Statement

by

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to introduce the report of the Secretary-General

on

"Implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010"

in the Second Committee of the 59th session of the General Assembly

under item 88 (a)
Third United Nations Conference on the Least Developed Countries

New York
9 November 2004

Mr. Chairman,

Distinguished delegates,

As the present report of the Secretary-General was introduced and discussed during the general segment of ECOSOC in July 2004, I will focus only on the key issues that deserve particular attention.

Mr. Chairman,

In the globalised and interdependent world, one would expect that every country, poor or rich, benefits from the economic upturn that the world is experiencing now. Reality, however, is different. The share of the Least Developed Countries (LDCs) in the world trade reached only 0.6 per cent in 2002. Their external debt stock increased from $137.3 in 2001 to $145 billion in 2002. During the same period ODA to the LDCs increased only slightly and reached $ 15.1 billions, the level of 1990s. FDI declined from $5.6 billion in 2001 to $5.2 billion in 2002. Both ODA and FDI remained highly concentrated in a few countries[1]. In short, the LDCs remained marginalized from the global mainstream economic trends and seemed not benefiting from the process of globalization

The number of people living in extreme poverty in the LDCs will go from 334 million people in 2000 to 471 million in 2015. These countries have the lowest life expectancy (50.5), the highest birth rate (124 per 1,000), the highest child (170 per 1,000) and infant (104 per 1,000) mortality rate, the highest (946 per 100,000) maternal mortality rate, the highest HIV prevalence rate, the lowest primary school enrollment (62.2 per cent) and completion (65.3 per cent) rates in the world. They remain extremely vulnerable to external shocks, natural disasters, communicable diseases and civil strife and conflict. They lack basic infrastructure and access to information and technology.

Simple logic suggests that in order to break out of the poverty trap, LDCs must grow and grow faster. Under the Programme of Action for the Least Developed Countries for the decade 2001-2010, generally known as the Brussels Programme, to eradicate poverty the LDCs must reach the 7 percent per annum GDP growth rate and the 25 per cent per annum investment rate. Despite improved overall economic performance, only seven LDCs (Angola, Bhutan, Chad, Eritrea, Mozambique, Rwanda and Sudan) from 45 LDCs for which data are available achieved the 7 percent GDP growth target and seven other (Burkina Faso, Chad, Eritrea, Guinea, Lesotho, Mozambique and Sao Tome and Principe) met the 25 percent investment target in 2002 . As for the domestic savings, they remained very low and increased only from 4. 4 to 4.8 per cent in 28 LDCs between 2001 and 2002 while 7 LDCs recorded negative results. Tax collection is also extremely low in the LDCs. Thus reliance in external finance remains high in the LDCs.

[1] ODA declined in 13 LDCs and increased by at least 20 percent per annum in 16 LDCs. Five oil-exporting countries (Angola, Equatorial Guinea, Chad, Sudan and Yemen) account for 62.7 per cent of total FDI flows in 2002

ODA is a major source of external financing for development and plays a critical role on achieving the goals and targets of the Brussels Programme. In the Millennium Declaration, donor countries committed themselves to the 0.15 to 0.20 per cent of their GNI as ODA to the LDCs and reaffirmed this commitment subsequently in the Monterrey Consensus and in the Brussels Programme. Furthermore, they agreed not only to provide more but also better aid: to harmonize their aid policies, procedures and practices; align aid to the recipient countries priorities; streamline aid delivery and untie aid. The LDCs, on their part, committed themselves to the effective management and utilization of development aid. There was no lack of commitments. What we really need to see now are actions underpinned with strong political will. Six OECD/DAC countries (Denmark, Ireland, Luxembourg, Netherlands, Norway and Sweden) have surpassed the 0.20 percent target in 2002? However, on average the OECD/DAC aid disbursements to LDCs as percentage of their GNI have increased insignificantly: from 0.05 per cent in 2001 to 0. 06 per cent in 2002 and is far below the agreed target.

By 1 January 2002 all ODA to LDCs should have been already untied. However, only 84 per cent of aid has been untied so far, according to the OECD. The Programme of Action contains a number of goals and targets on infrastructure and specific commitments on productivity. Statistics, however, demonstrate that the ODA to economic infrastructure and productive sector of the LDCs significantly declined in 2000-2002. Bridging the gap between availability and access to services is one of the most important roles of infrastructure.

Infrastructure is also critical for productive sector and trade. Trade is an important engine of growth and vibrant economy. Utilizing its full potential is a daunting challenge of the LDC heavily dependent on primary commodities in their export earnings. Of 49 LDCs, 31 were exporters of primary commodities and only 18 were exporters of manufactures or services in 2002. Despite a great number of existing preferential market initiatives, including EBA of the EU, AGOA of the US, of Quad and other countries, almost half of them remain underutilized, mainly due to the supply-side constraints, lack of trade related capacity and non-tariff barriers, notably rules of origin and product standards. Besides, too often trade policies of donors lacked coherence. Thus, the African Growth and Opportunity Act (AGOA) of the US was undercut by its 2002 Farm Bill and its protection of imports from LDCs. US subsidies to cotton that totaled $3.6 billion in 2001-2002 depressed world cotton prices by some 10 percent. Similarly, the Everything but Arms (EBA) Initiative of the EU was undermined by various agricultural subsidies to domestic producers. Thus, EU sugar subsidies ($1.5 billion) cost $ 38m in 2004 to Mozambique, the amount it spends on agriculture and rural development. To Ethiopia they cost the sum equal to what it spends on HIV/AIDS programmes. Not only agricultural subsidies are detrimental to the least developed countries by undermining their productivity and competitiveness in the market but they deprive them of the fundamental freedoms and rights - freedom to trade and right to development. Putting the Doha Development Agenda (DDA) on the right track is imperative to comprehensively address trade distorting policies and practices.

As we approach 1 January 2005, deadline for full elimination of all textile quotas under the 1995 WTO Agreement on Textile and Clothing, there is a growing concern on the part of the LDCs about its potential impact on their weak economies. Preliminary assessment shows that 27 million jobs, often poor family's only source of income, could be lost in the textile sector of Asia, Central America and the Caribbean. A million jobs could be lost in Bangladesh alone, penalizing this largest LDC for the production of value-added products and discouraging other LDCs from embarking on the path of diversification. Easing the rules of origin for LDCs exports, providing financial and technical assistance to LDCs affected by the elimination of quotas, extension of preferences for textile and clothing from LDCs, refocusing other trade-preferences could significantly mitigate the harsh impact of this phase out. Increased South-South trade with LDC participation could also cushion, to a certain extent, its potential detrimental effect.

There is a remarkable correlation between export trade structure and external debts of the LDCs. Eighty five per cent of the LDCs dependent on non-oil primary commodities, with a few exceptions, have unsustainable external debt. As a result, commodity-exporting LDCs have much lower export growth rates. They are more likely to face debt problems and fall back into debt after debt relief. Once a country has unsustainable external debt, it is pushed into the poverty trap. Debt servicing reduces its resources for public investment, tightens its foreign exchange, deter private investment and damage its growth prospects. The total debt service payment of 46 LDCs for which data are available reached a record level of $ 5.1 billion in 2002. Despite the fact that from 30 LDCs participating in the HIPC Initiative, 10 reached the completion[2] and 11 reached the decision points[3], external debt remains unsustainable and continues to hinder development of many LDCs. The extension of the Enhanced HIPC initiative until 31 December 2006 is a welcome act, but **breaking the vicious circle of poverty of the LDCs requires full cancellation of all their external debt**. In this context, both the recent US and the UK proposals deserve special attention of the international community.

As the Report of the Secretary-General emphasized, "Success in achieving poverty reduction and sustainable development depends to a great extent on good governance, the dynamism of the private sector and civil society, democracy, rule of law, and respect for human rights".

Mr. Chairman,

More than three years have elapsed since the Third United Nations Conference of the Least Developed Countries adopted the Brussels Programme. For the second consecutive year, both the ECOSOC and the UNGA expressed their "deep concern over the weak implementation of the Programme". This concern was also shared by the participants of the 2004 High-Level Segment of ECOSOC on the theme of resources mobilization and enabling environment for poverty eradication. In the Ministerial Declaration adopted by

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[2] Benin, Burkina Faso, Ethiopia, Mauritania, Mali, Mozambique, Niger, Senegal, Tanzania and Uganda
[3] Chad, DRC, Gambia, Guinea, Guinea-Bissau, Madagascar, Malawi, Rwanda, Sao Tome and Principe, Sierra Leone and Zambia

that segment, Ministers committed themselves "to undertake increased efforts and speedy measures with a view to meeting the goals and targets of the Programme of Action in a timely manner". As we are heading for the 2005 high-level plenary on the review of the implementation of the Millennium Declaration and outcomes of the other major United Nations conferences and summits as well as for the midterm review of the Programme of Action of the Least Developed Countries, addressing the issues of aid, trade, external debt as enabling environment for poverty reduction in the LDCs becomes an urgent matter. We need significant breakthrough in these critical areas to achieve the goals and targets of the Brussels Programme. We cannot allow the implementation of the third Programme of Action for the LDCs to falter any more.

In his historic address to the Third United Nations Conference of the Least Developed Countries, Secretary-General Kofi Annan said: ***"Why do we have these conferences, after all, if states do not follow up their fine words with action? As you know, this conference will adopt a Programme of Action, with a built-in monitoring system. Let us use it to ensure that this conference, unlike its predecessors, marks a real turning point in the everyday life of poor people in the poorest countries".***

The Programme of Action adopted in Brussels has provided us with the unique framework for genuine partnership. Forging partnership requires coherence of policies both at the national and global levels. It also requires coherence of policies and actions of all stakeholders: governments, parliaments, civil society, and business. We must all work hard to make it the reality that the LDCs deserve.

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