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Statement

by

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Introducing

The Reports of the Secretary-General on the implementation of the Programme of Action for the LDCs for the Decade 2011 to 2020 (A/69/95-E/2014/81) and the strengthening investment promotion regimes for foreign direct investment in LDCs (A/69/270)

in the Second Committee

Agenda item 22: "Groups of countries in special situations" under sub-item (a)

Thursday 23 October 2014
10:00-13:00

Mr. Chairman,

Let me begin by congratulating you upon your assumption of the Chairmanship of the Second Committee Bureau. My congratulations also go to other members of the Bureau. I am confident that, under your able leadership, the work of the Second Committee would come to a successful conclusion. May I take this opportunity to assure you of the fullest cooperation of my Office in your work.

I have the honour to introduce to you the reports of the SG on the implementation of the Programme of Action for the LDCs for the Decade 2011 to 2020 (A/69/95-E/2014/81) and on strengthening investment promotion regimes for foreign direct investment in LDCs (A/69/270)

The report before you has been prepared in accordance with GA resolution 68/224 and ECOSOC resolution 2013/46.

Mr. Chairman,
Excellencies and Distinguished Delegates,

The SG report points to a moderate pick-up in economic activity in many LDCs, with GDP for the group having accelerated from 4.3 per cent in 2012 to 5.6 per cent in 2013. Yet fewer LDCs expanded at 7 per cent or more, the target set in the Programme of Action. Poverty continued to be pervasive, with half of people in LDCs living on less than $1.25 a day. LDCs continued to remain the most exposed to shocks -- economic, climate-related, and environmental.

As for near terms prospects, GDP growth is expected to reach 5.7 per cent in 2014. Yet this improved outlook is subject to a number of downside risks, such as weather-related shocks, regional insecurity and political tensions, as well as uncertain prospects of the global economy, which could result in lower demand for the exports of the LDCs and shortfalls in aid and private flows. The recent outbreak of Ebola and the challenges before affected countries—most of which are LDCs—in curbing the disease are symptomatic of the acute vulnerability and the inability to respond effectively. These risks are vivid reminders of the vulnerability of LDCs. Reducing this type of vulnerability demands significant strides towards achieving the goals and targets under the eight priority areas of the IPoA.

Progress has varied across various goals and targets of the eight priority areas of IPoA. This is all the more true for the first priority area: productive capacity. Access to mobile telephony services continued to grow impressively, while the situation in the energy sector continues to be far from satisfactory, with supply only covering a fraction of needs and costs of access to modern energy being abnormally high.

The share of undernourished and malnourished is in decline but a significant number of people in LDCs still live with hunger. This is symptomatic of low productivity, hence low income and purchasing power, but also insufficient agricultural supply. A large majority of people continue to depend upon agriculture.

Trade flows continued to expand but at a much modest pace than previous years' rates of growth. These flows continued to concentrate on a few goods and services with low-value addition and technological content. A growing number of emerging countries joined in extending to LDCs trade preferences comparable to those of developed countries.

Education enrollment expanded but completion rates lagged behind, therefore pointing to limited advance in quality. Health indicators improved but at rates below those required to achieve the goals and targets of IPoA. Further, the needs for meaningful decent jobs for the youth, affordable housing, and better access to improved drinking water sources and sanitation facilities are acute.

While an important step has been made towards parity in education, progress has been limited in securing equal employment opportunities for women.

Aid from DAC members declined by 9.4 per cent in 2012. Preliminary indications point to a strong pick up in ODA in 2013, probably on the back of debt relief extended to Myanmar in that year. Yet, country programmable aid— a good measure of aid effectively received by recipient countries—is expected to decrease by 5 per cent in 2014. Progress in improving the quality of aid remained mixed.

Thanks to HIPC and MDRI initiatives and strong economic growth, the debt burden of many LDCs has abated. Yet pronounced economic vulnerability of LDCs to shocks implies that they will continue to face a high risk of debt distress. And sustainability to low debt burden is in question, as they gather more non concessional loans.

Although growing, FDI flows remained, however, geographically and sectorally concentrated. Similarly, remittance flows rose, reflecting developments in largest recipients.

There has been progress on political, economic and corporate governance in many LDCs. Such progress, as that in the political sphere, remained fragile, often subject to temporary relapse. Globally, LDCs continued to lack adequate voice and representation of in global governance structures.

Despite some of the steps taken in ensuring mutual accountability, there is a significant wedge between commitments by development partners and what is being delivered.

Mr. Chairman,
Excellencies and Distinguished Delegates,

As detailed in the report, the United Nations system and some regional and international organizations have continued to support the implementation of IPoA through policy advice as well as technical and operational support. OHRLLS has continued to deliver its mandate pertaining to the follow-up and monitoring of the implementation of the IPoA as well the mobilization and coordination of the United Nations system. In addition to events that are gearing towards this end, OHRLLS has also scaled up its analytical work with the production of a flagship report. This year's edition is on poverty eradication.

Civil society, private sector and the academia are also contributing to the implementation of the IPoA.

Both LDCs and their development partners have continued to mainstream the IPoA into their national development and development cooperation strategies, respectively. A growing number of LDCs have also explicitly committed to graduating around 2020.

Mr. Chairman,
Excellencies and Distinguished Delegates,

Addressing the breadth and depth of challenges before LDCs therefore requires mobilizing means of implementation, including ODA, well beyond and above those that are currently mobilized.

Given the current reality of ODA's role in LDC investment for development, the level, quality and focus of ODA to LDCs should be scaled up so as to deliver meaningful development gains. Recent decline in aid flows must therefore be reversed and allocation of the total aid envelope should be enhanced and made commensurate with the needs and complex challenges of the recipient countries.

ODA is important but not sufficient, hence the need to make rapid progress on an ODA-plus agenda. Domestic resource mobilization is also critical for LDCs. While there has been steady progress in the expansion of domestic resource base which is now about 13 per cent of the GDP, up from 11 per cent in the last decade, their low starting base and huge unmet needs require a stronger support from the international community to build and sustain domestic resource base through among others more investment in productive capacity building including infrastructure and energy. In the area of trade, there is a need for swift move toward the full implementation of the Bali package. This along with meaningful improvements in rules of origin and reduction non-tariff barriers will help ensure improved market access for LDCs' exports. Also channeling a larger share of Aid-for- Trade resources to LDCs, so as to assist these countries in removing their production and supply bottlenecks, will help better utilize market access opportunities. EIF needs to be further strengthened and provided with more resources to fund the programs in LDCs.

In addition to trade, the following are critically needed: aid for Investment with facilitatory provisions and supportive arrangements in home and host countries; effective transfer of technology; guaranteed access to sustainable resource flows from innovative financing; enhanced level of South-South cooperation commensurate with their growing capacity of countries from the South. I am happy to inform you that the membership of the High-level panel of experts of the Secretary-General on technology bank is being finalized. In line with the UNGA mandate, my office will provide full support to the HLP. In this regard, I once again thank Turkey for its generous support to carry out the work of the HLP and to host the technology bank and also urge all partners for their generous support to make it a success.

All the above issues will gain significant traction if they are carried forward in the context of the post-2015 development agenda and the SDGs. Continued coordinated support for the LDCs—led by OHRLLS—will be crucial in helping these countries articulate their views and concerns in the ongoing processes. As the most vulnerable group, mainstreaming their concerns and aspirations will be critical to ensure the success of the post 2015 development agenda.

Mr. Chairman,

I now turn to the report of the Secretary-General entitled strengthening investment promotion regimes for foreign direct investment in LDCs, which is contained in document A/69/270. This report is presented in response to paragraph 15 of the General Assembly resolution 67/220.

FDI flows to LDCs have risen steadily since the turn of the century. This has reached to $24 billion in 2012, of which over 40 per cent came from the developing and transition economies. FDI flows are the largest private capital flows to LDCs, which has largely been directed towards natural-resource extraction. It is also interesting that a number of LDCs have become the source of FDI.

The LDCs have been making strong efforts to attract increased FDI flows, including by liberalizing national policies, entering into bilateral, regional and other international investment agreements and double taxation treaties, establishing investment promotion agencies and improving the overall environment for business. Many of them are parties to the General Agreement on Trade in Services, the agreements on trade-related investment measures and trade-related aspects of intellectual property rights. A majority of the countries are also members of the World Bank Multilateral Investment Guarantee Agency.

Many developed countries have also put in place policies, programmes and measures to encourage outward FDI flows. Some home countries are providing information services, which include the provision of data on the economic and legal investment climate, the political environment and business opportunities in host countries. Some are providing financial measures which include grants for activities such as feasibility studies and other pre-investment activities and assisting with the costs of setting up overseas offices. Some are also providing fiscal measures which include tax exemptions and tax credits for certain kinds of expenditure. There are also examples of providing political risk-insurances for investors in developing countries.

Some measures that are not targeted specifically at outward FDI flow can also influence it. For example, ODA for infrastructure projects in LDCs may make the countries more attractive to FDI. Similarly, DFQF market access such as EBA and AGOA can play important role in attracting FDI to those countries.

Efforts by host and home countries to boost FDI flows are supported and supplemented by various programmes implemented by international and regional organizations. For instance, the Multilateral Investment Guarantee Agency encourages FDI into the world's poorest economies by providing political risk insurance to investors to foreign investment in developing countries.

Notwithstanding the efforts of host and home countries and international agencies towards mobilizing FDI to LDCs, they received just 1.7 per cent of the total world FDI inflows in the period 2011-2013. And their resource requirement is large. It is therefore important for them, as well as their development partners, including home countries, international organizations and transnational corporations to strengthen their on-going efforts and pursue new, innovative and coordinated initiatives to enhance FDI flows to LDCs and their beneficial impact.

The LDCs need to take further steps towards establishing better rules and regulations governing FDI entry, operations and treatment. They can also strive to enter into global value chains through which local firms become suppliers to foreign affiliates located in host countries.

The home countries could also consider providing home-country equity assistance and political risk insurances to various enterprises, including small and medium-sized ones, to invest in LDCs. They can also ensure the transfer of technical and managerial skills to LDCs.

Support to LDCs in negotiating complex large-scale contracts with foreign investors can play a critical role in protecting both host country and investing company interests in a balanced manner. Many large FDI projects involve contracts between investors and host-country governments. Most governments of LDCs do not have the world-class resources required to negotiate fair deals in these areas. Thus, they potentially lose the opportunity to maximize the benefits of major FDI projects for their countries.

It is encouraging in this respect that the Group of Seven, at its June 2014 summit, announced a new initiative on strengthening assistance for complex contract negotiations to provide developing country partners with extended and concrete expertise for negotiating complex commercial contracts, focusing initially on the extractives sector.

The impact of FDI on sustainable development in LDCs depends also on the extent to which the foreign affiliates act as good corporate citizens with an interest in promoting sustainable development in their host countries.

Considering the high importance of FDI to LDCs in the context of building productive capacities, promoting industrialization and infrastructure, achieving sustained economic growth and sustainable development, it would be worthwhile for the international community to consider launching an action plan for promoting FDI in LDCs. In this regard, the report of the Secretary-General proposes the establishment of an international investment support centre dedicated to LDCs. Such a facility could provide the following interrelated services:

(a)A common information depository containing all relevant information on regulatory, promotion and protection policies and measures by least developed countries, home countries and other stakeholders as relates to FDI in least developed countries;

(b)Contract preparation and negotiating support, in the form of rapid-response negotiations support to assist least developed countries in negotiating complex large-scale contracts with foreign investors;

(c)Advisory support in dispute resolution, in the form of technical support for treaty-based investment disputes to assist least developed countries in the handling of such disputes;

(d)Risk insurance, in the form of facilitating risk insurance and guarantees for investment in LDCs in close collaboration with the Multilateral Investment Guarantee Agency and OECD.

Such a holistic mechanism, with strong and dedicated support for capacity enhancement for LDCs, would possibly be able to fill the institutional gaps in providing coordinated support to LDCs in the above areas, without duplicating but complementing existing arrangements. We believe that huge resource and capacity requirements of LDCS especially in the productive sector could be substantially fulfilled by promoting public and private partnerships.

I thank you for your kind attention.