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## Poor countries need to rethink development model, UN report finds



16 July 2009 – The world’s poorest countries are bearing the brunt of the global economic crisis and their governments need to review the development model they have followed for the past three decades if they are to substantially reduce poverty and achieve long-term growth, a new United Nations report concludes.

The report from the UN Conference on Trade and Development ([UNCTAD](#)), released today, says “the crisis should be grasped as a turning point” for the so-called Least Developed Countries (LDCs) – a classification grouping the 49 poorest States around the globe.

“The magnitude of the crisis offers both the necessity and an opportunity for change,” according to the report, which says LDCs are particularly vulnerable to the current crisis because they have small economies and are so dependent on international trade, capital flows and finance.

The report notes that, in recent decades, many LDCs have severely reduced the role of government in promoting development. Yet the current crisis has “exposed the myth of self-regulating markets” and neo-liberal economic policies have also not succeeded in tackling other problems such as bottlenecks in production, chronic deficits and shortages of skills and knowledge among the labour force.

The roles of the state and the market must be rebalanced, UNCTAD argues, and many affluent countries have already started shifting to include a much bigger role for the state in economic management, especially through fiscal stimulus packages.

“Yet this tendency has been more evident in the advanced countries than in the developing world... most LDCs simply cannot afford to deploy similar packages.”

Most LDCs are also behind schedule in their efforts to achieve the Millennium Development Goals ([MDGs](#)), the globally agreed set of social and economic targets that are supposed to be realized by 2015.

The report recommends that poor countries therefore “build a new developmental state” that ensures much greater collaboration between the state and the private sector, and boosts investment and technological capabilities so that a more diverse range of products can be made.

Wealthy countries must boost their support for struggling nations as well, the report emphasizes.

“This is not simply a question of more and better aid, but also the design of rules that govern international economic relationships with regard to trade, finance, investment and technology flows.”

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