Statement
by

Anwarul K. Chowdhury
United Nations Under-Secretary-General
and
High Representative for the
Least Developed Countries,
Landlocked Developing Countries
and Small Island Developing States

at the

59th Session of the General Assembly
Second Committee

on
Item 84:
Follow-up to and implementation of the outcome of the International Conference on Financing for Development

13 October 2004

Mr. Chairman,

Distinguished delegates,

1. **It is indeed a privilege and a pleasure for me to address the Second Committee of the 59th General Assembly on this major issue of concern for the Least Developed Countries, namely their hopes and frustrations in mobilizing external resources for their economic take-off and development.**

2. **Yes, Mr Chairman, the financing for development is a daunting preoccupation for the Least Developed Countries, as the Secretary-General report to the ECOSOC High Level Segment has demonstrated last June. In that report entitled "Resource mobilization and enabling environment for poverty eradication in the context of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010", the Secretary-General provided a thorough analysis of various tools for an efficient mobilization of greater domestic as well as external resources for the LDCs in order for these countries to achieve the MDG and the objectives of the Brussels Programme of Action. It explored the issues of tax collection performance and tax reforms, financial intermediation, microfinance and capital markets. It also shed light on the issue ODA performance both from the point of view of ODA level and ODA modalities mechanisms, the alarming debt situation of LDCs, the**

disappointing flow of foreign direct investment into LDCs, the workers' remittances as a growing and critical source of foreign exchange for many labour-exporting LDCs. Finally, the report explored the hurdles that hinder the expansion and diversification of LDCs exports, despite market access preferences granted to these countries by their development partners.

3. The new Note by the Secretary-General on "innovative Sources of Financing for Development" is a timely input in the quest for the increase of resource flows to developing countries and the LDCs in particular in order to accelerate their socio-economic development and effectively confront the scourge of poverty. In order to achieve the MDG by 2015, it is indeed imperative, and more so for the weakest segment of the world community – the LDCs -, that additional financial resources be mobilized as soon as possible. Otherwise, many LDCs and many people in the developing world will continue to be trapped in abject poverty.

4. The note explores various proposals for raising additional development resources, such as tax on "brain drain", environmental tax (or tax on pollution), taxation on arms exports, currency transactions tax, and development-oriented Special Drawing Rights (SDRs). The note also explores the UK Government proposal for an International Finance Facility (IFF), which would aim at increasing substantially ODA with the specific purpose of achieving the MDG. Unlike most of the other proposals that

may require gathering of political consensus from major players and not-so-easy-to-reach agreements at the international level, the IFF could be flexible enough to allow a "coalition of willing countries" to provide the required resources for achieving the MDG.

5. **In my capacity as High Representative for the LDCs, I appeal to all delegations that, while debating these proposals and others that would help increase the flow of development resources, to keep in mind and stress the acute needs and special circumstances of the Least Developed Countries. These countries constitute the last frontier of development, the yardstick of MDG achievement and the most challenging development issue for the international community. Surely, other developing countries also need development resources -- but the LDCs need much more.**

6. **Unfortunately, the S-G report on the implementation of the Monterey Consensus does not convey a message of good performance. As far as the LDCs are concerned, even though in nominal terms, net per capita ODA flows have increased since 1999, in real terms, they were much lower in 2003 than in the early 1990s. Furthermore, despite the nominal terms ODA increase in recent years, most donors are still below the ODA commitments agreed upon in the Brussels LDCs Programme of Action. The S-G report on the "Implementation of the United Nations Millennium Declaration", calling for more ODA to developing countries, stresses the**

point that "… a minimum of additional $50 billion per year in aid is needed in order to meet the MDGs".

7. **Despite the fact that several LDCs have benefited from the HIPC initiative, their debt stock has resurged in the last 2 years. A recent UNCTAD study has strongly advocated that with many African countries – and among them many LDCs – are struggling to service debt while striving to reach the MDGs, the continent debts "should simply be written off". In actuality, the study reveals that Africa borrowed close to US$540 billion between 1970 and 2002, and at the end of 2002, had paid back US$550 billion, in principal and interest. Nevertheless, the continent still had a debt stock of close to US$300 billion, due mainly to accumulated interest.**

8. **With specific regard to LDCs, their debt stock increased to $145 billion in 2002 from $137 billion at the end of 2001, despite the HIPC Initiative. As most of LDCs' debts are owed to multilateral institutions, we salute and support the recent call by the United Kingdom Chancellor of the Exchequer for full debt cancellation for the poorest countries in the world. We congratulate the Government of the UK, first for its willingness to contribute up to 10 per cent the resources required to reach that goal and, secondly, for the proposal to revalue IMF huge undervalued 100-million-ounce gold stockpile; that move would generate more than $42 billion that could be further used to cancel LDCs debt.**

9. Let us allow ourselves to be straightforward on this score. The same reasons given here and there to justify the cancellation of Iraq debt apply even more forcefully for the total cancellation of the LDCs' debts. Forgiving Iraq debt – about $130 billion – without *first* cancelling LDCs debt – about $140 billion – would be difficult to justify, at least on moral and fairness grounds.

10. While advocating for cancellation of LDCs' debt, it is also imperative to strengthen the capacity of these countries to manage and monitor their debt stock and debt-servicing, and debt sustainability analysis. As the S-G report points out, this implies responsible and skilled debt management and could include, as requested this year by the SADC Parliamentary Forum, that "parliaments have powers to examine, endorse or reject loans from international lenders as a means to manage spiralling foreign debt".

11. The review of the IMF Compensatory Financing Facility (CFF), which has not been used since 1999, could also provide a buffer for LDCs short-term export revenue shortfalls resulting from external shocks. More than for middle-income countries that have access to financial markets, the CFF could provide extremely useful protective blanket for the LDCs, provided that the facility is made available on a concessional basis.

12. Despite the Monterey Consensus call for the enhancement of the participation of developing countries in the decision-making process of the Bretton-Woods institutions, progress has been quite slow in revising the decade-long pattern of representation and voting at these institutions. I will add that for the LDCs, the issue is even more important as these countries rely heavily on the BWIs and regional banks for development financing, macro-economic and structural policy setting, and, to a great extent, capacity-building. As we advocate for higher involvement of development beneficiaries in development strategy design, formulation and implementation, and a higher sense of ownership by development recipients, it is appropriate that, first, the LDC group be recognized as such by the BWIs, and second, that their collective voice and concerns be given appropriate space in the governance of the BWIs and regional banks.

13. While LDCs have made some progress in creating policy environment that is development-oriented, including sound macro-economic framework and good governance, the international community has been less responsive than anticipated in terms of real terms ODA, debt forgiveness, foreign direct investment and removal of trade-distorting measures such as subsidies. Shortcomings in these areas, combined with lack of coherence in global policies and an asymmetry in international economic relations have hampered the performance of LDCs own development efforts.

14. We call upon developed countries and the international organizations to substantially boost their multiform support to LDCs -- if the MDGs and the objectives of the Brussels Programme of Action are to be achieved, in a timely fashion.

15. I thank you for your attention.