

**Introductory remarks by Ambassador Dr. Dinesh Bhattarai, Permanent Representative of Nepal, LDCs Coordinator in the UN system, at 'Fostering Structural Transformation in LDCs: A consultative Expert Group meeting in preparation of the Fourth UN Conference on the LDCs' organized by the International Center for Trade and Sustainable Development {ICTSD} on 7 September 2010, Geneva.**

Excellencies,  
Distinguished experts,  
Ladies and Gentlemen

First of all, I would like to thank the Center for their kind invitation.

I deeply appreciate the ICTSD for organizing this meeting at this particular juncture. Agenda set for this meeting looks extremely relevant. As we look to the MDGs review later this month and remain engaged for the Fourth LDCs Conference in Istanbul in nine months from now, we express confidence that the deliberations here will provide valuable inputs to the preparatory process and the conference itself.

Istanbul conference is an opportunity to assess where we have been to with three PoAs for LDCs, where do we stand in terms of performance and what are our plans and vision for the future.

A quick look at the three Programme of Actions {PoAs} reveals:

The first ever conference on LDCs in 1981 in Paris came out with a Substantial New Program of Action for the 1980s for the LDCs. The PoA underlined the need for domestic action by LDCs to be complemented by the international community. Need for structural transformation of domestic economies and supportive measures in areas of aid, trade and debt was included as a part of the major policy reforms.

The second UN conference on LDCs was held in Paris in 1991. Its outcomes were reflected in the Paris Declaration and the Program of Actions for LDCs for the 1990s. International community committed itself to urgent and effective action, based on the principle of shared responsibility and strengthened partnership. PoA underlined the need for improving and expanding institutional capabilities and efficiency.

The third Conference on LDCs in Brussels in 2001 came out with the Programme of Action for the decade for 2001-2011. There is some progress noted in the

development of some LDCs, but the achievement has been insignificant in poverty reduction.

The BPoA bag stands nearly empty. Major structural challenges that were mentioned in the first to third PoA, continue to stare at LDCs even after three high level conferences, and over 30 commitments. As if it was not enough, a series of multiple global crises has unreasonably hit the LDCs for no fault of theirs.

I will not bore this distinguished and informed audience with details of statistics. However, let me briefly cite a few to highlight their structural handicaps and vulnerabilities:

The number of people living in 49 LDCs currently stands at 12% of the world population. Half of these people live in conditions of extreme poverty on less than \$1.25 per day.

UNDP has come out with global poverty index: the Multidimensional Poverty Index developed by Oxford University with 10 variables like education, health, electricity, drinking water, and assets as deprivation indices. This brings into sharp focus the social aspects of poverty in LDCs, alongside the direct deprivations. Out of 104 countries researched, 17 worst performing economies happen to be LDCs.

Whereas 1.2 billion people in the developed world represent about 80% of the global output, 12% of the global population in LDCs accounts for less than 2% of world gross domestic product {GDP}, and it comes predominantly from agriculture. LDCs contribute about 1% of the global trade in goods and 0.5% of the global trade in services. The global financial and economic crisis has adversely affected the cotton sector, among others. While developed countries continue with high agricultural subsidies, export potentials of LDCs are largely ignored.

Some LDCs might have benefited from the expansion of growth, trade expansion, investment, aid, and connectivity. However overall picture has not been very encouraging, and progress towards 'structural transformation' and economic diversification appears nowhere in sight. This is demonstrated in 7 LDCs accounting for 74% of total LDCs' exports, and one category of exports accounting for more than 80% of total exports receipts.

Preferential market access: DFQF- 97% and 3%. This is yet to be achieved in its full measures. Trade barriers to poor countries should be dismantled. The costs of barriers are estimated to be more than double of total annual development assistance.

UNCTAD Investment Report 2010 says FDI, which is considered a major contributor to capital formation in LDCs, declined by 14% to \$28 billion. Despite having high potentials, FDI inflows to LDCs account only 3% of the global FDI and 6% of flow to developing countries. FDI in LDCs is focused on extractive industry. In 16 of the 49 LDCs, which are landlocked are confronted with geographical handicaps and poor economic performance due to severe constraints of structural transformation.

Targeted and coordinated technical assistance and capacity building by the WTO and others in the forms of Special and Differential Treatment was meant for meeting the objective of effectively integrating the LDCs into the multilateral trading system. We are yet to see their operationalization.

Technical cooperation and capacity building from several sources including UN system, WTO's EIF, Aid for Trade Initiative have not been effective as expected. LDCs continue to face a range of non-tariffs barriers in their products.

Total ODA to LDCs by DAC countries increased from US\$ 36.8 million in 2007 to US\$ 46.6 million in 2008. Only 9 donors reached the target of 0.15% of GNI in ODA to LDCs. LDCs account 0.62% (2005) of world GDP. 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.

28.2 % of total ODA went to LDCs. Out of total ODA flow, only 2.6 % is directed towards trade capacity building. Foreign aid that does not help to build productive capacity, and comes in with in-built conditionalities is seen to have compounded problems than solution.

Technology remains outside the frontiers of LDCs. Only 1% of LDCs' population has access to internet as compared to 11% in developing countries and 60% in developed countries.

Majority of LDCs are caught in debt trap. The total debt service as percentage of exports of goods and services in 2008 was 7.5%. Debt service ratio for 32 countries is below 10% to exports of goods and services, and below 20% for remaining 17 countries. Growing pressure of unsustainable debt stands as stumbling block for any development initiatives in LDCs.

LDCs are found to have been embroiled in economic stagnation. Reports indicate that the per capita income gap between industrialized countries and developing countries slightly increased from 14:1 in 1970 to 16:1 in 2000, while that between industrialized countries and LDCs increased from 23:1 in 1970 to 96:1 in 2000.

According to 3rd high level forum on Aid Effectiveness in Accra, in 2008, one third of health ODA goes to LDCs. LDCs bear large share of disease burden so what is given to LDCs is still insufficient for improving the health status of their population. While this overall increase is encouraging, financing to meet the health related MDGs 4, 5 and 6 remains underfunded. Health pandemics have caused social and economic dislocations with far reaching implications on global peace, security and stability.

WHO Report 2006 estimated a global deficit of 2.3 million doctors, nurses and midwives. Critical health workforce shortage exists in 57 countries, of which 37 are in Sub-Saharan Africa. The access to affordable medicines remains a stiff challenge for people in LDCs. Poor health causes depletion in productive capacities.

Tourism is a major source of foreign exchange earnings in LDCs. LDCs' share in world tourism earnings is just 1% of world total. LDCs spent \$14.6 billion for food import in 2005, which was equivalent of 4.4% of their GDP.

Remittances constitute the significant share of the GDP and foreign exchange earnings of LDCs. However, global economic and financial crisis has caused significant reductions in remittances. There should be a proper management of recruitment, remittances and return of labour migration.

Whether it is the melting of Himalayan glaciers or rising of sea levels, deforestation, famine or floods, or reduction in biodiversity, climate change is a growing threat with global ramifications. Climate change is affecting the productive capacities of developing countries, and least developed countries in particular for no fault of theirs. 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.

In this context, Istanbul Programme of Action should include a financing arrangement for mitigating the adverse consequences of climate change, addressing the challenges of adaptation, and rehabilitation and promoting 'Green Growth'.

Mr. Chairman,

In three months, we enter into a new decade. The decade we leave behind is broadly defined by growing debts, deficits, disparities, deprivation, despair, depression and devastation, caused by a series of national and multiple global crises like crushing poverty, global warming, unfair global trade, economic and financial crisis and rise of extremism. It is in this context that following action areas are suggested to overcome structural difficulties, economic vulnerabilities, and address emerging socio-economic challenges and development needs of LDCs:

- Enhancing the developmental capacity of state in a democratic and accountable manner. Building state capacity is essential to sustain the process of democratic transformation as it is to affect the structural transformation.
- Revisit the development model, do development differently, and giving voice to voiceless will turn resources into results.
- Create a web of infrastructures: they are the building blocks of growth and development.
- Recognize human and institutional capital, create social capital to advance the ideals of social justice.
- Dismantle trade barriers to poor countries and provide DFQF market access for all products originating from all LDCs.
- Give policy autonomy to LDCs.
- Promote research and development.
- Bridging the digital/knowledge divide.
- Demonstrate enough political courage to improve the quality of life of poor people.
- Given the increasingly important roles of emerging economies in global trade, finance, investment and governance, work to tap the potentials of South-South cooperation.
- Conserve biological diversity and address climate change challenges.
- Put in place an effective follow up, implementation, monitoring and review mechanism at country, regional and global levels.
- Reflect the hopes, and dreams of young generation, adequately address their inclusion and empowerment in Istanbul Programme of Action. Engage youth in productive channels and make them peace and change agents.

In conclusion, I would like to avail of this opportunity to welcome distinguished experts to this meeting, and look forward to benefiting from the outcome of their deliberations.

I wish the meeting all success.

Thank you very much.