Statement

by

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The view expressed are those of the author and do not necessarily reflect the views of UNCTAD
Statement by Nepal, LDCs Coordinator in the UN system at the UNCTAD Secretary General’s Ad Hoc Expert Group Meeting on United Nations LDCs IV: Key Development Challenges Facing the LDCs on 18-19, 2010 in Geneva.

Mr. President,

Secretary General of the UNCTAD

Excellencies,

Distinguished delegates,

Ladies and Gentlemen,

I have the honour to make this statement on behalf of the LDCs group.

Let me begin by expressing our sincere appreciations to His Excellency the Secretary General of the UNCTAD for convening this Ad Hoc Expert Group Meeting focused on United Nations LDC IV: Key development challenges facing the LDCs.

We are sixteen months away from the UN LDCs Four. This meeting could not have been more timely to have a look at the past, reflect of the present state of affairs, work out a strategy to identify structural changes that have taken place since the adoption of the 2001 BPoA, and think of a new generation of LDC-specific international support measures for the poorest and vulnerable group of countries. It is also time to look at efforts made to mainstream LDCs agenda in international agenda and forums.

We welcome the presence of government officials from capitals, non-governmental organizations, civil society leaders, partners and stakeholders in the meeting. The presence in the meeting is the message of the importance of the forthcoming conference. Since it comes once in a decade, we have to work hard in the preparatory process.

As mandated by the Accra Accord and the GA Resolutions to actively contribute to the preparations of the UN LDCs Four under the lead role of OHRLLS, UNCTAD has intensified its efforts to fully engage itself in the process of preparations. We welcome UNCTAD SG setting up of an Interdivisional Task Force under the chairmanship of his Special Adviser on LDCs to coordinate in close collaboration with the Division for Africa, LDCs and Special Programs.

Mr. President,
Let me start by quoting the UN Charter that says 'the peoples of the world have determined ‘to promote social progress and better standards of life in larger freedom’ and committed ‘to employ international machinery for the promotion of the economic and social advancement of all peoples.’

We have a set of Millennium Development Goals, goals set by LDCs’ conferences and other internationally agreed development goals within this framework. It would be appropriate to look at what efforts have been made to mainstream these goals in LDCs agenda over the years.

Just a quick look at the status of LDCs criteria reveals:

LDCs criteria were fixed in 1971. It was about to highlight and sensitize the development problems facing the LDCs. They were then the 25 poorest countries labeled as ‘hard core’ LDCs. Despite so many commitments made, conferences held, goals set, the number increased from 25 to 48 in 1994. They reached the figure 49 in 2001 and 50 in 2003. Out of 193 United Nations members, 49 are LDCs. 33 of them are in Africa, 15 are in Asia and the Pacific, one in the Caribbean. Sixteen of them including Nepal are landlocked.

In talking about the graduation of LDCs, we find that only two countries were able to graduate from the list of LDCs, Botswana graduated in 1994, and Cape Verde graduated in January 2008. CDP recommended that Equatorial Guinea be graduated from the list of least developed countries. Tuvalu and Vanuatu were considered eligible but not recommended for graduation due to doubts about the sustainability of their progress. Kiribati which had met the criteria for the first time in the 2006 review was no longer found eligible. Samoa and the Maldives which are scheduled for graduation in December 2010 and January 2011 respectively were found to have shown continued positive development progress.

If we glance through the Comprehensive Substantial New Programme of Action (SNPA) of the first UN LDCs in Paris in September 1981, Programme of Action for the Least Developed Countries for the 1990s of the second UN LDCs, and the Brussels Programme of Action for 2001-2010 of the Third UN LDCs, we see that LDCs have continued to be marginalized and exposed to myriad of vulnerabilities. Commitments have not been met, delivery has been weak, living standard has declined and so has been the flow of resources in LDCs. All goals set are suffering from lack of resources.

BPoA was a partnership between the LDCs and developed countries. If we see reports or reviews, they show that the partnership has failed to address the development concerns and produce equitable results. There are reports of ever-increasing gaps
between the richer one fifth of the world and the poorer four fifths of the world. Several authors point out that the number of poor people is growing since the drive of globalization started in the 1980s, creating both winner and losers but sending the poorest of the poor into losers’ side.’ And the poorest of the poor, sometimes referred to as ‘the bottom billion’ are living in the Least Developed countries. {LDCs}.

When the last conference was held, it was entirely against a different backdrop. 2010 is drastically different. A series of crises like global financial and economic crises, volatility of remittances, desertification, recurrence of conflicts, growing intensity of disasters like droughts and floods, conflicts and global pandemics have emerged. They have impaired the capacity of LDCs for development.

A quick look at the LDCs reveals the following development challenges:

LDCs are the most vulnerable group of countries housing about 12% of the global population reeling under the abject poverty and exclusion every day. Nearly 30% of all people in extreme poverty live in fragile states. Reports project that extreme poverty in these countries will increase by more than 50% from the 1990 %. Globally 30,000 people die as a result of poverty every day. Poverty makes the state weak, ignites grievances about inequalities and poses threat to global security and stability.

They face structural difficulties, weak infrastructures, lack of institutional capacity and several other difficulties, resources crunch, lack of technology know how. They have no capacity for knowledge creation, and have no access to technology.

LDCs account only 1.1% of global exports in which 7 LDCS account for 74% of total exports. Majority of the LDCs have witnessed their export declined between 2000 and 2008. One category of commodity accounts for more than 80% of their total export receipts.

LDCs are paying the price for which they played no part. This crisis has pushed millions of people into poverty trap and hit hard their sustainable livelihoods. There are estimates that output loss for Sub Saharan Africa due to the crisis will be around $50 billion in 2010. Crisis has also negative effects on trade, remittances, flow of FDI, other capital flows. Socio-cultural, political, strategic implications are also seen emanating from the crisis.

Most of the LDCs are heavily indebted. The crisis has put sudden pressure on pay back loans and less resources for development needs.

Jeffrey Sachs says, ‘Prosperity for all is crucial for promoting peace, achieving political stability, and spreading the value of democracy around the world.’
Crisis has shaken the confidence in international financial institutions, and development model. The UNCTAD Report on LDCs 2009 argues that time has come to rebalance the roles of state and the markets to mitigate the adverse effects of the crisis. It calls for policy diversity, insists on country ownership of policies, and recognizes the deep underlying complementarities between public and private sectors. It also calls upon the government to review development model they have followed for the past three decades.

Market access barriers remain stumbling block for LDCs to trade. So far only 3 LDCs have acceded to the WTO since 1995. Currently 12 LDCs are in the process of accession to the WTO.

Most of the countries that are either in protracted conflict or are just emerging from long and protracted conflicts are LDCs. They have differentiated needs and priorities. We need enhanced level of support for capacity building, institution building, and productive capacity enhancement in the process of recovery, rehabilitation, and reconstruction.

If we see reports and analyses of conferences and think tanks since 2001, what we see most of the time is the rise of international terrorism, failing states, civil wars, poverty and human rights violations. These reports indicate that countries are worse off in absolute terms than they were in the 1960s. This shows peace, security, political and economic development and respect for human rights are inextricably linked. Kofi Annan in Larger Freedom says, ‘we will not enjoy development without security, we will not enjoy security without development and we will not enjoy either without respect for human rights.’

WHO Reports indicate that low and middle income countries suffer 50% of the world disease burden, yet account for only 11% of health spending. Poor, weak and lawless states or underdeveloped and ungoverned parts of the middle income countries become easy training grounds for terrorist groups and provide an environment ripe for the transitional crime that can finance terrorism.

Architect of Green Revolution in India Mr. M.S. Swaminathan, has warned that the effect on global grain production from rising temperatures would be far more severe than previously believed and the ability to feed people is being threatened by global warming.

Recent studies estimate that countries in Southern Africa and South Asia could see declines in yields of their main crops of 10% to 30% by 2030 as a result of climate
change. From such declines, global poor will suffer most and high food prices and reduced calories. The manifestations of climate change are seen in the forms of floods, cyclones, tornadoes, droughts and desertification. We have them happening simultaneously. Climate change causes population displacement which have all the potentials to cause instability, generating interstate rivalries and tensions.

Let me briefly list the benefits, opportunities or special treatments made available to the LDCs particularly in areas of foreign trade, aid, and capacity building. They include:

I. Development financing/Foreign Aid: Target of providing 0.15 to 0.20% of their GNP as ODA to LDCs by 2010. Also promised were concessionary financing from multilateral and regional development banks. 2002 Monterrey Consensus on Financing for Development urged developed countries to make concrete efforts towards meeting the target of 0.7% of gross national product as ODA to developing countries and 0.15% to 0.20% of GNP of developed countries to LDCs as committed in the BPoA to be met by 2010. The predictable and sustainable flow of resources is necessary to materialize internationally agreed development goals including BPoA, MDGs and Accra Agenda for Action in the LDCs. Foreign aid that does not help to build productive capacity, and comes in with in-built conditionalities compounds problems than solution.

II. Preferential market access: DFQF- 97% and 3%. Nothing is known so far despite years of negotiations.

III. Special and Differential Treatment: Targeted and coordinated technical assistance and capacity building by the WTO was meant for meeting the objective of effectively integrating the LDCs into the multilateral trading system. We see no operationalization of them.

IV. Technical cooperation and capacity building from several sources including UN system, WTO’s EIF; Aid for Trade Initiative. What has been their performance, it is before us all. This needs to be thoroughly examined and need to be effectively tailored to the needs of the LDCs.

Against this background, following elements that are interconnected should guide the preparation for the conference:

- Rebuilding state capacities in LDCs for development and policy making capacities of states,
- Enhancing industrialization,
- Developing renewable energy and its efficient use,
• Building productive and supply capacities of LDCs to ensure diversification and economy wide value addition,
• Massive investments in physical and knowledge infrastructures and improving social services.
• Addressing problems of unemployment and income generation,
• Putting in place mitigation and adaption strategy to address the impact of climate change on LDCs, improving agricultural productivity and ensuring food security,
• Scaling up of development aid and improving its quality, including its effectiveness as well as assisting LDCs in attracting and benefiting from FDI,
• Putting in place effective strategy for public awareness and information campaign to mobilize public action against poverty and marginalization,
• Enhancing South-South cooperation,
• Building an open, equitable, resilient and inclusive trade regime that helps poor and generate economic opportunities,
• An inclusive financial architecture,
• Sharing developmental experiences, including the responses to crisis, understanding the transmission mechanism and crisis prevention,
• Working with development partners and other stakeholders including civil society representatives, NGOs, stakeholders, and private sector
• More robust and effective delivery of international assistance

After the World War II, forty four nations agreed to create the Bretton Woods institutions and the GATT to promote economic stability and peace. As the principle architect of the Bretton Woods system, Harry Dexter White put it, ‘The absence of a high degree of economic collaboration among the leading nations will ............inevitably result in economic warfare that will be but the prelude and instigator of military warfare on an even vaster scale.’ Though the dynamics may be different, result could be no far from guess.

We live in an interconnected and interdependent world. The recent crises warn us that economic calamity in one sector or in one country can reverberate throughout the world causing social upheavals, political instability and chaos particularly producing hitting hard the weak and fragile states, which are mostly LDCs.

LDCs Four is an opportunity for greater and better reflections on all the developments since LDCs III, to genuinely reflect and review of the status of special mechanisms put in support of the LDCs. It should take genuine assessment of what has been achieved. Let us make sure that LDCs Four is driven by LDCs needs and realities.

Thank you for your kind attention.