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United Nations

Statement

by

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in the

**Second Committee of the sixty-first session of
the United Nations General Assembly**

on

Agenda item 50: Macroeconomic policy questions

New York

9 October 2006

Madame Chair,

Distinguished delegates and participants,

As this is the first time I am speaking in the Second Committee of the 61st session of the UN General Assembly, allow me to extend my heartiest congratulations to you and members of your bureau on your well-deserved election. I and my Office, having the responsibility with regard to the issues relating to the Least Developed Countries(LDCs), Landlocked Developing Countries(LLDCs) and Small Island Developing States(SIDS), will work closely with you and your bureau so that the interests and concerns of these most vulnerable countries can be appropriately reflected in the work of this important Committee.

At the outset, let me express our immense satisfaction at the successful conclusion of the High-level Meeting of the General Assembly held on 18 and 19 September for the midterm comprehensive global review review of the implementation of the Programme of Action for the LDCs for the Decade 2001-2010, commonly known as the Brussels Programme. The General Assembly adopted a Declaration as the outcome of the High-level Meeting in its first resolution of the session (A/61/1) reiterating the international community's engagement in redeeming the commitments made in 2001 in Brussels to address the special needs of the LDCs. It was recognized that the efforts of the LDCs need to be given concrete and substantial international support by governments and international organizations in a spirit of shared responsibility through genuine partnerships, that also include civil society and the private sector. It was also noted that the internationally agreed development goals, including the MDGs, can be effectively achieved in the LDCs through the timely fulfilment of the seven commitments of the Brussels Programme. The Cotonou Strategy for the Further Implementation of the Brussels Programme was recognized and welcomed as an initiative owned and led by LDCs. I draw the attention of this Committee to the Declaration and the mid-term review so that that can be taken into account where relevant in the course of your work and deliberations.

Under agenda item 50 on Macroeconomic policy questions, the two reports of the Secretary-General on international financial system and development (61/136) and on external debt crisis and development (61/152), as well as the Note by the Secretary-General transmitting the report on world commodity trends and prospects (61/202) provide the Committee with valuable information, update and analyses that surely assist in the adoption of appropriate policy guidance from the Member-States. It felt that such macroeconomic policy guidance would be better facilitated when additional focus is presented in such reports on the concerns of the most vulnerable countries that compose a large segment of the UN membership. My Office looks forward to collaborating with all concerned in making this possible in future.

The policy conclusions in the report A/61/163 mentions that multilateral surveillance and the associated process of policy coordination and cooperation remain at the centre of crisis prevention efforts. It also reiterates that the international community should continue to assist the low-income countries in addressing the macroeconomic aspects of the development challenge. These efforts would be additionally meaningful when a special focus is accorded to the concerns of the most vulnerable countries. As the Committee is fully aware, these concerns and special needs are well articulated in the Brussels Programme, in the Almaty Programme aimed at the LLDCs and in the Barbados Programme and the related Mauritius Strategy for the SIDS.

The continuing increase in the number of international, regional and national regulatory initiatives, has overwhelmed many of these countries with multiple reform goals particularly in view of their very limited capacity. In this context, it needs also to be kept in mind that the financial sectors in most of these countries are still underdeveloped, presenting serious risks to macroeconomic stability. While conducting their midterm reviews this year at the national, regional and as a group at a ministerial level, the LDCs called on the international community to ensure full and effective participation of LDCs in global decision making processes. Therefore, it is vital that consideration of the governance structure of various multilateral institutions, in particular international

financial institutions, should result in decisions on comprehensive reform favouring increased participation of LDCs.

There has been progress in the increase of Official Development Assistance (ODA) and untying of aid to LDCs. The announcements by the European Union and other donors of their time-bound schedules for ODA increase should enhance the achievement of the Brussels ODA targets for LDCs – 28 out of 50 LDCs being doubly disadvantaged as either LLDC or SIDS. At the same time, it should be borne in mind that while conducting the midterm review, an all-important issue for the LDCs has been the continued paucity of resources to finance their development requirements, except possibly in the case of the very few oil exporting LDCs, which, of course, have their own share of vulnerability. This continued lack of adequate international resources to enable LDCs to implement internationally agreed programmes requires a solution. This can be achieved to a great extent by meeting the commitment in the Brussels Programme to increase ODA to LDCs to the level of 0.15 to 0.20 per cent of GNI of donor countries. The OECD report of June 2006 prepared for the Brussels mid-term review has presented the ODA status for the LDCs in a graphic way. A copy of this report was shared with all during the High-level Meeting. It could also be seen on the UN-OHRLLS website. At the same time, aid effectiveness and aid predictability are two essential elements to make ODA have its desired effect. Though some forward movement has been made, the importance of providing early and predictable support over the longer term has been emphasized by many during the Brussels mid-term review. In addition, as has been strongly underlined by the IMF Managing Director in his statement for the mid-term review, “donors must also help enhance the overall effectiveness of aid by delivering their assistance more efficiently - reducing transaction costs; aligning their support with national strategies ...”.

The report in document 61/136 elaborates the increasing net outward transfers of financial resources from developing economies to developed countries in 2005. The exception is the net transfers to sub-Saharan Africa, which were positive, but declined in 2005. In this regard, UNCTAD’s LDC report points out that FDI inflow into the group of

LDCs recovered dramatically in 2003, when they stood at over \$10.4 billion, compared with \$6.3 billion the preceding year. FDI inflows into LDCs further increased in 2004, reaching \$10.7 billion. Though it is a positive development, the concern remains that such flow has concentrated only in a few LDCs. At the same time, it is necessary that ways and means should be devised to enhance non-debt creating FDI flows to the LDCs.

The Brussels Programme emphasizes that “external debt overhang in the majority of LDCs constitutes a serious obstacle to their development efforts and economic growth”. The recent cancellation of the multilateral debt for 13 LDCs, with 9 more being considered under the HIPC and MDRI, are developments we welcome. But, for most LDCs all their debts have become unsustainable and, therefore, need to be written off to make the desired impact in their development efforts. A worthwhile action, therefore, would be to cancel all debts for all LDCs.

Before concluding, allow me to briefly touch upon the issue of commodities. Being mostly commodity-dependant economies, for the LDCs, a global agreement on agricultural subsidies taking particularly into account their vulnerabilities is urgently needed. The cotton initiative of four West African LDCs elaborates the point very effectively. Unfortunately, suspension of the Doha round of negotiations implies that improvements in the functioning of world markets for agricultural products and supportive measures for developing countries, including those through the aid for trade mechanism, are not likely to materialize in the near future. Accordingly, the development of the commodity sectors will rely fundamentally on commodity-specific policies at the international, regional and national levels. As the report in document A/61/202 underscores, such policies should target LDC producers. Technical assistance and capacity development aimed at improving the competitiveness of commodity producers is particularly important in this context. It is equally important that, as the UN-OHRLLS has been advocating, the aid for trade mechanism should be pursued independently of developments in the Doha round, with most of its resources going to the LDCs, including through the enhanced Integrated Framework (IF). It is also more meaningful for the

International Task Force on Commodities, initiated at UNCTAD IX, when it is made operational, to address the special needs of the LDCs in the commodity sector.
