



*American Model United Nations*

**United Nations Conference on Trade and  
Development**

**Report to the General Assembly on Least  
Developed Countries: Developing  
Productive Capacity**

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## **EXECUTIVE SUMMARY**

The United Nations Conference on Trade and Development is pleased to present the report on the topic of Least Developed Countries: Developing Productive Capacities. During our meetings, many important issues were discussed and the Conference worked to reach consensus on this topic.

The intent of Draft Resolution I is to build infrastructure within developing economies so as to create an attractive business climate for foreign investment. This must be accomplished through a strategy that bears in mind the individual needs of developing countries relative to environmental and social concerns. Additionally, the developed world must begin to rethink its relations with the global South and move towards solidarity. This resolution calls upon the General Assembly to convene an additional meeting of world experts for the purpose of compiling a report on the state and competitiveness of international and regional markets.

Draft Resolution II focuses on the poorest members of Least Developed Countries (LDCs) living in rural areas by promoting smallholder agriculture to enhance productive capacities with the aim of reducing poverty. This resolution stresses the pivotal role governments of LDCs play in the process. Additionally, the resolution makes recommendations on important steps in supporting the promotion of small agriculture. These recommendations include an increase in ODA, along with follow through on ODA contribution commitments, the importance of eventual elimination of external debt, and the necessity of access by LDCs to vital agriculture technologies. Adoption of this resolution will not only benefit LDCs but enhance the effectiveness of building productive capacities in all developing countries.

The UNCTAD body adopted Draft Resolution III by consensus. The resolution was crafted in an attempt to alleviate the many plaguing social issues, such as poverty, illness, lack of educational opportunities, natural disaster relief, and the inability to access information and technology. It focused primarily on the social and humanitarian aspects occurring within all nations and hopes to promote economic stability and universal well-being, ultimately resulting in the development of productive capacities.

As discussed in Chapter I, Section B, some of the other recommendations that were of pertinence but not included in the resolutions focused on the Debt for Development program, microfinance, political stability and good governance, and agricultural subsidies. These topics were extensively debated and were included in this section to provide the General Assembly with more information on these relevant topics.

Many diverse subtopics were deliberated and the general points of these are explained in Chapter II, Section A. Some of the most important issues included foreign direct investment and official development assistance, debt forgiveness, meeting basic human needs, regional development, agriculture and humanized globalization.

## **Chapter I**

### **Matters calling for action by the General Assembly Plenary and brought to its attention**

#### **A. Draft Resolutions**

The United Nations Conference on Trade and Development (UNCTAD) recommends to the General Assembly the adoption of the following draft resolutions:

##### **Draft resolution I**

##### **Creating Stable Institutions for Developing Productive Capacities**

*The General Assembly*

*Having adopted* the United Nations Millennium Declaration (A/RES/55/2) and the Millennium Development Goals,

*Sharing* a commitment to fight poverty, inequality, and exclusion, and to help control globalization with the goal of protecting people's economic, social, and cultural rights,

*Convinced* that tackling poverty must not eclipse attempts to get the conditions right for balanced development in the country concerned,

*Recognizing* the need for developing states to have greater access to technologies that will allow Least Developed Countries to further develop agricultural capacities,

*Acknowledging* the potential for economic growth within Least Developed Countries offered by expanded access to technology, knowledge and positive contributions to the international community,

*Believing* the non-agricultural productive sector is not only the driving force for economic growth and jobs, but directly contributes to achieving the Millennium Development Goals,

*Fully believing* that all productive sectors create employment, provide income and structure all developing countries,

*Reaffirming* the fundamental role of competition law and policy for sound economic development,

*Recognizing* the importance of the productive sector relative to environmental concerns, social inequalities, and disparities in terms of transparencies,

*Emphasizing* the Universal Declaration of Human Rights, which stipulates that "Everyone who works has the right to just and favorable remuneration ensuring for

himself and his family an existence worth of human dignity...”

*Alarmed* by unequal and inadequate progress towards achieving the Millennium Development Goals,

1. *Endorses* the reduction of restrictions on enterprise, so as to support knowledge-sharing in order to encourage balanced and better distributed growth that respects social and environmental standards;

2. *Further endorses* placing particular emphasis on the development of local productive systems, notably those of small enterprises, by supporting their entry into the formal sector through micro-finance and other joint public-private financing opportunities;

3. *Encourages* the Least Developed Countries to focus on smallholder agriculture development as a viable option to develop productive capacities and alleviate poverty, through the promotion of micro-finance lending ventures towards integration into the formal economic system;

4. *Endorses* efforts to improve access to structures and institutions in developing countries through the creation of:

- a. Instruments that reduce currency exchange risks;
- b. Tools that reduce country risk for the investor;
- c. The use of official development assistance as a catalyst for either public or private joint financiers;

5. *Encourages* developing countries to consider, as a matter of importance, establishing competition laws and frameworks best suited to their development needs, complemented by technical and financial assistance for capacity building, taking fully into account the objectives of other national policies and capacity constraints;

6. *Encourages* Member States to establish and reinforce regional blocs to promote greater trade, development, and technological assistance to foster economic growth within the Lesser Developed Countries and sustainable development towards integration into the formal economic system;

7. *Recognizes* that liberalization and privatization without competition safeguards could adversely affect sound economic development;

8. *Recommends* that the governments of the Least Developed Countries substantially increase public investment in scientific research, infrastructure improvement including rural roads, irrigation, fertilizer, seeds, and credit;

9. *Calls upon* Member States to increase cooperation between competition authorities and Governments for the mutual benefit of all countries in order to strengthen effective international action against anti-competitive practices, especially when these

occur at the international level; while remaining cognizant that such cooperation should take particular note of the needs of developing countries and economies in transition;

10. *Recommends* that quantitative increases in official development assistance be accompanied by efforts in relation to aid efficacy, taking into account the receiving countries' performances and the needs of the population;

11. *Further invites* developing countries to expand access to basic infrastructures, water, and sanitation, through public-private partnerships, which promote decentralized distribution models in addition to the classic national-scale operations;

12. *Takes note* of the voluntary financial and other contributions received from Member States;

13. *Invites* Member States to continue to assist UNCTAD on a voluntary basis in its capacity-building and technical cooperation activities by providing experts, training facilities, or financial resources;

14. *Supports* multilateral partnership-based relationships with a view to solidarity and sustainable development with several objectives:

- a. Consolidating the rule of law within developing countries to battle corruption and ensure governmental and financial stability;
- b. Supporting sustainable growth from the basis of well balanced, more diversified and less vulnerable economies;
- c. Covering the essential social needs;
- d. Rationally managing the territory and resources and protecting the environment;
- e. Promoting participative and cultural development;
- f. Stability and regional integration;
- g. Strengthening governance at the regional level;
- h. Coordinating and strengthening of scientific environmental expertise;

15. *Requests* that UNCTAD convene an expert meeting to prepare a report on the state of competition in international and regional markets, a summary of capacity-building and assistance efforts, for review at the next session.

## **Draft resolution II LDCs, debt relief, and agriculture**

*The General Assembly*

*Guided by* the World Bank's 2008 World Development Report in which the importance of agriculture for production and poverty reduction is stressed,

*Affirming* the 2001 Programme of Action Commitment 7: Mobilizing Financial Resources as a way to support the funding of agriculture projects and poor farmers,

*Recalling* Resolution A/22/279 of 12 July 2001 endorsing the Brussels Declaration and the Programme of Action for the Least Developed Countries for the Decade 2001-2010, and Resolutions A/57/279 of 20 December 2002 and 58/228 of 23 December 2003 on the Third United Nations Conference on the Least Developed Countries, citing specific measures Least Developed Countries governments must be responsible for in an effort to increase productive capacities,

*Further recalling* that the primary responsibility for development rests with the Least Developed Countries themselves, with the help of the international community, as articulated in the United Nations Conference on Trade and Development report Building Productive Capacities in Developing Countries of 20 July 2006,

*Keeping in mind* Millennium Development Goal 8, Target 13, calling to address the special financial needs of the Least Developed Countries including enhanced debt relief programs for Heavily Indebted Poor Countries (HIPC),

*Noting with satisfaction* the 1996 World Bank Group Debt Relief Initiative for HIPC created to provide debt relief for low income countries,

*Affirming* the Monterrey Consensus of the International Conference on Financing for Development which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

*Further affirming* that debt relief can play a key role in liberating resources that could be directed towards activities consistent with hunger and poverty eradication, sustained economic growth, sustainable development, and the achievement of internationally agreed development goals, including those contained in the United Nations Millennium Declaration,

*Further noting with satisfaction* World Bank findings which illustrate that the decrease in debt-service has been accompanied by an increase in poverty-reducing expenditures such as health, rural infrastructure, and education in HIPCs,

*Recalling* the United Nations Conference on Trade and Development Plan of Action of 18 February 2000 stressing the need for debt relief and requesting creditor nations to give the poorest members of the world community a clean slate,

*Emphasizing* the need to increase availability of official development assistance to the Least Developed Countries as an integral part of building productive capacities as promised in the 2001 Programme of Action for Least Developed Countries, and reiterated in Resolution A/62/79 of 9 May 2007, A/58/288 of 25 February 2004, and Economic and Social Council Resolution 2003/17 of 22 July 2003,

*Recalling* Economic and Social Council Resolution 2003/17 recognizing that the digital divide further marginalizes already disadvantaged Least Developed Countries,

*Affirming* the Economic and Social Council 2000 Ministerial Declaration urging the international community, including the relevant international organizations, funds, and specialized agencies of the United Nations system, to “facilitate the transfer of information and communication technologies, in particular to developing countries, and support efforts towards capacity-building and production of content,”

*Further affirming* UN Millennium Declaration A/55/2, article 3, section 20, wherein member states resolved to “ensure that the benefits of new technologies, especially information and communication technologies, in conformity with recommendations contained in ECOSOC 2000 Ministerial Declaration, are available to all,”

*Deeply convinced* by the Sao Paulo Consensus of 25 June 2005, and Economic and Social Council resolution 2003/56 of 24 July 2003 affirming the necessity of science and technology for development,

*Welcoming* the World Intellectual Property Organization (WIPO) 2006/07 program Strategic Goal Two: to integrate intellectual property (IP) in national development policies and programs,

*Deeply concerned* with the World Bank’s 2008 Development Report findings that subsidies on commodities in wealthy nations, which reduce world prices, make it difficult for unsubsidized farmers in poor countries to compete in the world market,

*Emphasizing* the 2001 Programme of Action’s recognition of the responsibility of development partners to provide duty-free and quota-free market access for Least Developed Countries,

1. *Encourages* Member States to focus on smallholder agriculture development as a viable option to develop productive capacities and alleviate poverty;

2. *Reiterates* the critical importance of the participation of the national governments of Least Developed Countries in playing an active role in developing productive capacities, especially in the promotion of agriculture;

3. *Recommends* that the governments of Least Developed Countries substantially increase public investment in scientific research, infrastructure improvement including rural roads, irrigation, fertilizer, seeds, and credit, all of which will help poor farmers grow more crops;

4. *Further recommends* the governments of Least Developed Countries as well as development partners to allow local control over the planning and implementation of agriculture development projects;

5. *Requests* a specific portion of Official Development Assistance (ODA) be



earmarked for use to fund agriculture projects in the Least Developed Countries;

6. *Further requests* the expansion and streamlining of the Heavily Indebted Poor Countries (HIPC) initiative to free up financial resources in these countries for public investment toward building productive capacities including agriculture production;

7. *Emphasizes* that the long-term eventual elimination of debt for developing countries depends on the economic growth and export prospects of debtor countries, including enhanced market access to developed countries' markets for goods and services in the export interest of developing countries and investments in developing countries;

8. *Calls on* all Member States, international financial and trade institutions, including multilateral financial institutions, to provide as a higher priority greater access to vital agriculture technologies;

9. *Urges* developed countries that have not yet done so to make concrete efforts to effectively implement their commitments of ODA to the Least Developed Countries, as contained in paragraph 83 of the 2001 Programme of Action of Least Developed Countries.

### **Draft resolution III** **Millennium Development Goals and accessibility**

*Recognizing* the relationship between inequality of development around the world and its connection to poverty,

*Reaffirming* the 2001 Brussels Programme of Action and the United Nations Millennium Declaration,

*Recalling* the profound importance the United Nations Millennium Development Goals, especially Goal 1: an effort to eradicate extreme poverty and hunger; Goal 7: to ensure environmental sustainability; and Goal 8: develop a global partnership for development,

*Recognizing with significance* the level of poverty around the world,

*Noting* that eighty-one percent of the population of Least Developed Countries (LDCs) lives in rampant poverty,

*Noting with concern* how the effects of a population racked with illness and suffering from lack of access to adequate nutrition and clean drinking water places great restrictions and barriers on a country's ability to develop productive capacities,

*Acknowledging* that the ineffective use, waste, and destruction of a nation's resources severely limits and negatively impacts the development of a country's productive capacities,

*Recognizing* the detrimental effect high tariffs and non-tariff barriers have on the developing economies of LDCs and noticing that the digital divide further marginalizes the productive capacities of already disadvantaged LDCs,

*Bearing in mind* that women play a vital but underestimated role in the world's workforce, in traditional roles, but also in business, industry, agriculture and other areas of the workforce, and could be a potential resource in the overall development of a country's productive capabilities,

*Recalling* the work that UNCTAD has done in assisting countries affected by natural and socio-economic disasters and their efforts to promoting productive capacities in LDCs,

1. *Urges* all member states to recognize and address the issue that an inequality of opportunity, both within and among nations, generates a plaguing and unrelenting problem of sustained deprivation resulting in wasted human potential and weakens the prospects for capabilities, prosperity and overall economic growth;

2. *Calls upon* this body to make a commitment to equitable access for the poor to health care, education, employment, capital, secure land rights, and technology in an effort to enhance global economic stability, whose foundation is rooted in efficient national industries;

3. *Requests* the reduction of impediments with respect to trade on developing countries in an effort to increase agricultural exports, boost competitive markets, and maximize the opportunities of specialized markets;

4. *Resolves* that there should be incentives for the inclusion of women in education to maximize the capabilities of an untapped workforce in developing countries;

5. *Calls for* an increase in the sharing of technologies and more transparency in the innovation process to support the growing technology sectors of developing countries;

6. *Respectfully requests* that initiatives be set within each Member State on a case by case basis to make environmental sustainability and cultivation a major concern as a safe, cost-effective and beneficial solution to not only the people of a nation in which the initiatives are set, but by the larger global market;

7. *Calls for* sustained humanitarian aid in times of conflict from developed stable countries to developing countries to continue to sustain emerging economies and help the majority of the population who suffers the most while adhering to the rule of law.

## **B. Other recommendations for action by the Conference**

Several sub-issues involved in developing productive capacities were not addressed by the draft resolutions that several Member States found very important. One example is the notion of Debt for Development. This program includes channeling debt payments into funding for resources in order for LDCs to meet development goals and into development programs, thereby allowing for productive capacities, perhaps future abilities to repay debt. Developed countries did have concerns about the feasibility of such a program.

Another important issue for the General Assembly to be aware of is that of microfinance. It is a complex topic that UNCTAD found unable to incorporate into any of the adopted resolutions. However, many nations felt that microfinance may have potential to develop productive capacities in LDCs. In particular, these small-scale loans to individuals may allow for increased development on the most micro level and encourage self-sufficiency. This innovative idea may lead to a spread of development from the bottom up.

It may also be useful for the General Assembly to take into consideration the role of good governance and a stable rule of law in developing countries with Official Development Assistance (ODA). While UNCTAD did not specifically take a stand on this issue, the importance of aid remaining on a case-by-case basis in regards to conditions and standards is debatable.

Although a consensus was not reached, agricultural subsidies remained a controversial topic pertaining to developing productive capacities. This issue polarized developed and developing countries. Developed and some developing countries see subsidies as a way to ensure the livelihood of their farmers and insulate them from price shocks in the world market. It was suggested that the loss of subsidies for some Member States may hinder the progress toward development and may cause a reverse in development that is undesirable for these countries. Many nations recognize the current state of subsidies within the global market and address the importance of gradually lessening and managing subsidies in an effort to seek continued economic stability. LDCs and some developing countries feel that subsidies push world agriculture prices to artificial lows, which can in some cases hinder unsubsidized farmers' ability to compete and survive in the world market. UNCTAD recognizes that subsidies remain an important issue pertaining to developing productive capacities and encourages further debate on the topic in hopes of reaching consensus to help alleviate poverty across the globe.

## **Chapter II**

### **Consideration of Least Developed Countries: Developing Productive Capacities**

At its 18th meeting, on 17-18 November 2007, the Conference considered agenda item 2, Least Developed Countries: Developing Productive Capacities

For its consideration of this item, the Conference had before it the following documents:

- (a) Third United Nations Conference on the Least Developed Countries, Brussels, Belgium, 14-20 May 2001 (A/Conf.191/12)
- (b) 2006 World Development Report on Equity and Development
- (c) Sao Paulo Consensus (TD/410)
- (d) Bangkok Plan of Action, UNCTAD X, Bangkok, 12-19 Feb. 2000 (TD/386)
- (e) Expert Group Meeting on Building Productive Capacities in Developing Countries (TD/B/Com.2/Em.19/2)
- (f) Monterrey Consensus of the International Conference on Financing for Development

#### **A. Deliberations**

While deliberating the complex topic of Least Developed Countries (LDCs): Developing Productive Capacities, the member states of UNCTAD had many varying viewpoints on the sub-issues. There were different points that each nation felt strongly about, and the committee worked hard to move toward consensus.

Foreign Direct Investment (FDI) was one main issue the body discussed. There was some discussion of whether ODA should be given greater emphasis than FDI concerning development. This issue was one of great contention. Many countries felt that as FDI was a key influence in the rebuilding of their country and significantly affected the private sector and economy, therefore FDI plays a large role in the development of LDCs and should be globally increased. FDI played an important role in some countries following civil wars, disasters and other impediments to stability. With investment comes technology spillovers and increased human capital, which allows economies to grow. Some developing nations believe that foreign investors should adhere to national laws and regulations, including transparency in economic transactions. A few nations were eager to set an example to the developing community. Many nations' transnational corporations are still optimistic about the global growth of foreign direct investment.

Official Development Assistance (ODA) is one aspect of this topic that was discussed at length. Many nations urged increased ODA to increase productive capacities. Many nations wanted to share their experiences with FDI and ODA, both negative and positive. Several developed nations remained committed to the ODA program and the established EU standards on donating .7 percent of GDP. ODA may increase in importance in nations where basic needs are not able to be met. Aid is also helpful in improving the private sector. Many countries emphasized that ODA may often be a course of action that can lead to increased FDI. However, it may also be important to have more stable and reliable resources than ODA. It was proposed to encourage a comprehensive program of

collective regulations working together with financial institutions. Several nations expressed concern for improved governance and stability in states, which would allow donor states to be able to provide more ODA to LDCs.

Debt cancellation arose as a major subtopic, because if countries receive aid, but then must use the aid to pay of already existing debt, then the aid may be less useful. However, the representatives agreed that an across-the-board cancellation of debt for developing countries would increase the difficulty for those countries of obtaining external financing in the future. A discussion was initiated to propose a “Debt for Development” program under which money that was supposed to be paid off as debt could be used for national development purposes. Other nations included the possibility of debt repayment suspension under certain circumstances. Debt relief may also free up limited financial resources for public investment toward building productive capacities.

Other delegations found the importance of meeting basic human needs to be of higher precedence, with a focus on eradicating hunger, increasing education, clean water, disasters and healthcare in order to develop productive capacities. Many LDCs and developing countries within the UNCTAD committee considered poverty to be a most pressing issue. The Millennium Development Goals (MDGs) were often cited as important to achieve in conjunction with developing productive capacities. Two specific MDGs that were considered important were the goals to alleviate poverty and forming a global partnership for development. Many developing nations had success in achieving the MDGs, which allowed these nations to move on to higher goals.

A great amount of time was spent discussing the possibility of encouraging regional partnerships and the use of regional organizations because countries with a shared cultural and historical background will be more likely to assist each other, thereby allowing the countries to utilize aid and investment as they see fit. Some states emphasized multilateral trade mechanisms, development stages and needs of developing countries and LDCs by making special arrangements for them in terms of the degree and speed of their market liberalization process. It was also considered that cooperation with developed countries may be very important.

Because agriculture is that mainstay of many developing nations and LDCs, this particular area was discussed in detail. Some nations stressed a focus on smallholder agricultural development in rural areas to build productive capacities to reduce poverty. Some potential problems that were discussed included trade-distorting barriers, especially subsidies, which prevent poor producers from competing in the world market.

Another item that was discussed was trade liberalization and globalization. Several nations recognized the increasingly competitive world market and encouraged the elimination of many of these obstacles. Some nations believe that globalization can be a wealth-creating phenomenon. It was suggested that the problem may not be with global capitalism, but rather with the unequal and inadequate distribution of wealth. It was also suggested that the body consider the notion of humanized globalization. Several nations also encouraged the promotion of an environment conducive to entrepreneurship in order

to harness globalization. Several nations held the view that the best way to lift LDCs out of poverty is through trade liberalization, combined with pro-market developmental reforms.

While discussing the topic of Developing Productive Capacities, the UNCTAD committee broke off into three groups depending on which issues each nation-state felt most strongly about. The topics of the three groups included FDI and ODA, basic needs aspects of developing capacities, and a comprehensive overview of the many aspects involved within development. After developing and deliberating multiple resolutions, extensive debate and further expanding on the issues, the committee worked to reach some consensus on the issues.

### **B. Action taken by the Conference**

Resolution UNCTAD/II/1 was adopted by the committee by a vote of 17-2-2.

Resolution UNCTAD/II/3, which focuses on meeting the basic needs of least developed countries, would enable these nations to develop productive capacities. This resolution was adopted by UNCTAD by consensus. This resolution was written with the assistance of a large number of nations, thereby providing for the consensus within the body. With the wide acceptance of this resolution, little formal debate was required before the document was adopted.

Draft Resolution UNCTAD/II/2 had the final operative clause divided out. The amended resolution was adopted by a vote of 18-0-3.

**CHAPTER IV**  
**Adoption of the Report**

At its 18th meeting, on 19 November 2007, the United Nations Conference on Trade and Development adopted this report by consensus. There were no objections or abstentions.