

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

# THE LEAST DEVELOPED COUNTRIES 1997 REPORT

## OVERVIEW

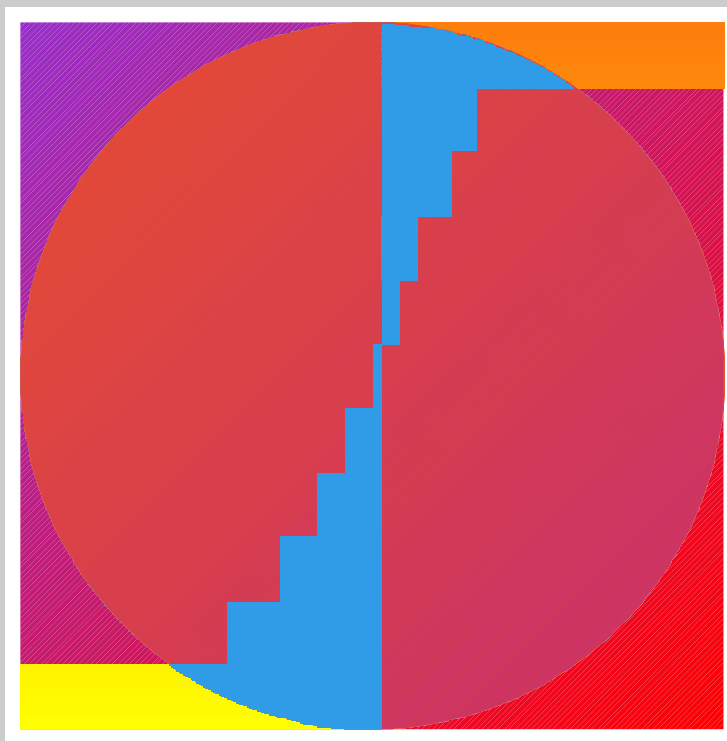
by the Secretary-General of UNCTAD

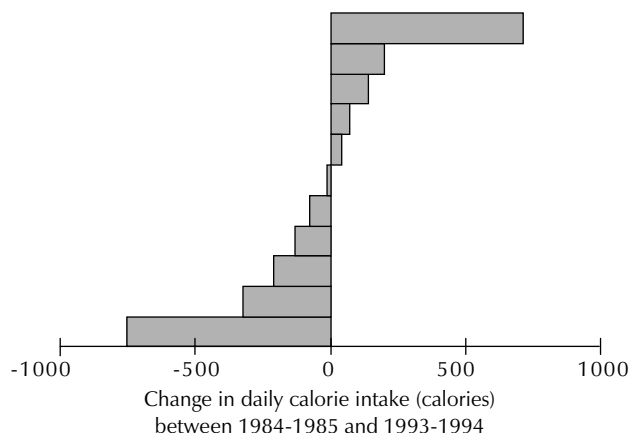


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This year's Report examines two separate but related issues – agriculture and economic regress. Economic regress has an impact on agricultural performance, and one way in which this manifests itself is through a change in the amount of food people eat per day. The chart on the cover of this year's Report is based on data on per capita food consumption in selected LDCs. There has been a wide disparity in performance within the LDC group: for instance, while Burkina Faso has recorded an increase of around 700 calories per capita over the ten-year period, in some LDCs experiencing various forms of economic regress, daily calorie intake has fallen, in some cases by as much as 750 calories per person per day. For more information and the source data for the chart, see tables 9 and 12, on pages 66 and 130 of the Report, respectively.

# The Least Developed Countries 1997 Report

## Overview

by the Secretary-General of UNCTAD



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## Note

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The Overview contained herein is also issued as part of *The Least Developed Countries, 1997 Report* (TD/B/44/6, UNCTAD/LDC (1997), Sales No. E.97.II.D.6).

TD/B/44/6 (Overview)

UNCTAD/LDC (1997)

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# Introduction

*Important, and on balance encouraging, developments have taken place among the least developed countries in the mid-1990s. The determined efforts to implement economic policy reforms have led to improved economic performance in about half of the LDCs. The economic revival is most notable in Africa, where economic growth rates have risen to levels that, on average, involve modest increases in per capita output. Macroeconomic reforms, particularly exchange rate reforms, have played an important role in stimulating higher growth rates in many LDCs. Economic improvement has taken place despite the continued stagnation of aid flows to LDCs and the persistence of their external debt problems. Reduction of the external debt burden, together with an increase in aid flows, would provide strong support for the economic reforms currently underway in LDCs, and help ensure that the current revival is sustained. The recent economic performance of the LDCs and developments in external financing are reviewed in Part One of the full Report.*

*While improved macroeconomic policy has been vital to the economic revival in many LDCs, sustaining the recovery and accelerating growth rates to levels at which substantial reductions in poverty can be achieved will require greater attention to institutional and sectoral reforms. In most LDCs, the area in which those reforms are likely to have their greatest impact is agriculture. Agriculture is the single most important sector in LDCs' economies in terms of its contribution to output, employment and incomes. Increasing productivity in agriculture, especially in smallholder agriculture, is essential if the living standards of the majority of the poor, who live in the rural areas, are to be raised, and if food security is to be enhanced. Agriculture is an important source of savings and foreign exchange. Development of the agricultural sector offers most LDCs their best prospects for accelerating GDP growth rates and for boosting and diversifying their exports. Also, it can give a crucial boost to the nascent manufacturing sector, by expanding the internal market for consumer goods and providing raw materials for processing industries. Agricultural reforms laid the foundations for the rapid growth and development of some of the most dynamic developing economies in Asia. The lessons of successful agricultural reform in Asia for the LDCs are analysed in the Report.*

*There has been a growing recognition in recent years of the crucial role played by institutions in economic development. The disparities in economic performance among LDCs are largely explained by internal factors, including the quality of governance. For a significant number of LDCs, the deterioration of the institutional structure of society, particularly state structures, has retarded development over a prolonged period. The economic and social regress afflicting these countries is examined in the final part of this year's Report. The most extreme and damaging forms of regress are manifested in internal conflicts which have ravaged several LDCs. The Report argues that the international community cannot afford to ignore the problems of regress in LDCs: in addition to the obvious humanitarian considerations, the economic and social consequences of regress are huge, often with significant regional dimensions. The international community should give urgent attention to helping LDCs strengthen their institutional structures in order to prevent state collapse, facilitate a peaceful resolution of internal conflicts and rebuild war-torn societies.*

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**“For perhaps the first time, we are in a position to build a free and open world economy in which all countries can participate and from which all countries can benefit. For the first time, long cherished hopes of eradicating poverty seem attainable, provided that concerted political will is brought to the task.”**

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Statement by the Secretary-General of the United Nations to the High-Level Segment of the 1997 Substantive Session of the Economic and Social Council, July 1997, SG/SM/97/138.

# Developments in LDCs and the World Economy in 1996

Although growth rates for **the LDC group** fell in 1996 compared with 1995, growth has been relatively robust, and many LDCs have performed well enough to have recorded not only real increases in output, but also real increases in per capita income. There has been a very slight difference between the performance of African and Asian LDCs. The LDCs are an extremely heterogeneous group, however, and the most significant disparities in performance exist not at a regional but at a country level, with a difference of over 20 per cent between the highest and lowest GDP growth rates for LDCs.

The future is looking decidedly brighter for LDCs in **Africa** than has been the case for quite some time. Many African countries, including LDCs, have experienced higher growth rates since 1994: 19 African LDCs have had growth rates in excess of 4 per cent, and 10 of those have had GDP growth rates higher than 5 per cent. There are indications that this trend is set to continue. In many countries, export production has been increased, inflation rates have been reduced and reform has been consistently well implemented since the 1990s.

**GDP REAL GROWTH RATES**  
(Percentage per annum)

	1990-1994	1995	1996
All LDCs	3.1	5.2	4.7
African LDCs	2.9	5.4	4.6
Asian LDCs	3.9	4.6	4.8
<i>Memo items:</i>			
Developed market economy countries	1.6	2.0	2.3
Developing countries	4.6	4.8	5.6
World	1.6	2.4	2.8

Source: UNCTAD secretariat calculations, based on data from the Economic Commission for Africa, the Asian Development Bank and the IMF (*World Economic Outlook 1997*).

LDCs in the CFA franc zone have benefited from the 1994 devaluation of the CFA franc. This overvalued currency had long stifled growth in the traded goods sector and had, to some extent, undermined the credibility and effectiveness of economic reform in the region. That all nine members of the CFA zone achieved positive growth in 1996 and that several CFA countries have also boosted production of cotton, their principal export crop, suggests that reforms have been successful. Other African countries (particularly in East and Southern Africa) have had good weather, and as a result, large increases in cereal production have been recorded. Unfortunately, however, many LDCs in Africa continue to be blighted by civil strife and political instability.

**Asian LDCs** have benefited from their location in the world's fastest-growing region. The recent dynamism of the larger Asian economies, in particular India and China, has spilled over into neighbouring LDCs. The average growth rate across the Asian LDC subgroup has thus increased, the output expansion in Cambodia and the Lao People's Democratic Republic having been particularly rapid. The largest LDC, Bangladesh, has not performed as well as might have been hoped. This is partly due to delays in the implementation of economic reforms.

These developments have taken place against a background of a modest overall growth in the **world** economy (with growth slightly higher than in 1995), though there has been a marked decrease in the expansion of world trade. Globally, Asia remains the fastest-growing region, despite the fact that the levels of increase

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