing non-debt creating capital flows. This would essentially entail the following provisions.

- To reach by 2005 the ODA flow targets accepted by the developed countries
- Cancellation, without further delay (but not later than 2003), of *all* official bilateral and multilateral debts for all LDCs, including the *non-HIPCs*.

- Expeditious untying of all aid to LDCs.
- Developing a set of international performance indicators for strengthening the effectiveness of ODA.

Regarding FDI, Bangladesh may concretely argue for the following:

- Support for developing effective regulatory and legal frameworks for attracting FDI.
- Establishing a mechanism for underwriting perceived political and commercial risks in the LDCs.
- Assistance to encourage new forms of foreign capital flow which strengthen public-private partnership in releasing supply-side bottlenecks.

No Shying Away from Concrete Commitments by LDCs

As the draft PoA reveals, the development partners are building pressure on LDCs to commit themselves to achieve a number of time bound targets in the area of building productive, human and institutional capacities. No doubt, global commitments are likely to critically hinge on these reciprocal commitments by the LDCs. Bangladesh, in most cases, need not shy away from undertaking many of these commitments as its revealed achievement already match many of these targets, or it is likely to attain those in the near future. Rather Bangladesh should ask for more policy coherence among the development partners as regards channeling their support measures towards realisation of those goals.