

**Draft Statement by Ambassador of Nepal at the Fifty Third Executive Session of the Trade and Development Board on June 27, 2011.**

**Mr. President,**

I have the honor and privilege to deliver this statement on behalf of the LDCs group.

I would like to associate myself with the statement made by Ambassador Anthony Maruping of the Kingdom of Lesotho, on behalf of the Group of 77 and China.

I wish to thank Dr. Supachai Panitchpakdi, the Secretary-General of UNCTAD, for his important statement and perceptive observations.

I also express our appreciations to UNCTAD team for their efforts and commitment to improve effectiveness, efficiency and relevance of the UNCTAD in the development arena.

UNCTAD's three pillars of policy analysis, consensus building, and technical assistance to member states are of great importance to member states. We would like these pillars to be further strengthened.

**Mr. President,**

The themes chosen for this session 'Activities undertaken by UNCTAD in support of Africa' and panel discussion on 'Enhancing Aid Effectiveness' are timely and relevant.

We welcome the focus on Africa. Africa is a continent with nearly a billion people. It is projected to have the world's largest working age population by 2040. Reports indicate that foreign direct investment in Africa is growing. It is rich in natural resources and it is time to work to convert these resources into results for the development of Africa through the structural transformation including in 33 LDCs.

Foreign aid has been hailed as the crucial component of economic development to meet development targets and come out of poverty. The questions among others include what have been its glaring deficiencies and what can be done to enable aid to reach its targets of the needy and destitute, particularly the over 800 million poorest and most deprived people living in 48 LDCs is important.

In several LDCs, foreign aid accounts for a significant chunk of development expenditure. Its role has been recognized on the face of expanding development needs, low domestic savings and limited access to alternative financing mechanisms. With it also come the questions of effectiveness, efficiency and adequacy of the development aid.

Despite a long record of the flow of foreign aid to support development efforts, the absolute number of the poor has gone up; the number of hungry people has touched a billion mark in recent years; prevalence of civil wars and armed conflict has been wider and more severe (studies have suggested that conflicts, poverty, hunger, and economic deprivation reinforce each other); and the number of least developed countries has doubled since 1971, only three countries being able to graduate. There remain growing concerns that several of the MDGs are likely to be missed. In Failed State Index 2011 published by the Foreign Policy Magazine just last week, 16 LDCs are in critical zone while most other LDCs are in danger zone, suggesting that the LDCs are in critical need of support in consolidating public institutions, public services and delivering development dividends to their people.

The gap between promise and actual disbursement is glaring. We acknowledge that some of the donor countries have met the pledged targets, past 30 years have shown that the aid has increased

in dollar terms but nominally and not at par with the increase in wealth in the developed world and far from the pledged targets. There are emerging trends that debt relief, and emergency relief that were originally meant to remain distinct from ODA is now being included in the foreign aid.

In the past one decade alone, since the historic Millennium Declaration was made, the shortfall has been \$1.72 trillion against the actual delivery of \$1.13 trillion. What the world could have achieved collectively in the battle for freedom from want and hunger had the pledged aid targets been met is a question. But what we can achieve by fulfilling pledges in the days ahead merits a real consideration. The World Bank estimates that an additional foreign aid of \$40-\$60 billion a year may be sufficient to reach the Millennium Development Goals by 2015.

The worrying trend is that aid is often found to have been siphoned away from intended areas namely fighting poverty where it is needed the most. As the then UN Secretary General Kofi Annan observed in 2003, (quote/unquote) 'funds that should be promoting investment and growth in developing countries, or building schools and hospitals, or supporting other steps towards the Millennium Development Goals, are, instead, being transferred abroad'.

the other month, a UNDP report revealed that illicit financial flow are diverting incredibly 'colossal scarce resources' away from developing countries which are collectively losing as much as US\$ 1 trillion annually. LDCs, the most resource constrained group of countries, lost US\$ 26.3 billion in 2008 alone, against the total ODA gain of around US\$ 20 billion.

Aid has lately appeared as a means of support in the forms of aid for trade to help in expanding productive capacity, supply efficiencies and trade related infrastructure. Such high objectives are rendered redundant, by market protectionism and denial of market access for products from poor countries.

The orientation of sector wise ODA allocation also needs reconsideration. An increasing share of aid went to the social sectors rather than building physical and economic infrastructure. In 2009, about 45 per cent of the total bilateral aid commitments by DAC countries went to the social sectors, while the production sectors accounted for only 8 per cent. Productive sector, in particular infrastructure development, is receiving waning attention. Likewise, the share of ODA going to agriculture has fallen to as little as 3.8%. Agriculture is the backbone of LDCs economy and a job machine of rural economy. It merits higher priority in aid allocation.

LDCs have diverse backgrounds. But structural deficiencies and poverty stand as a perennial and common challenge that afflicts them, despite determined domestic efforts and assistance from the international community. They are unreasonably hit by multiple challenges of global crises for no contributions of their own.

This puts LDCs in a vicious trap of low level of development, low productivity, structural deficiencies, lack of financial resources, poor infrastructures, lack of market access, lack of research and technological innovation, unpredictable flow of ODA, trap of foreign debt, economic vulnerabilities, social tensions and environmental challenges. These multidimensional constraints impose disproportionate burden on LDCs, and threaten their trade and development prospects. They limit the competitiveness and diversification of products and disrupt increased and smooth flow of trade.

As the Istanbul Programme of Action sums up, the LDCs are the most off track in the achievement of the internationally agreed development goals, including the Millennium Development Goals, and are at the bottom of the Human Development Index rankings. Least developed countries have been unable to overcome their economic vulnerability and structurally transform their economies or build resilience against internal and external shocks and crisis. 33 out of 48 LDCs are highly indebted poor

countries.

We have concluded two important events in the past one year and in both of these high level events, some encouraging commitments have been expressed. In September 2010, world leaders met in New York for MDGs Review Summit and expressed firm conviction that the development goals can be achieved and for that, they vowed to act with urgency, 'renewed commitment', 'effective implementation' and 'intensified collective actions'.

In May, 2011 we met in Istanbul Turkey to reassess our efforts so far and to reach a consensus on what needs to be done in the next decade. Through IPoA, the international community reemphasized the need of solidarity, cooperation and renewed and strengthened global partnership for development of the least developed countries. This IPoA needs to be integrated into the strategic plans for its effective implementation.

As we look to the Fourth High Level Conference on Aid Effectiveness in Busan later this year, the five principles of aid effectiveness encoded in Paris Declaration namely ownership, alignment, harmonization, development results, and mutual accountability are still relevant to ensure the predictability of aid, reduction of transaction cost of aid delivery and the implementation of bottom-up approach in aid utilization.

Any form of technical assistance should be unconditional, and demand driven. Consultant services should be considered only if the specific expertise is unavailable locally. Likewise, local procurement is a prerequisite for having a development impact on the people living in poverty. It will help expedite the process of social inclusion, environmental sustainability, and creation of jobs. After all, local knowledge, local experience, local expertise and local leadership have no substitute.

At a time when resources are needed for the least developed countries more than ever on the face of climate change, food insecurity and other ongoing challenges overwhelmingly and disproportionately affecting crises, we appeal that the financial crisis be not cited as a pretext for shrugging off international responsibilities and commitments. The poor and destitute should not be left behind any longer and one of the means to lift them up from the vicious cycle of poverty is the foreign aid that is effective and productive.

The option before us, therefore, is either to collectively heed the cause of the bottom billion or (to borrow words of Jeffrey Sachs's foreboding words) to 'pay a high price for failing to help the world's poorest countries'. Spending 25 times more on the military than on peaceful development does not sound befitting to the logic of humanity

**Mr. President,**

Preparatory process for UNCTAD XIII is underway. It has development centred globalization: towards inclusive and sustainable growth and development as its main theme with 4 sub-themes. This conference is taking place at a historical juncture. This is the first conference in the second decade of the 21<sup>st</sup> century. It is also the first after the Fourth UN Conference on LDCs in Istanbul that adopted the Programme of Action for the development of LDCs for the next decade. We would like this IPoA to be integrated in the strategic plans of all UN agencies and international organisations to ensure its full and effective implementation.

At this juncture we would like to reassure the Secretary-General of the full support and commitment of the LDCs group to the preparatory process of the UNCTAD XIII conference early next year. We expect UNCTAD XIII to integrate the IPoA into its work plan and provide necessary support for its implementation. UNCTAD has remained a reservoir of information and knowledge on trade and

development related matters. We would like to see it further strengthened. UNCTAD's analytical and research reports have been of immense value for policy makers and have carved an important place in the aftermath of a series of ongoing crises.

**I thank you.**

