Statement

by

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Item 50: Macroeconomic policy questions

(b) International financial system and development
Report of the Secretary -General on the international financial system and development (A/60/163)

(c) External debt crisis and development Report of the Secretary-General on the external debt crisis and development (A/60/139)

New York
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Mr. Chairman,

Distinguished delegates,

Thank you for giving me the opportunity to once again take the floor to highlight the particular challenges and constraints faced by the Least Developed Countries in their development efforts within the context of the International financial system and the External debt crisis, by which there are particularly affected.

Much has happened since we met last year, including some positive developments. Nevertheless, my conclusion reached at last year's session when I said: "If the Millennium Development Goals are to be met, we have to ensure that all LDCs get their never ending debts fully written-off without any further delay." still holds and is supported by the Secretary-General's report on External debt and development (A/60/139) when it refers to "an increasing recognition that the HIPCs, including those which have gone beyond the completion point, are falling short of their Millennium Development Goals and will not likely be able to reach them by 2015 without substantial additional development assistance."

As the reports (A/60/163 and A/60/139) of the Secretary-General point out, even though net-private inflows to developing countries improved, the net resource-outflows from developing countries in 2004 were negative for the second consecutive year. In the area of external debt the recent agreement to cancel the debt of 18 Heavily Indebted Countries, 13 of which are Least Developed Countries was a much welcome development. It contributed to a decline by 5.6 per cent of total debt stocks for countries in sub-Saharan Africa in 2004, which consequently experienced a decline in debt-to-income ratio from 58 per cent in 2003 to an estimated 49.3 per cent. Unfortunately this was counterbalanced by an increase in total long-term debt by an estimated $3 billion (26.6 per cent) in 2004. Overall, the external debt of the 46 LDCs for which data is available, increased by around $7.6 billion reaching $144.9 billion in 2002. A substantial part of the debt is owed to multilateral institutions. In 2002, the debt service payment of these LDCs reached a record level of $5.1 billion, equaling three per cent of their combined gross national income. As 30 of the currently 38 countries eligible under the HIPC Initiative are LDCs, it is clear that the external debt crisis concerns principally this most vulnerable group of countries.

The report clearly describes the development financing conundrum which on one hand "has a positive impact on a country's balance of payments, but does not ease the budgetary burden faced by the Government" and on the other hand "raises the question of additionally of aid flows, as debt relief is included in the donor accounting of official development assistance", thus amounting to "only an accounting exercise".

As was recognized at the recent World Summit, the Least Developed Countries deserve special attention, including the need for ODA in accordance with the Brussels Programme of Action, which calls for 0.15 to 0.20 per cent of donor GNI . This is against a backdrop of slow improvement after the long decline in the 1990's, reaching 22.5.billion or 0.08 per cent of donor's GNI - as compared to 15.8 billion in 2002, still far from reaching the 0.20 per cent commitment contained in the Brussels Programme of Action and the Monterey Consensus.. At the same time LDCs have made great strides to create an enabling environment, mobilize domestic resources and attract foreign direct investment, although the results fall far short to get them on the road to development without international financial assistance. Thus foreign direct investment increases experienced by the developing countries during 2004, not surprisingly, have by and large bypassed the LDCs, as FDI flows seek the most profitable markets.

Mr. Chairman,

Before concluding my remarks there are two points that I would like to touch upon.

I welcome the call for enhancing the voice and participation of developing countries in international financial decision-making and hope that LDCs will be given the opportunity to participate which will contribute an important dimension to the debate.

My second point concerns the paucity of information regarding LDCs usually contained in official reports and consequently in debates. In this connection I would like to draw the Committee's attention to a recently adopted ECOSOC resolution (E/2005/44) which calls on the Secretary General "to include least developed country issues in all relevant reports in the economic, social and related fields, particularly those which analyze global development trends" in order to "ensure the follow-up of their development in a broader context." In fulfilling this request I recommend that in the future data and analysis of financial flows and external debt will be provided specifically in respect of LDCs. This will be particularly useful for the General Assembly's 2006 comprehensive review of the Brussels Programme of Action.

Mr. Chairman,

In keeping with the spirit and decisions of the G8 Summit, the September 2005 World Bank and IMF annual meetings, and the World Summit 2005, and in line with the Monterrey Consensus, the commitment of the international community is clear – 100 per cent write-off of the LDC debts, as well as substantial increases in ODA- to assure that they will achieve the MDGs and the goals of the Brussels Programme of Action. I hope that the debate of these matters in this Committee will result in reinforcing the international communities resolve to make good on their commitments.